Public Document Pack

Finance Committee – Appendices for items 8, 9 & 10

Date: TUESDAY, 10 NOVEMBER 2020

Time: 1.45 pm

Venue: VIRTUAL PUBLIC MEETING (ACCESSIBLE REMOTELY)

Members:

Jeremy Mayhew (Chairman)
Deputy Jamie Ingham Clark (Deputy Chairman)
Munsur Ali
Rehana Ameer
Randall Anderson
Nicholas Bensted-Smith
Deputy Roger Chadwick
Dominic Christian
Graeme Doshi-Smith
Alderman Sir Peter Estlin
Alderman Prem Goyal
Caroline Haines
Michael Hudson
Deputy Wendy Hyde
Deputy Clare James
Alderman Gregory Jones QC
Angus Knowles-Cutler
Gregory Lawrence
Tim Levene
Oliver Lodge
Alderman Nicholas Lyons
Paul Martinelli
Andrew McMurtrie
Deputy Robert Merrett
Deputy Hugh Morris
Benjamin Murphy
Susan Pearson
William Pimlott
James de Sausmarez
John Scott
Ian Seaton
Sir Michael Snyder
Deputy James Thomson
Mark Wheatley
Deputy Philip Woodhouse
Deputy Catherine McGuinness, Policy and Resources Committee (Ex-Officio Member)
Sheriff Christopher Hayward, Policy and Resources Committee (Ex-Officio Member)
Deputy Tom Sleigh, Investment Committee (Ex-Officio Member)

Enquiries: **John Cater**
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Accessing the virtual public meeting
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To Follow

This meeting will be a virtual meeting and therefore will not take place in a physical location following regulations made under Section 78 of the Coronavirus Act 2020. A recording of the public meeting will be available via the above link following the end of the public meeting for up to one municipal year. Please note: Online meeting recordings do not constitute the formal minutes of the meeting; minutes are written and are available on the City of London Corporation's website. Recordings may be edited, at the discretion of the proper officer, to remove any inappropriate material.

John Barradell
Town Clerk and Chief Executive

AGENDA

8. **2019-20 CITY FUND AND PENSION FUND FINANCIAL STATEMENT**
Report of the Chamberlain.

For Decision
(Pages 109 - 396)

9. **CITY'S CASH FINANCIAL STATEMENTS 2019/20**
Report of the Chamberlain.

For Decision
(Pages 397 - 462)

10. **CITY'S CASH TRUST FUNDS AND SUNDRY TRUST FUNDS ANNUAL REPORTS AND FINANCIAL STATEMENTS 2019/20**
Report of the Chamberlain.

For Decision
(Pages 463 - 514)

THE CITY OF LONDON CORPORATION

Audited Statement of Annual Accounts for the City Fund Year Ended 31 March 2020

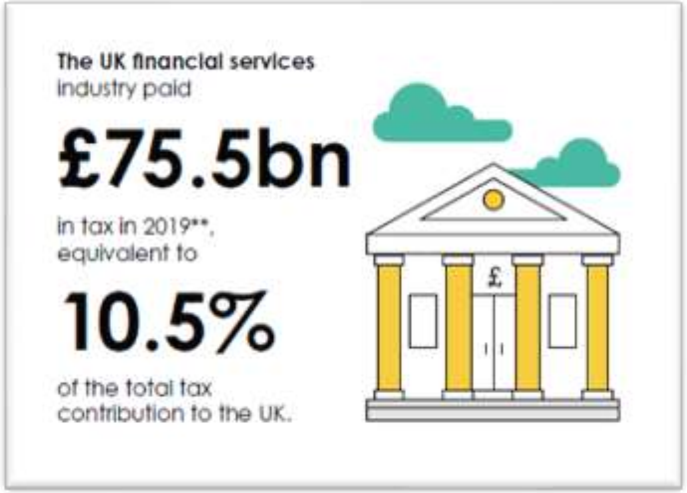
CITY OF LONDON

Contents

Preface

AN INTRODUCTION TO THE CITY OF LONDON CORPORATION

The City of London Corporation (City Corporation) is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK. The Square Mile is the historic centre of London and is home to the 'City' – the financial and commercial heart of the UK. Our reach extends far beyond the Square Mile's boundaries and across private, public and charitable and community sector responsibilities. This, along with our independent and non-party political voice, convening power and ability to work with others, enable us to promote the interests of people and organisations across London and the UK and play a valued role on the world stage.



The City Corporation is responsible for managing three funds, City Fund, City's Cash and Bridge House Estates. Bridge House Estates funds the maintenance of Tower, London, Southwark, Millennium and Blackfriars Bridges; and the work of City Bridge Trust (London's largest independent charitable funder) and City's Cash allows us to provide services that are of importance to Greater London as well as to the City at little or no cost to the public. More information about the City Fund is given in the following pages.

As the governing body of the Square Mile, we are responsible for delivering the functions of a local authority and a police authority for our residents, workers, learners and visitors, as well as being the port health and animal health authorities for London. There are approximately 7,500 residents living in the Square Mile. However, we have a high daytime population in the Square Mile made up of approximately 513,000 workers daily and approximately 19 million visitors annually.

CORPORATE STRATEGY

In 2018-19 the City Corporation launched a new Corporate Plan for 2018-23. It sets out our three aims which in turn are broken down into 12 outcomes (shown below). Our Plan commits us to strengthening the character, capacity and connections to the City, London and the UK for the benefit of residents, workers, learners and visitors. This Plan will guide our thinking and decision-making, providing us with the focus to achieve sustainable systemic change during what is likely to be another period of significant change on a global, national and regional level, bringing both threats and opportunities. These include preventing climate change, terrorism and cyber-crime, and countering their effects, which will all remain high priorities for the organisation. So too will retaining the UK's competitiveness, in the context of Brexit; increases in the cost of living; reductions in public sector spending and recovering from the impacts of COVID-19. We are also ensuring that we can support our residents, workers, visitors, partners and our own organisation to respond effectively to these disruptive changes.

Contribute to a flourishing society

1. People are safe and feel safe.
2. People enjoy good health and wellbeing.
3. People have equal opportunities to enrich their lives and reach their full potential.
4. Communities are cohesive and have the facilities they need.

Support a thriving economy

5. Businesses are trusted and socially and environmentally responsible.
6. We have the world's best legal and regulatory framework and access to global markets.
7. We are a global hub for innovation in finance and professional services, commerce and culture.
8. We have access to the skills and talent we need.

Shape outstanding environments

9. We are digitally and physically well-connected and responsive.
10. We inspire enterprise, excellence, creativity and collaboration.
11. We have clean air, land and water and a thriving and sustainable natural environment.
12. Our spaces are secure, resilient and well-maintained.

The Plan is designed to be used as a strategic framework for the organisation. It has therefore been aligned to corporate strategies, service level business plans, team plans and staff appraisal forms. This 'golden thread' allows us to monitor the impact of everything we do has on the aims and outcomes we have identified.

As an organisation we are committed to being relevant, responsible, reliable and radical – acting strategically and at pace in order to ensure everyone can share in the benefits we aim to create. This means that we must be open: to unlocking the full potential of our many assets – our people, heritage, green and urban spaces, funds, data and technology; to trying new things and learning as we go; and to working with our stakeholders and partners who share our aims. To deliver this we have developed a number of key strategies:

- **Responsible Business Strategy, 2018-25**: committing us to creating a positive impact and reducing negative impact across all our activities and decisions – encouraging those we work with externally to do the same.
- **Social Mobility Strategy, 2018-28:** committing us to bridge and reduce the social and economic divides that may be experienced by people during their lifetime, by maximising and promoting social mobility within businesses, organisations, central and local government and educational and cultural institutions.
- **Digital Skills Strategy, 2018-23:** committing us to equipping people and businesses across the City, London and beyond to take full advantage of digital technologies and innovations to help themselves and their economies thrive.
- **Apprenticeships Strategy, 2018-23:** committing us to a workforce and organisation that thrives through high-quality and wide-ranging apprenticeships that welcomes diverse talent and develops relevant skills.
- **Education, Skills and Cultural and Creative Learning Strategies, 2018-23:** Committing us to preparing people to flourish in a rapidly changing world through exceptional education, cultural and creative learning and skills which link to the world of work.
- **Transport Strategy 2019-2044:** provides a 25 year framework for future investment in and management of the City's streets, as well as measures to reduce the social, economic and environmental impact of motor traffic and congestion.

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OUR FUNDING STRUCTURE

In common with other local authorities, the City Fund received funding via grants from central government, a share of business rates income and the proceeds of the local council tax. The City Fund generates rental and interest income to help finance its activities. A breakdown of these amounts for 2019-20 is shown below in the financial summary for the year.

Whilst collecting more than £1.2bn in business rate income, the City Fund retains only a small proportion of the amounts collected from its area, in accordance with the national arrangements. The remainder is paid over to central government and is redistributed to local authorities throughout the country. Due to its special circumstances – notably its very low resident population and high daytime population – the City of London is allowed uniquely to set its own business rate. It may set this rate, subject to certain constraints, at a higher or lower level than the National Non-Domestic Rate determined by central government for the rest of the country. More information on the role and ongoing work of the City Corporation, can be found on the City's website at www.cityoflondon.gov.uk[1]

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

PERFORMANCE

Our recognised achievements in 2019-20 include awards within a range of schemes and categories:

Risk Management and Priorities for the Coming Year

Our risk management processes help us identify and manage the most significant risks to the organisation, by significant we mean those that could stop us achieving our strategic objectives or have a significant detrimental impact on the City of London Corporation. The Audit and Risk Management Committee maintains oversight for risk management and is ultimately responsible for ensuring that satisfactory arrangements are in place for this. The Committee endorsed a new Risk Management strategy for the City Corporation in January 2020.

The key risks to the organisation relate to managing the impact of the Covid-19 pandemic in both the short and medium term, Brexit, maintaining a safe and healthy environment and ensuring the financial sustainability of our operations. In the case of this last, the Covid-19 pandemic has had a significant impact and work is in hand to effectively manage this and other financial challenges to ensure the continued relevance of the services we provide to London and the UK.

OTHER DISCLOSURES

The Trade Union Regulations 2017 requires public authorities to disclose trade union activity as part of their annual accounts. The below tables set out the information required under this regulation. It outlines the volume of union activity as well as the annual cost to the City where union activity is carried out during working hours.

Trade Union representatives and full-time equivalents	
Number of trade union representatives (people)	36
FTE trade union representative	35

Total pay bill and facility time costs 2019-20	£m
Total City of London pay bill	217.3
Total cost of facility time	0.1
Percentage of pay spend on facility time	0.04%

Percentage of working hours spend on facility time by union representative	
0% of working hours	25
1% to 50% of working hours	9
51% to 99% of working hours	2
100% of working hours	0
Total	**36**

Paid trade union activities 2019-20	
Hours spend on paid facility time	3,179.5
Hours spend on trade union activities	0.0
Time spend on paid trade union activities as a percentage of total paid facility time	0.0%

FINANCIAL OUTLOOK

The City Corporation is about to embark on an ambitious programme of investment across its funds aimed at fulfilling its strategic aims and continuing to make the City the place people want to live, work and enjoy. For the City Fund these major projects include the Combined Courts project, which will relocate the Magistrates court to a new world class facility and the relocation of the Museum of London to a new purpose-built facility. These programmes require significant financial investment at a time where the City Fund is facing a number of threats to its funding and pressures on its services. These include:

- **Spending Review** – expected during 2020, there is unlikely to be significant additional government funding for local government, with the most likely outcome being a further squeeze.
- The **Fair Funding Review** of local government funding could shift resources away from London.
- **Business Rates** – the expected changes to the Business Rate Retention System have been delayed to 2021-22, but still present a significant risk to the City Corporation as this is a major source of funding for City Fund activity.
- **COVID-19** – The consequences of global pandemic are yet to fully unfold, but the estimated financial impact on City Fund stands at a deficit of £20.8m. A large number of the workers who travel into the City are working from home, reflecting the restrictions the Government has put in place to combate the spread of the virus. Changes will be required to the City's streets to enable social distancing as the restrictions on travel are gradually lifted. These, and other impacts, will be reflected upon and incorporated into our medium term financial plan, which will be reviewed over the summer.

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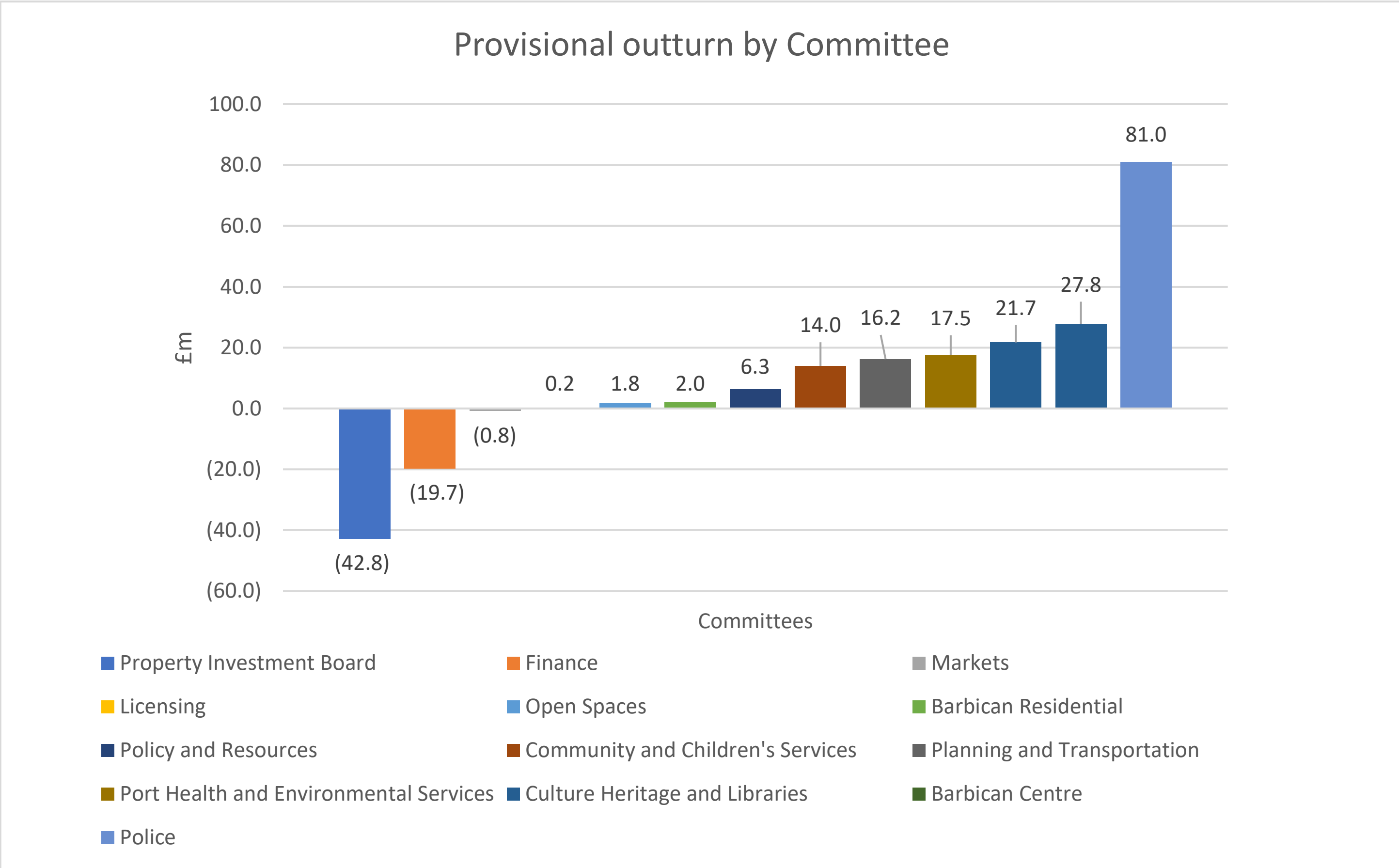
The below table sets out the current financial projections for City Fund across the medium-term planning horizon, prior to factoring in the impact of the COVID-19 pandemic. This highlights the financial challenge facing the City Fund. The City Corporation has already committed to undertake a fundamental review of its activities in light of the forecast deficit position, which will now have added emphasis in response to the impact of COVID-19 to ensure the City Corporation is in a financially sustainable position to deliver its corporate plan. The City Fund maintains adequate levels of both general and earmarked reserves (£178.1m) to support its functions across the short to medium term as these impacts become clearer.

City Fund Medium Term Forecast	20/21	21/22	22/23	23/24
	£'000	£'000	£'000	£'000
City Fund – (non Police) before Major Project financing costs	32.7	(2.2)	0.5	(0.8)
Police Forecast Deficit	(5.4)	(8.6)	(8.8)	(8.8)
Surplus/(Deficit) before Major project financing	**27.3**	**(10.8)**	**(8.3)**	**(9.6)**
Major project financing	0.0	(4.4)	(14.3)	(21.4)
City Fund Total Surplus/(Deficit)	**27.3**	**(15.2)**	**(22.6)**	**(31.0)**
Deficit Funding from City Fund reserve	**0.0**	**15.2**	**4.8**	**0.0**
Additional Savings Required	**0.0**	**0.0**	**17.8**	**31.0**

2019-20 FINANCIAL SUMMARY

Revenue Budget

Our budget for 2019-20 was agreed by the Court of Common Council (the City Corporations primary decision-making body) in March 2019 for both capital and revenue expenditure. The below chart sets out the revenue outturn by Committee, which reflects the operational areas of City Fund activity. The City Fund's largest area of spend is the City of London Police which is largely funded via grants from government along with a contribution from the business rate premium, which for 2019-20 was set at 0.6p. The City Corporation also benefits from a large property investment portfolio, manged by the Property Investment Board, which generates additional income to fund our services.



The adjacent table compares each committee outturn to its final budget for 2019-20. Taking into account service expenditure and funding from taxation and grants, the City Fund recorded a £43.4m underspend for the year. The most material variances and the reason for these are:

- Finance Committee – underspend due to slippage on supplementary revenue projects (SRP) and unspent contingencies.

- Port Health and Environmental Services – the underspend has been mainly due to additional income from the Heathrow Animal Reception Centre and reduced cyclical works programmes costs.

- Property Investment Board – the overspend is due to additional provisions for bad debt being made, reflecting on the anticipated impact of COVID-19 on businesses.

A breakdown of the City Fund taxation and grants income can be seen below.

2019-20 Budget v Outturn - City Fund Summary by Committee

	Budget	Provisional	Variation (Better)/Worse
Net Expenditure (Income)	**Net**	**Outturn**	**Total**
	£m	**£m**	**£m**
Barbican Centre	26.9	27.8	0.9
Barbican Residential	2.5	2.0	(0.5)
Community and Children's Services	14.2	14.0	(0.2)
Culture Heritage and Libraries	21.6	21.7	0.1
Finance	(13.8)	(19.7)	(5.9)
Licensing	0.1	0.2	0.1
Markets	(0.7)	(0.8)	(0.1)
Open Spaces	2.0	1.8	(0.2)
Planning and Transportation	16.9	16.2	(0.7)
Police	80.7	81.0	0.3
Policy and Resources	7.2	6.3	(0.9)
Port Health and Environmental Services	18.7	17.5	(1.2)
Property Investment Board	(45.1)	(42.8)	2.3
City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves.	**131.2**	**125.2**	**(6.0)**
Transfer from City of London Police Reserve		(0.3)	
Funding from Taxation and Grants		(167.2)	
2019-20 Transfer to City Fund Balance		**(42.3)**	

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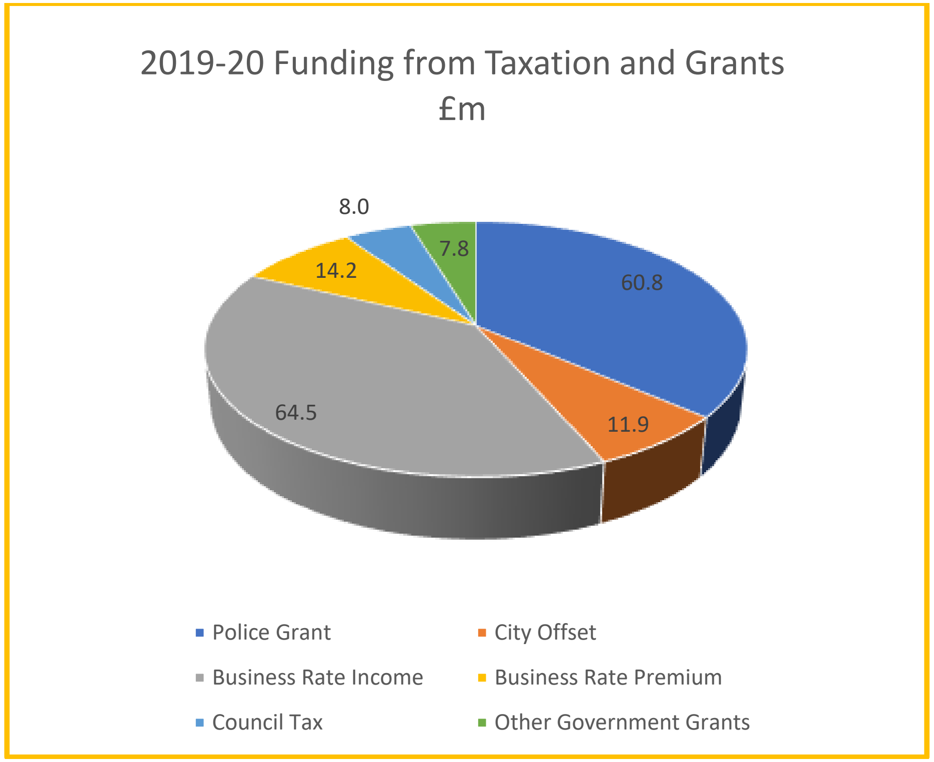
2019-20 was the second year of the London Business Rate Pool Pilot, which has been entered into by all 32 London Boroughs, the Greater London Authority (GLA) and the City Corporation, enabling the region to retain a greater share business rate income growth.

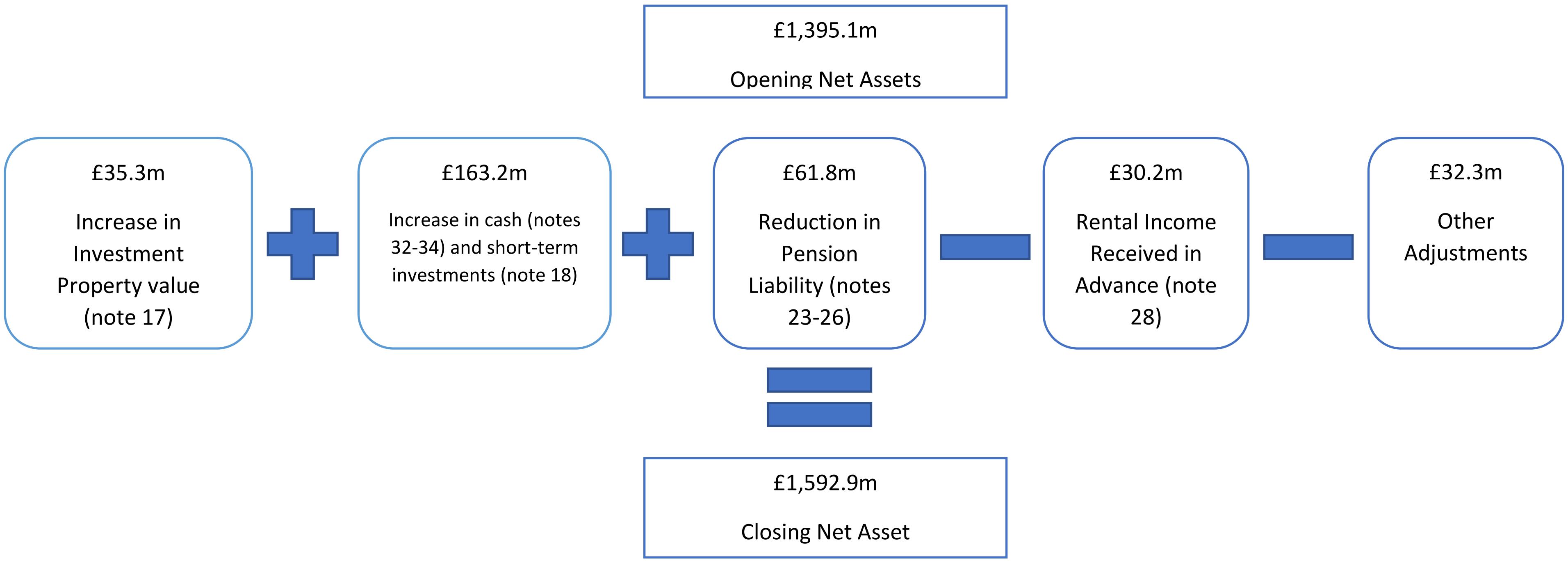
The City Corporation has acted as lead authority for the pool manging the cashflows between participating authorities and the pool benefit distribution model which has been agreed by all in the scheme. The 2019-20 pool is based on 75% growth being retained by London and has created an additional £210.9m of funding being retained in London compared to participating authorities acting individually. Of this gain, £179.3m has been distributed directly to participating authorities, of which the City Fund received £6.4m, whilst £31.6m has been retained in a Strategic Investment Pot (SIP) to fund sub-region projects to support sustainable growth of London’s economy and growth in business rates income.

As the City Corporation is the final decision maker for the allocation of SIP funds, these amounts have been included in the Comprehensive Income and Expenditure Statement (CI&ES). Payments of £10.9m due to successful projects are shown on the face of the C I&ES so not to confuse year on year comparison with Committee lines. An unallocated SIP balance of £21.3m has been taken to earmarked reserves pending future allocation to projects.



Balance Sheet

The City Corporation maintains a strong balance sheet position with net assets totalling £1,592m at year end, an increase of £198m from the previous year. The key movements contributing to this increase are shown below which also signposts the relevant notes to the accounts, which can provide more details about these movements.


£1,395.1m
Opening Net Assets
£35.3m
Increase in Investment Property value (note 17)
£163.2m
Increase in cash (notes 32-34) and short-term investments (note 18)
£61.8m
Reduction in Pension Liability (notes 23-26)
£30.2m
Rental Income Received in Advance (note 28)
£32.3m
Other Adjustments
£1,592.9m
Closing Net Asset

2019-20 STATEMENT OF ACCOUNTS

The 2019-20 Statement of Accounts have been prepared in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2019-20. The accounts have been structured to support the reader in understanding the local authority account framework, however, this remains a complex document, combining International Finance Reporting Standards (IFRS) alongside the statutory framework set by Government, which overrides these accounting standards.

There have been no significant changes to accounting standards or framework this year. However, on 23 March 2020, the UK Government initiated a "lockdown" in response to the COVID-19 pandemic, resulting in all non-essential activities ceasing and restricting being put in place on the movement of people. Whilst much of the impact from COVID-19 will be felt in 2020-21, the following areas have been impacted in 2019-20:

- **Valuation of property assets** – The City Corporation maintains a substantial portfolio of operational and investment property assets which are subject to valuation on an annual basis. The restriction put in place in response to COVID-19 has disrupted the property market, which has made the valuation process more challenging. To reflect these circumstances our valuers have placed a "material valuation uncertainty" caveat to their valuations, which states that their valuation carries a greater degree of judgement than would previously be the case due to the unprecedented circumstance being faced.
- **Recovery on outstanding debt** – Due to the economic impact of the lockdown measures, assumptions on the recovery of debt have been lowered, leading to an increase in the bad debt provision held, especially for outstanding rental income and parking enforcement fines.
- **Service operations** – in response to the restriction put in place by the Governments, the City Corporation has adopted a work from home policy where possible and revised its governance processes to ensure the City Corporations activities can continue. In most cases services have continued to be delivered, however due to the restrictions in place, activity at the Barbican Centre has been significantly curtailed and is unlikely to fully resume until 2021. This, and other impacts, will be reflected in the update MTFP produced over the summer.

The City of London Corporation's Responsibilities

The City of London Corporation is required to:

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

The Chamberlain's Responsibilities

The Chamberlain is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 ("the Code").

In preparing this Statement of Accounts, the Chamberlain has:

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

The Chamberlain has also:

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

Chamberlain’s Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the City Fund and the Pension Funds of the City of London Corporation at the reporting date and of its expenditure and income for the year ended 31 March 2020.

Dr Peter Kane

Chamberlain Date: XX Novemeber 2020

Page held pending formal approval from Finance Committee

Core Financial Statements

Comprehensive Income and Expenditure Statement

2018-2019				Notes	2019-2020		
Gross Expenditure	Gross Income	Net Expenditure/ (Income)			Gross Expenditure	Gross Income	Net Expenditure/ (Income)
£m	£m	£m			£m	£m	£m
			Services				
132.2	(61.0)	71.2	Police		140.0	(66.2)	73.8
56.2	(25.3)	30.9	Barbican Centre		58.4	(28.6)	29.8
28.9	(13.3)	15.6	Community & Children's Services		29.4	(14.1)	15.3
28.3	(16.1)	12.2	Housing Revenue Account (HRA)		21.1	(15.8)	5.4
35.9	(34.5)	1.4	Planning & Transportation		40.4	(33.8)	6.6
28.2	(14.7)	13.5	Port Health & Environmental Services		31.1	(15.0)	16.1
24.9	(2.9)	22.0	Culture, Heritage and Libraries		25.2	(2.9)	22.3
25.3	(14.0)	11.3	Finance		25.1	(14.5)	10.6
13.2	(14.2)	(1.0)	Barbican Residential		14.2	(15.8)	(1.6)
14.0	(6.3)	7.7	Policy & Resources		18.9	(7.5)	11.4
2.5	(0.6)	1.9	Open Spaces and City Gardens		2.6	(0.5)	2.1
1.6	(0.6)	1.0	Property Investment Board		1.5	(0.5)	1.0
1.0	(0.8)	0.2	Licensing		1.0	(0.8)	0.2
46.8	0.0	46.8	London NNDR Pool Strategic Investment Pot		10.9	0.0	10.9
18.6	0.0	18.6	Pension Past Service Cost		0.6	0.0	0.6
9.7	0.0	9.7	Major Project Cost		12.0	0.0	12.0
467.3	**(204.3)**	**263.0**	**Cost of Services**		**432.5**	**(216.0)**	**216.5**
		(2.3)	Other Operating Income	7			(41.3)
		(52.0)	Financing & Investment Income & Expenditure	7			(43.8)
		(243.3)	Taxation & Non-Specific Grant Income	7			(217.1)
		(34.6)	**(Surplus)/Deficit on the Provision of Services**				**(85.7)**
		(27.4)	Surplus on the Revaluation of Property, Plant & Equipment	13			(22.3)
		13.4	Remeasurements of the Pensions Liability	26			(87.8)
		0.2	Gain/Loss on Financial Instruments	18			0.0
		(13.8)	**Other Comprehensive (Income) & Expenditure**				**(110.1)**
		(48.4)	**TOTAL COMPREHENSIVE (INCOME) & EXPENDITURE**				**(195.8)**

An additional line has been added to the CI&ES to reflect a material items of spend that have occurred during 2019-20 which is for Major project costs in relation to the Museum of London relocation. Pension past service costs have been separately identified due to the McCloud employment tribunal judgement, which found the Governments pension reform to be discriminatory. This resulted in a material increase in pension past service costs in 2018-19.

Movement in Reserves Statement

	Notes	City Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
		£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2019 carried forward		**(122.1)**	**(3.8)**	**(21.6)**	**(33.9)**	**(3.2)**	**(184.6)**	**(1,210.5)**	**(1,395.1)**
Movement in reserves during 2019-20									
Total Comprehensive Income & Expenditure		**(91.3)**	**5.6**	**0.0**	**0.0**	**0.0**	**(85.7)**	**(110.1)**	**(195.8)**
Adjustments between accounting basis & funding basis under regulations	11	36.4	(1.9)	(52.1)	(5.1)	(0.2)	(22.9)	22.9	0.0
(Increase) or decrease in 2019-20		**(54.9)**	**3.7**	**(52.1)**	**(5.1)**	**(0.2)**	**(108.6)**	**(87.2)**	**(195.8)**
Balance at 31 March 2020 carried forward*		**(177.0)**	**(0.1)**	**(73.7)**	**(39.0)**	**(3.4)**	**(293.2)**	**(1,297.7)**	**(1,590.9)**

*The City Fund balance of £177.0m comprises unallocated revenue funds of £62.3m and earmarked revenue reserves of £114.7m (see note 12)

	Notes	City Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
		£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2018 carried forward		**(122.3)**	**(4.5)**	**(26.2)**	**(27.1)**	**(8.5)**	**(188.6)**	**(1,158.1)**	**(1,346.7)**
Movement in reserves during 2018-19									
Total Comprehensive Income & Expenditure		**(45.5)**	**10.9**	**0.0**	**0.0**	**0.0**	(34.6)	(13.8)	(48.4)
Adjustments between accounting basis & funding basis under regulations	11	45.7	(10.2)	4.6	(6.8)	5.3	38.6	(38.6)	0.0
(Increase) or decrease in 2018-19		**0.2**	**0.7**	**4.6**	**(6.8)**	**5.3**	**4.0**	**(52.4)**	**(48.4)**
Balance at 31 March 2019 carried forward**		**(122.1)**	**(3.8)**	**(21.6)**	**(33.9)**	**(3.2)**	**(184.6)**	**(1,210.5)**	**(1,395.1)**

** The City Fund balance of £122.1m comprises unallocated revenue funds of £44.1m and earmarked revenue reserves of £78.0m (see note 12)

Balance Sheet

The Statement of Accounts was authorised for issue by the Chamberlain on 30 June 2020. Events after the balance sheet date and up to XX November 2020 have been considered in respect of material impact on the financial statements.

The COVID-19 pandemic has resulted in large scale changes in how people and organisation operate. For City Fund, the main impact has been on its income generating areas. Restrictions in the operations at the Barbican Centre and its open spaces have led to projected losses in 2020-21. Income generated through the investment property portfolio and interest on cash balances have also been impacted. City Fund has also incurred additional costs in managing the impact of COVID-19 in the local area.

Through additional financial support from Government, further management of costs and utilisation of reserves were required, we will seek the manage through the current conditions.

We do not judge these factors to have changed materially the balances at the balance sheet date; and have therefore treated the COVID 19 impacts as non-adjusting post balance sheet events.

31 March 2019		Notes	31 March 2020
£m			£m
937.0	Property, Plant and Equipment	13	940.0
9.0	Heritage Assets	14	9.0
1,586.2	Investment Property	17	1,621.5
0.6	Intangible Assets		0.4
17.2	Long-Term Debtors	16	16.9
2,550.0	**Long-Term Assets**		**2,587.8**
688.3	Short-Term Investments		815.9
0.5	Assets Held for Sale		1.0
0.5	Inventories		0.6
0.2	Intangible Current Assets		0.0
184.0	Short-Term Debtors	20	158.4
38.5	Cash and Cash Equivalents		74.1
912.0	**Current Assets**		**1,050.0**
(363.1)	Short-Term Creditors	21	(382.0)
(72.7)	Provisions	22	(49.2)
(435.8)	**Current Liabilities**		**(431.2)**
(1,317.7)	Pensions Liability	23	(1,258.6)
(108.9)	Capital Grants and Contributions Received in Advance	27	(108.6)
(166.3)	Rents Received in Advance	28	(196.5)
(38.2)	Other Long-Term Liabilities	29	(52.0)
(1,631.1)	**Long-Term Liabilities**		**(1,615.7)**
1,395.1	**NET ASSETS**		**1,590.9**
(184.6)	Usable Reserves		(293.2)
(1,210.5)	Unusable Reserves	31	(1,297.7)
(1,395.1)	**TOTAL RESERVES**		**(1,590.9)**

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of City Fund during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Details of these movements are set out in note 32-34 of the accounts. The cash and cash equivalent balance is held in bank current accounts held by the City Corporation.

2018-19		Notes	2019-20
£m			£m
(34.6)	Net (surplus)/deficit on the provision of services		(85.7)
(132.5)	Adjustments for non-cash movements	32	(71.8)
33.0	Adjustments for items that are investing and financing activities	32	92.4
(134.1)	Net cash (inflows)/outflows from operating activities		(65.1)
33.9	Investing activities	33	74.6
116.9	Financing activities	34	(45.1)
16.7	Net (increase)/decrease in cash and cash equivalents		(35.6)
(55.2)	Cash and cash equivalents at the beginning of the reporting period		(38.5)
(38.5)	**Cash and cash equivalents at the end of the reporting period**		**(74.1)**

Notes to the Core Financial Statements

1. Critical Judgements in Applying Accounting Policies

In applying accounting policies authorities may have to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement that management considers will have a material effect on the amounts recognised in the financial statements is the net deficit on the City of London Pension Fund and the future levels of local government and police funding.

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

The Local Government funding regime is currently uncertain due to the delays in enacting reforms and the significant impact on the public sector financial outlook resulting from the COVID-19 pandemic. A Spending Review is expected to be completed during 2020 setting out the future funding arrangements for the sector. Whilst the outcome is uncertain, it is unlikely to see any significant increase in funding. In addition, the impact of the pandemic on the City Fund funding streams and costs is not yet clear. Whilst these uncertainties are in place, the City Corporation has not deemed it necessary to impair its assets linked to potential service changes at this point in time. Whilst there is uncertainty we would continue to regard ourselves as a going concern, linked to the level of reserves held, a history of prudent financial management and the Government funded activities we carry out, which can not be altered without statutory prescription.

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

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

(a) Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates in their proportionate share. Therefore, a provision has been recognised for the best estimate of successful appeals up to 31 March 2020. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of submitted appeals alongside an analysis of appeals trends which may lead to an appeal but has not yet been submitted. In making this judgement a number of assumptions have been made which include:

- The data used is for the calculations is based on the VOA listings of submitted appeals available as close to 31 March of each year.

- Estimated appeal losses are based on previous losses incurred on similar properties, the codes of appeal that has been submitted and trends seen on the rating list.
- No adjustment is made for the awarding of reliefs or exemptions.

The total value of the appeals provision is £101.1m, of which the City Corporation holds £49.2m (see note 22 for more information). This is however an estimate and is subject to the actions of business rate payers submitting appeals and the judgement of the VOA is assessing the validity and impact of claims. A 5% variance in our assessment would result in a +/- £5m change in our provision.

Due to the impact of COVID-19 the collection rate for business rates could potentially be impacted due to the failure of businesses. An assessment on the collection of outstanding debt has been carried out based in historic trends, with an £11m provision being set side to against £28m of outstanding debt.

(b) Pension Benefits

Estimation of the net liability to pay pensions depends on a number of complex adjustments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. The actuarial firm Barnett Waddingham LLP have been appointed as the City Corporation's actuary to provide the City Fund with expert advice about the assumptions to be applied.

The effect of changes in individual assumptions on the net pension liability can be measured but are complex and interact in a complex manner. For example the actuary determines the appropriate discount rate at the end of each year after taking account of the yield from a high quality bond of appropriate duration, a 0.1% decrease in the discount rate assumption across all 3 pension schemes (LGPS, Police and Judges') would result in an increase in the pension liabilities of City Fund of some £33.0m. Other key assumptions for pension obligations are based in part on current market conditions and demographic data. Additional information on pension schemes is given in notes 23 to 26.

(c) Property Valuations

The carrying values of property, plant and equipment and investment properties are primarily dependent on judgements of such variables as the state of the property market, location, asset lives, condition of the property, indices etc. Valuation is an inexact science with assessments provided by different surveyors rarely agreeing and with prices subsequently realised diverging from valuations. COVID-19 disrupted the property market ahead of valuations being carried out for the 2019-20 statement of accounts. Due to this disruption, our external valuers have inserted "material valuation uncertainty" clauses into their valuation report. Whilst valuation have been provided for all properties that it has been requested, these values are less certain than normal due to the market disruption.

A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. For example, a 1% reduction in the value of investment properties would result in a £16.2m debit to "Financing and Investment Income and Expenditure" in the Comprehensive Income and Expenditure Statement. Conversely, an increase in operational property values would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and/or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

Market movement are being monitored to ensure valuations are within reasonable tolerances. Additional information on investment property asset valuation is provided in note 17.

(d) Arrears

At 31 March 2020, the City Fund had a balance for rents, trade and sundry debtors of £53.6m (2018-19: £55.2m). A review of the length of time past due, progress on recovery action and forward look on economic factors which could influence recovery of the debt, including the impact of COVID-19, suggests that an impairment allowance for expected credit losses and doubtful debts of £10.5m (2018-19: £7.9m) was appropriate. If collection rates and/or economic factors were to deteriorate an increase in the amount of the impairment allowance would be required. Further details on the provision rates applied can be found in note 19.

Notes to the Comprehensive Income and Expenditure Statement

3. Expenditure and Funding Analysis

2018-19				2019-2020		
Net Expenditure Chargeable to City Fund and HRA Balances	Total Adjustments	Net Expenditure in the CIES		Net Expenditure Chargeable to City Fund and HRA Balances	Total Adjustments	Net Expenditure in the CIES
£'m	£'m	£'m		£'m	£'m	£'m
			Committees			
79.7	(8.5)	71.2	Police	80.4	(6.6)	73.8
29.2	1.7	30.9	Barbican Centre	27.6	2.2	29.8
14.4	1.2	15.6	Community and Children's Services	14.5	0.8	15.3
0.8	11.4	12.2	HRA	3.3	2.1	5.4
3.7	(2.3)	1.4	Planning and Transport	8.9	(2.3)	6.6
13.8	(0.3)	13.5	Port Health and Environmental Services	17.5	(1.4)	16.1
30.6	(8.6)	22.0	Culture, Heritage and Libraries	20.9	1.4	22.3
10.1	1.2	11.3	Finance	(19.7)	30.3	10.6
3.4	(4.4)	(1.0)	Barbican Residential	2.0	(3.6)	(1.6)
7.3	0.4	7.7	Policy and Resources	10.9	0.5	11.4
1.8	0.1	1.9	Open Spaces and City Gardens	2.0	0.1	2.1
(43.9)	44.9	1.0	Property Investment	(42.5)	43.5	1.0
0.2	0.0	0.2	Licensing	0.1	0.1	0.2
(0.9)	0.9	0.0	Markets	(0.7)	0.7	0.0
(12.8)	59.6	46.8	London NNDR Pool Strategic Investment Pot	(21.3)	32.2	10.9
0.0	18.6	18.6	Pension Past Service Cost	0.0	0.6	0.6
0.0	9.7	9.7	Major Project Cost	0.0	12.0	12.0
137.4	**125.6**	**263.0**	**Net Cost of Services**	**103.9**	**112.6**	**216.5**
(136.5)	(161.1)	(297.6)	Other Income and Expenditure	(155.1)	(147.1)	(302.2)
0.9	**(35.5)**	**(34.6)**	**(Surplus) or Deficit on the Provision of Services**	**(51.2)**	**(34.5)**	**(85.7)**
(126.8)			**Opening City Fund and HRA Balances**	**(125.9)**		
0.9			Add (Surplus) or Deficit on City Fund and HRA Balance in Year	(51.2)		
(125.9)			**Closing City Fund and HRA Balances at 31 March***	**(177.1)**		

* For a split of this balance between the City Fund and the HRA – see the Movement in Reserves Statement; page 19

Further information on the City Corporation's Committees can be found on the website at : http://democracy.cityoflondon.gov.uk/mgListCommittees.aspx?bcr=1

4. Note to the Expenditure and Funding Analysis

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

2018-19						2019-20				
Adjustments for Capital Purposes	**Net Changes for Pension Adjustments**	**Collection Fund Adjustment Account**	**Other Adjustments**	**Total Adjustments**	**Committees**	**Adjustments for Capital Purposes**	**Net Changes for Pension Adjustments**	**Collection Fund Adjustment Account**	**Other Adjustments**	**Total Adjustments**
£'m	**£'m**	**£'m**	**£'m**	**£'m**		**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
3.8	(13.0)	0.0	0.7	(8.5)	Police	4.5	(11.2)	0.0	0.1	(6.6)
0.0	1.3	0.0	0.4	1.7	Barbican Centre	0.0	1.9	0.0	0.3	2.2
0.0	0.5	0.0	0.7	1.2	Community and Children's Services	0.0	0.7	0.0	0.1	0.8
11.0	0.3	0.0	0.1	11.4	HRA	1.3	0.5	0.0	0.3	2.1
0.1	0.8	0.0	(3.2)	(2.3)	Planning and Transport	0.2	1.2	0.0	(3.7)	(2.3)
0.0	0.9	0.0	(1.2)	(0.3)	Port Health and Environmental Services	0.0	1.2	0.0	(2.6)	(1.4)
0.0	0.6	0.0	0.5	(8.6)	Culture, Heritage and Libraries	12.0	0.8	0.0	(11.4)	1.4
(12.1)	0.5	0.0	12.8	1.2	Finance	16.8	0.1	0.0	13.4	30.3
0.0	0.3	0.0	(4.7)	(4.4)	Barbican Residential	0.0	0.4	0.0	(4.0)	(3.6)
0.0	0.4	0.0	0.0	0.4	Policy and Resources	0.0	0.7	0.0	(0.2)	0.5
0.0	0.1	0.0	0.0	0.1	Open Spaces and City Gardens	0.0	0.1	0.0	0.0	0.1
0.1	0.0	0.0	44.8	44.9	Property Investment	0.1	0.0	0.0	43.4	43.5
0.0	0.0	0.0	0.0	0.0	Licensing	0.0	0.1	0.0	0.0	0.1
0.0	0.1	0.0	0.8	0.9	Markets	0.0	0.2	0.0	0.6	0.8
0.0	0.0	0.0	59.6	59.6	London NNDR Pool Strategic Investment Pot	0.0	0.0	0.0	32.2	32.2
0.0	18.6	0.0	0.0	18.6	Pension Past Service Cost	0.0	0.6	0.0	0.0	0.6
0.0	0.0	0.0	0.0	9.7	Major Project Cost	0.0	0.0	0.0	12.0	12.0
2.9	**11.4**	**0.0**	**111.3**	**125.6**	**Net Cost of Services**	**34.9**	**(2.8)**	**0.0**	**80.5**	**112.6**
(58.3)	32.1	(24.9)	(110.0)	(161.1)	Other Income and Expenditure	(105.8)	31.5	3.4	(76.2)	(147.1)
(55.4)	**43.5**	**(24.9)**	**1.3**	**(35.5)**	**Difference between the City Fund and HRA surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services**	**(70.9)**	**28.7**	**3.4**	**4.3**	**(34.5)**

Adjustments for Capital Purposes

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

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

Net Changes for Pensions Adjustments

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

Collection Fund Adjustment Account

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

Other Adjustments

This column includes:

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

The above adjustments net to nil overall. The net difference remaining relates to annual leave entitlement and financial instrument adjustments.

5. Expenditure and Income Analysed by Nature

City Fund income and expenditure included in the net cost of services is analysed below. The includes £10.9m of expenditure related to the London NNDR SIP, which is included under other service expense, and £32.2m of SIP income, which is recognised under government grant and other grants, contribution and reimbursements. It should also be noted that the 2019-20 amounts recognised under the business rate tariff and levy payments to Government and the business rate and council tax income lines have reduced due to the proportion of business rate income the City Corporation accounts for moving from 64% to 48%, with a corresponding reduction in tariff payments to Government. These changes are as a result of the London 75% Business Rates Pool Pilot.

2018-19		2019-20
£'m		**£'m**
	Expenditure	
197.4	Employee expenses	186.3
211.6	Other service expenses	200.4
38.0	Support service recharges	36.3
46.1	Depreciation, amortisation and impairments	42.1
31.6	Interest payments	31.0
0.5	Precepts and levies	0.5
590.0	Business rates tariff and levy payments to Government	443.3
0.4	Payments to Government's housing capital receipts pool	0.1
(3.8)	Gain on the disposal of assets	(42.4)
1,111.8	**Total expenditure**	**897.6**
	Income	
(180.8)	Fees, charges and other service income	(184.4)
(8.5)	Interest and investment income	(10.0)
(753.2)	Business rates and council tax income	(607.7)
(171.0)	Government grants and other grants, contributions and reimbursements	(150.8)
(32.9)	Unrealised gains on revaluation of investment properties	(30.4)
(1,146.4)	**Total Income**	**(984.4)**
(34.6)	**(Surplus) or Deficit on the Provision of Services**	**(85.7)**

6. Grant Income

2018-19	Credited to Services	2019-20
£m	Revenue Grants (Government)	£m
	Home Office	
(19.5)	Police Pensions	(17.1)
(6.2)	Counter Terrorism	(6.7)
(5.3)	National Cyber Security Programme	(6.3)
(0.4)	National Enabling Programme	(2.3)
(4.0)	National Fraud Intelligence Bureau	(4.3)
(2.5)	National Lead Force for Fraud	(2.3)
(1.0)	Other	(2.1)
(5.5)	Action Fraud Managed Services	(5.2)
(1.1)	Economic Crime Capability	(3.2)
(1.2)	National to Local Fraud & Cyber Data Sharing	(0.6)
	Department for Work and Pensions	
(4.5)	Housing and Council Tax Benefit	(4.1)
0.0	Other	(0.1)
(5.5)	HM Courts and Tribunals Service	(6.2)
	Department for Education	
(2.8)	Dedicated Schools Grant	(3.0)
(1.2)	Other	(0.8)

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2018-19	Credited to Services	2019-20
£m	Revenue Grants (Government) Continued	£m
	Ministry of Housing, Communities and Local Government	
(2.0)	Cost of Collection Allowance	(2.0)
(1.9)	Other	(2.3)
	Department for Health	
(1.6)	Public Health	(1.6)
(0.3)	Other	(0.3)
(3.3)	Transport for London	(3.2)
(1.6)	Intellectual Property Office	(1.9)
(0.9)	Greater London Authority	(1.2)
(0.2)	Department for International Development	(0.2)
(0.4)	Arts Council England	(0.5)
(1.4)	Other revenue grants (Government)	(2.1)
	Non-Government revenue grants and contributions	
(2.2)	S106/S278 and other developer contributions	(3.6)
(2.3)	UK Payments Administration Ltd	(2.5)
(3.6)	Association of British Insurers	(3.8)
(7.4)	Other	(7.5)
	Capital Grants and contributions (funding revenue expenditure under statute)	
(1.2)	Other	(1.2)
(91.0)	**Total**	**(98.2)**

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

7. Income and Expenditure below Cost of Services

2018-19 Net Expenditure/ (Income) £m		2019-20 Net Expenditure/ (Income) £m
(3.7)	Net Gain on Disposal of Fixed Assets	(42.4)
0.4	Inner and Middle Temple Precepts	0.4
0.1	Local levies	0.1
0.4	Payment to Government Housing Capital Receipts Pool	0.1
0.5	Pension Fund Administration Expenses	0.5
(2.3)	**Total Other Operating Income and Expenditure**	**(41.3)**
	Investment Properties	
(44.1)	Operational	(44.5)
(32.9)	Gain on revaluation	(30.4)
(8.5)	Interest receivable and similar income	(10.0)
31.6	Pension Interest Cost	31.0
(0.7)	Contribution from Trading Services	(0.5)
2.4	Impairment gains/losses	6.5
0.2	Financial Instrument gains/losses	4.1
(52.0)	**Total Financing and Investment Income and Expenditure**	**(43.8)**

Operational Investment Properties is comprised of income of (£62.1m) and operating expenses of £17.6m.

Contribution from Trading Services comprises a turnover of (£8.0m) and expenditure of £7.5m.

2018-19 Income £m		2019-20 Income £m
(67.9)	Retained National Business Rates	(62.5)
(12.2)	City Fund Non-Domestic Rates Premium	(14.2)
(11.6)	City Fund Offset	(11.9)
(7.5)	Council Tax Income	(7.7)
	Non Ringfenced Government Revenue Grants	
(56.8)	Police Core Grant	(60.8)
(7.3)	Other	(7.3)
(59.6)	London NNDR Pool Strategic Investment Pot	(31.6)
	Capital Grants & Contributions	
(0.4)	Home Office	(0.4)
(0.3)	Greater London Authority	(0.3)
(2.2)	Transport for London	(1.6)
(1.1)	Ministry of Justice	(1.3)
(10.2)	Section 106/278 Contributions	(11.0)
(5.4)	Community Infrastructure Levy	(6.4)
(0.6)	Department for Education	0.0
(0.2)	Other Capital Grants and Contributions	(0.2)
(243.3)	**Total Taxation and Non-Specific Grant Income**	**(217.1)**
(297.6)	**Total Income and Expenditure below Cost of Services**	**(302.2)**

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

8. Dedicated Schools Grants

In 2019-20, the City Fund received a specific grant from the Department for Education, the Dedicated Schools Grant (DSG), of £3.23m (2018-19: £2.98m). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2019. The Schools Budget includes elements for a range of education services provided on an authority-wide basis and for the Individual School Budget for maintained schools.

Details of the deployment of DSG receivable for 2019-20 are as follows:

2018-19	**Schools Budget Funded by DSG**		
	Central Expenditure	**Individual School Budget**	**Total**
	£m	**£m**	**£m**
Final DSG for 2018-19 before Academy recoupment	1.0	2.0	3.0
Academy Figure recouped for 2018-19	0.0	0.0	0.0
Total DSG after Academy recoupment for 2018-19	**1.0**	**2.0**	**3.0**
Plus: Brought forward from 2017-18	0.5	0.0	0.5
Less: Carry forward to 2019/20 agreed in advance	0.0	0.0	0.0
Agreed initial budgeted distribution in 2018-19	**1.5**	**2.0**	**3.5**
In year adjustments	0.0	0.0	0.0
Final budgeted distribution for 2018-19	1.6	2.0	3.5
Less: Actual central expenditure	(0.8)	0.0	(0.8)
Less: Actual ISB deployed to schools	0.0	(2.0)	(2.0)
Plus: Local authority contribution for 2018-19	0.0	0.0	0.0
Carry forward to 2019-20	**0.7**	**0.0**	**0.7**

2019-20	**Schools Budget Funded by DSG**		
	Central Expenditure	**Individual School Budget**	**Total**
	£m	**£m**	**£m**
Final DSG for 2019-20 before Academy recoupment	1.2	2.0	3.2
Academy Figure recouped for 2019-20	0.0	0.0	0.0
Total DSG after Academy recoupment for 2019-20	**1.2**	**2.0**	**3.2**
Plus: Brought forward from 2018-19	0.7	0.0	0.7
Less: Carry forward to 2020/21 agreed in advance	0.0	0.0	0.0
Agreed initial budgeted distribution in 2019-20	**1.9**	**2.0**	**3.9**
In year adjustments	0.0	0.0	0.0
Final budgeted distribution for 2019-20	1.9	2.0	3.9
Less: Actual central expenditure	(1.0)	0.0	(1.0)
Less: Actual ISB deployed to schools	0.0	(2.0)	(2.0)
Plus: Local authority contribution for 2019-20	0.0	0.0	0.0
Carry forward to 2020-21	**0.9**	**0.0**	**0.9**

9. Remuneration and Exit Packages of Employees

Tables 1 to 3 set out the information required in accordance with the Accounts and Audit Regulations 2015 for 2019-20 and 2018-19 respectively.

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

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

Table 3 relates to the Exit Packages of employees.

Table 1 – Remuneration in Bands

Proportion to City Fund				Proportion to City Fund		
Wholly charged		Partially Charged		Wholly charged		Partially Charged
2018-19			Salary Range	2019-2020		
Police Officers	Other		£	Police Officers	Other	
145	62	84	50 - 54,999	182	68	121
98	61	99	55 - 59,999	96	53	90
60	20	49	60 - 64,999	60	19	50
37	19	39	65 - 69,999	45	20	52
21	13	27	70 - 74,999	13	15	27
9	8	20	75 - 79,999	8	11	16
6	4	11	80 - 84,999	3	2	14
3	0	4	85 - 89,999	7	5	9
4	0	7	90 - 94,999	4	1	4
2	3	3	95 - 99,999	2	1	3
2	2	0	100 - 104,999	0	4	3
0	0	3	105 - 109,999	1	0	0
0	0	6	110 - 114,999	0	1	8
0	2	3	115 - 119,999	0	1	4
1	1	2	120 - 124,999	0	0	2
0	0	2	125 - 129,999	0	1	2
0	0	0	130 - 134,999	0	0	1
0	0	0	135 - 139,999	1	0	0
0	2	2	140 - 144,999	0	0	1
0	0	0	145 - 149,999	0	1	1
1	0	0	150 - 154,999	0	0	0
0	0	1	155 - 159,999	0	1	1
0	0	1	160 - 164,999	0	0	0
0	0	2	175 - 179,999	0	0	2
0	0	1	180 - 184,999	0	0	1
1	0	1	185 - 189,999	0	0	0
0	0	0	190 - 194,999	1	0	1
0	1	0	200 - 204,999	0	0	1
0	0	0	205 - 209,999	0	1	0
0	0	0	230 - 234,999	0	0	1
0	0	0	255 - 259,999	0	0	0
0	0	1	260 - 264,999	0	0	0
0	0	0	375 - 379,999	0	0	1
0	0	1	385 - 389,999	0	0	0
390	**198**	**369**	**Total**	**424**	**205**	**416**

Table 2 - Senior Officer Remuneration

2019-20	Proportion charged to Local or Police Authority Activities	Total Salary	Salary (including fees & allowances)	Bonus	Benefits in Kind	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including Pension Contributions
	%	£000	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year									
Town Clerk & Chief Executive - J. Barradell	55%	258	142	7	58	0	207	31	238
Chamberlain - P. Kane	60%	190	114	1	0	0	115	24	139
Police Commissioner - I. Dyson	100%	193	193	0	0	7	200	0	200
Managing Director Barbican Centre - N. Kenyon	100%	199	199	6	0	0	205	43	248
Comptroller & City Solicitor - M.Cogher	65%	168	109	5	0	0	114	24	138
City Surveyor - P Wilkinson	40%	154	62	10	0	0	72	15	87
Executive Director of Mansion House & Old Bailey - V Annells	30%	178	53	2	0	0	55	11	66
Director of Built Environment - C.Dwyer	100%	155	155	4	0	0	159	33	192
Salary is between £50,000 and £150,000									
Director of Community & Children's Services	100%	127	127	0	0	0	127	27	154
Director of Markets & Consumer Protection	55%	110	61	2	0	0	63	13	76
Director of Open Spaces	30%	111	33	0	0	0	33	7	40

2018-19	Proportion charged to City Fund	Total Salary	City Fund Proportion of Salary (including fees & allowances)	Bonus	Benefits in Kind	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including Pension Contributions
	%	£000	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year									
Town Clerk & Chief Executive - J. Barradell	55%	253	139	7	67	0	213	31	244
Chamberlain - P. Kane	60%	181	109	0	0	0	109	23	132
Police Commissioner - I. Dyson	100%	182	182	0	0	7	189	0	189
Managing Director Barbican Centre - N. Kenyon	100%	195	195	7	0	0	202	43	245
Comptroller & City Solicitor - M.Cogher	65%	155	101	5	0	0	106	22	128
City Surveyor – P. Wilkinson	40%	151	60	10	0	0	70	15	85
Executive Director of Mansion House & Old Bailey – V. Annells	30%	174	52	1	0	0	53	11	64
Salary is between £50,000 and £150,000									
Director of Built Environment	100%	139	139	3	0	0	142	31	173
Director of Community & Children's Services	100%	120	120	0	0	0	120	25	145
Director of Markets & Consumer Protection (until 31st December 2018)	55%	90	50	1	0	0	51	11	62
Interim Director of Markets & Consumer Protection (started 1st January 2019)	55%	27	15	0	0	0	15	3	18
Director of Open Spaces	30%	106	32	0	0	0	32	7	39

Table 3 - Exit Packages charged to City Fund

2018-19					2019-20			
Number of Compulsory Redundancies (FTE No.)	Number of Other Departures Agreed (FTE No.)	Total Number of Exit Packages by Cost Band (FTE No.)	Total Cost of exit Packages in Each Band (£'000)		Number of Compulsory Redundancies (FTE No.)	Number of Other Departures Agreed (FTE No.)	Total Number of Exit Packages by Cost Band (FTE No.)	Total Cost of exit Packages in Each Band (£'000)
8.0	7.0	15.0	150.7	£0 - £20,000	6.0	7.0	13.0	89.1
1.0	4.0	5.0	132.0	£20,001 - £40,000	2.0	0.0	2.0	65.2
0.0	2.0	2.0	86.3	£40,001 - £60,000	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	£60,001 - £80,000	0.0	0.0	0.0	0.0
1.0	0.0	1.0	93.9	£80,001 - £100,000	0.0	0.0	0.0	0.0
1.0	0.0	1.0	119.2	£100,001 - £150,000	1.0	0.0	1.0	112.6
0.0	0.0	0.0	0.0	£150,001 - £200,000	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	£200,001 - £250,000	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0	£250,001 - £300,000	0.0	0.0	0.0	0.0
11.0	**13.0**	**24.0**	**582.1**	**Total**	**9.0**	**7.0**	**16.0**	**266.9**

10. Audit Fees

Costs incurred in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the City Fund's external auditor, BDO LLP are set out in the adjacent table. Audit Fees of £22,000 (2018-19: £22,000) in respect of the City of London Pension Fund are met by the Pension Fund and are not included in the table.

The 2018-19 fees have been updated to reflect agreed additional fees of £61,000. The additional fees comprise statutory audit fees 2018-19 of £48,000 (original fee £80,000) and certification of grant claims 2018-19 of £13,000 (original fee £10,000).

2018-19		2019-20
£'000		£'000
128.0	External audit services carried out by the appointed auditor under the National Audit Office Code of Audit Practice in accordance with the Local Audit and Accountability Act 2014.	108.0
23.0	Certification of grant claims and returns by the appointed auditor	18.0
4.0	Non-audit fees - other grant and certification fees	4.0
155.0		**130.0**

Notes to the Movement in Reserves Statement

11. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

City Fund Balance

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

Housing Revenue Account (HRA) Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Major Repairs Reserve

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

2019-20	Usable Reserves					Movement in Unusable Reserves
	City Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	
	£m	£m	£m	£m	£m	£m
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements						
Pensions costs (transfers to or from the Pensions Reserve)	(28.2)	(0.5)				28.7
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	(3.4)					3.4
Holiday pay (transfers to or from the Accumulated Absences Reserve)	(0.2)					0.2
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (transfers to or from the Capital Adjustment Account)	(17.9)	(5.1)				23.0
Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account	6.6			(6.6)		0.0
Transfer to the Pooled Investment Reserve	(4.1)					4.1
Total Adjustments to Revenue Resources	**(47.2)**	**(5.6)**	**0.0**	**(6.6)**	**0.0**	**59.4**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	69.8	0.5	(70.3)			0.0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(0.4)		0.4			0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.1)		0.1			0.0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	14.3					(14.3)
Posting of HRA resources from revenue to the Major Repairs Reserve		3.2			(3.2)	0.0
Total Adjustments between Revenue and Capital Resources	**83.6**	**3.7**	**(69.8)**	**0.0**	**(3.2)**	**(14.3)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			18.4			(18.4)
Use of the Major Repairs Reserve to finance capital expenditure					3.0	(3.0)
Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account)				1.5		(1.5)
Cash payments in relation to deferred capital receipts			(0.7)			0.7
Total Adjustments to Capital Resources	**0.0**	**0.0**	**17.7**	**1.5**	**3.0**	**(22.2)**
Total Adjustments	**36.4**	**(1.9)**	**(52.1)**	**(5.1)**	**(0.2)**	**22.9**

2018-19	Usable Reserves					Movement in Unusable Reserves
Comparative Figures	**City Fund Balance**	**Housing Revenue Account**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Major Repairs Reserve**	
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements						
Pensions costs (transfers to or from the Pensions Reserve)	(43.3)	(0.3)				43.6
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	24.9					(24.9)
Holiday pay (transfers to or from the Accumulated Absences Reserve)	(1.2)					1.2
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (transfers to or from the Capital Adjustment Account)	8.6	(12.2)				3.6
Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account	7.6			(7.6)		0.0
Total Adjustments to Revenue Resources	**(3.4)**	**(12.5)**	**0.0**	**(7.6)**	**0.0**	**23.4**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	8.4	1.8	(10.2)			0.0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(0.1)		0.1			0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.4)		0.4			0.0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	41.8					(41.8)
Posting of HRA resources from revenue to the Major Repairs Reserve		0.5			(0.5)	0.0
Other adjustments	(0.6)		0.4	0.1		0.1
Total Adjustments between Revenue and Capital Resources	**49.1**	**2.3**	**(9.3)**	**0.1**	**(0.5)**	**(41.7)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			14.6			(14.6)
Use of the Major Repairs Reserve to finance capital expenditure					5.8	(5.8)
Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account)				0.7		(0.7)
Cash payments in relation to deferred capital receipts			(0.7)			0.7
Total Adjustments to Capital Resources	**0.0**	**0.0**	**13.9**	**0.7**	**5.8**	**(20.4)**
Total Adjustments	**45.7**	**(10.2)**	**4.6**	**(6.8)**	**5.3**	**(38.6)**

12. Transfers (to)/from Earmarked Revenue Reserves

This note sets out the amounts set aside within the City Fund Balance in earmarked revenue reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet City Fund expenditure in 2019-20.

	Notes	Balance at 31 March 2018	Transfers Out 2018-19	Transfers In 2018-19	Balance at 31 March 2019	Transfers Out 2019-20	Transfers In 2019-20	Balance at 31 March 2020
		£m	£m	£m	£m	£m	£m	£m
Highway Improvements	(i)	(29.9)	6.8	(13.7)	(36.8)	5.0	(10.9)	(42.7)
London NNDR Pool SIP	(ii)	0.0	0.0	(12.8)	(12.8)	0.0	(21.3)	(34.1)
Major Projects Reserve	(iii)	0.0	38.4	(46.7)	(8.3)	15.6	(24.2)	(16.9)
Police Future Expenditure	(iv)	(6.9)	5.9	(0.7)	(1.7)	0.3	(1.5)	(2.9)
Crime Reduction Initiatives	(v)	(3.0)	0.5	0.0	(2.5)	1.5	(0.4)	(1.4)
Other Earmarked Reserves	(vi)	(15.7)	2.1	(2.3)	(15.9)	1.8	(2.6)	(16.7)
Total		**(55.5)**	**53.7**	**(76.2)**	**(78.0)**	**24.2**	**(60.9)**	**(114.7)**

(i) Highway Improvements - Created from on-street car parking surpluses to finance future highways related expenditure and projects as provided by section 55 of the Road Traffic Regulation Act 1984, as amended by the Road Traffic Act 1991.

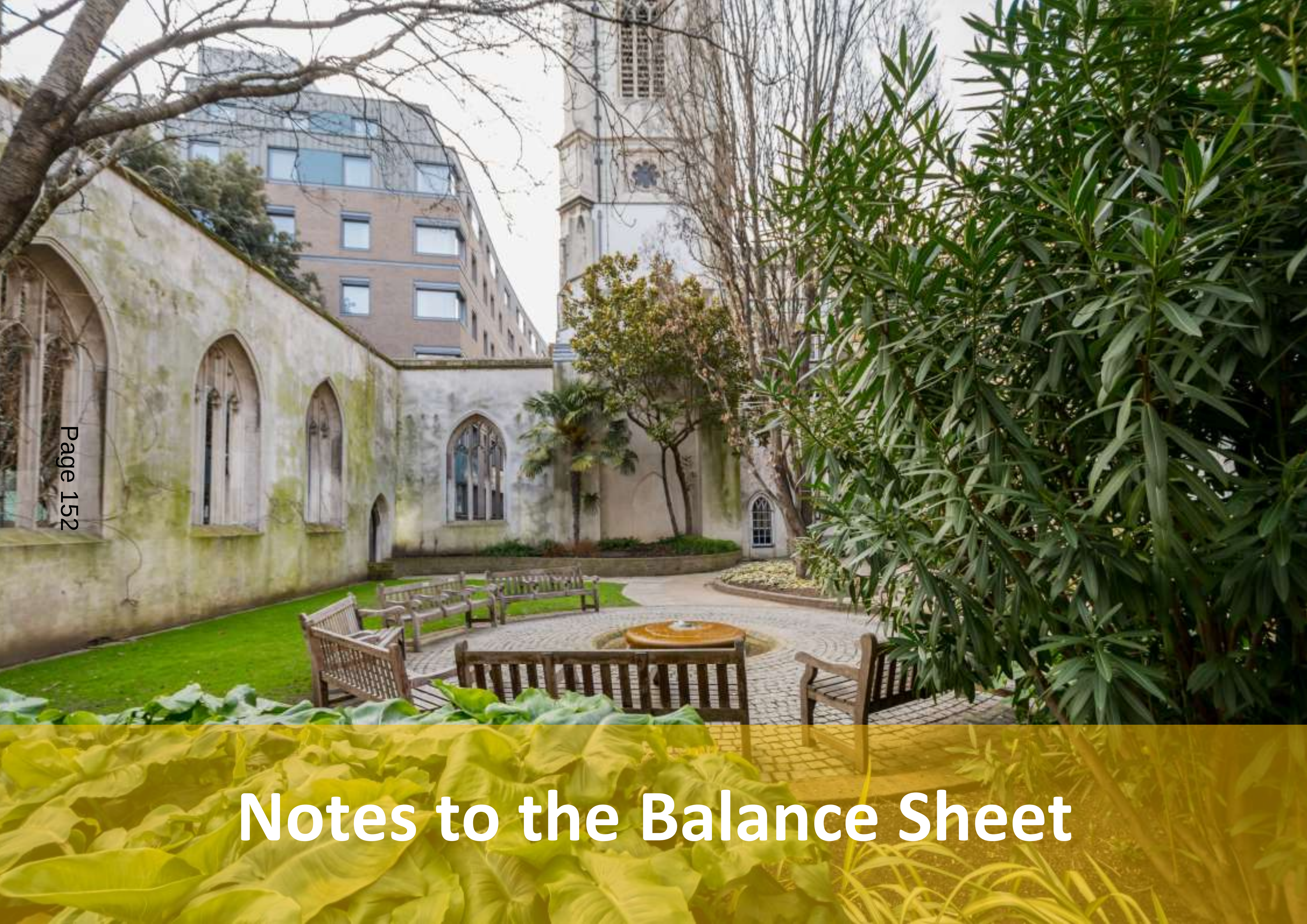
(ii) Unallocated London NNDR Pool Strategic Investment Pot (SIP) – This relates to yet to be allocated SIP funds generate through the London NNDR Pool. The City Corporation acts a lead authority for the pool and in that role has the final say on the allocation of SIP funds.

(iii) Major Projects Reserve – This reserve has been established to fund the 2 major projects funded from City Fund resources, the Combined Criminal Court and the Museum of London Relocation. £24.2m has been transferred in from the City Fund general reserve with £15.6m funding works on these projects during 2019-20.

(iv) Police Reserve - Revenue expenditure for the City Police service is cash limited. The net position each year is taken from/to this reserve to fund future service costs.

(v) Under the guidelines of the Proceeds of Crime Scheme funds received by the City Police must be ring fenced for “crime reduction initiatives”.

(vi) Other Earmarked Reserves – The total for all other reserves set aside for specific purposes including service projects, VAT, the School’s reserve and renewals and repairs.



Notes to the Balance Sheet

13. Property, Plant and Equipment

Movements on Balances 2019-20	Council Dwellings	Other Land & Buildings	Leasehold Improvements	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation									
at 1 April 2019	309.9	499.4	62.5	38.1	109.2	1.5	30.8	3.7	**1,055.1**
Additions	1.5	5.5	2.7	8.4	9.1	0.0	14.0	0.0	**41.2**
Transfers	2.4	12.6	4.5	0.0	0.0	0.0	(23.2)	0.0	**(3.7)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(3.4)	11.5	0.0	0.0	0.0	0.0	0.0	0.1	**8.2**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1.8)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	**(1.9)**
Derecognition - disposals	(4.9)	(23.0)	0.0	(0.8)	0.0	0.0	0.0	0.0	**(28.7)**
Assets reclassified (to)/from Held for Sale	0.0	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	**(0.3)**
at 31 March 2020	**303.7**	**505.6**	**69.7**	**45.7**	**118.3**	**1.5**	**21.6**	**3.8**	**1,069.9**
Accumulated Depreciation and Impairment									
at 1 April 2019	(0.1)	(5.5)	(27.2)	(25.7)	(58.9)	0.0	0.0	(0.7)	**(118.1)**
Depreciation Charge	(2.9)	(10.7)	(2.2)	(4.1)	(7.8)	0.0	0.0	(0.1)	**(27.8)**
Depreciation written out to the Revaluation Reserve	2.3	11.0	0.0	0.0	0.0	0.0	0.0	0.1	**13.4**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.6	0.5	0.0	0.0	0.0	0.0	0.0	0.0	**1.1**
Derecognition - disposals	0.0	0.1	0.0	0.8	0.0	0.0	0.0	0.0	**0.9**
Derecognition - other	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	**0.6**
at 31 March 2020	**(0.1)**	**(4.0)**	**(29.4)**	**(29.0)**	**(66.7)**	**0.0**	**0.0**	**(0.7)**	**(129.9)**
Net Book Value									
at 31 March 2019	**309.8**	**493.9**	**35.3**	**12.4**	**50.3**	**1.5**	**30.8**	**3.0**	**937.0**
at 31 March 2020	**303.6**	**501.6**	**40.3**	**16.7**	**51.6**	**1.5**	**21.6**	**3.1**	**940.0**

Property, Plant and Equipment (Continued)

Movements on Balances 2018-19	Council Dwellings	Other Land & Buildings	Leasehold Improvements	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation									
at 1 April 2018	324.7	471.0	61.6	44.0	98.0	1.5	24.6	6.3	**1,031.7**
Additions	4.7	2.7	0.9	5.7	11.2	0.0	13.4	0.3	**38.9**
Transfers	6.4	(2.9)	0.0	0.0	0.0	0.0	(7.2)	(0.4)	**(4.1)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(13.8)	28.9	0.0	0.1	0.0	0.0	0.0	(0.3)	**14.9**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8.6)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	**(8.7)**
Derecognition - disposals	(3.5)	(0.2)	0.0	(11.7)	0.0	0.0	0.0	(2.2)	**(17.6)**
at 31 March 2019	**309.9**	**499.4**	**62.5**	**38.1**	**109.2**	**1.5**	**30.8**	**3.7**	**1,055.1**
Accumulated Depreciation and Impairment									
at 1 April 2018	(0.1)	(5.0)	(24.2)	(34.1)	(52.0)	0.0	0.0	(0.7)	**(116.1)**
Depreciation Charge	(2.9)	(10.4)	(3.0)	(3.3)	(6.9)	0.0	0.0	(0.1)	**(26.6)**
Depreciation written out to the Revaluation Reserve	2.5	9.9	0.0	0.0	0.0	0.0	0.0	0.1	**12.5**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.4**
Derecognition - disposals	0.0	0.0	0.0	11.7	0.0	0.0	0.0	0.0	**11.7**
at 31 March 2019	**(0.1)**	**(5.5)**	**(27.2)**	**(25.7)**	**(58.9)**	**0.0**	**0.0**	**(0.7)**	**(118.1)**
Net Book Value									
at 31 March 2018	**324.6**	**466.1**	**37.4**	**9.9**	**46.0**	**1.5**	**24.6**	**5.6**	**915.6**
at 31 March 2019	**309.8**	**493.9**	**35.3**	**12.4**	**50.3**	**1.5**	**30.8**	**3.0**	**937.0**

Depreciation

The useful lives and depreciation rates generally used in the calculation of depreciation are listed below.

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

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

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

Commitments

Significant capital commitments of some £46.8m were outstanding at 31 March 2020, detailed as:

- £20.7m outstanding in respect of a major housing development at Golden Lane Estate
- £13.1m relating to phase 4 works at Central Criminal Court (Old Bailey)
- £5.4m relating to the Fleet Street Redevelopment design
- £5.7m in respect of heating and hot water replacement schemes at York Way and Middlesex Street Estates
- £1.9m relating to CCTV and access control works at the Barbican Centre

Revaluations

The following have been revalued at 31 March 2020 in accordance with the Rolling Five Year Programme of Revaluation or to reflect material changes in value:

- Barbican Estate residential properties, commercial properties, baggage stores, and car bays
- Housing Dwellings (including guest flats)
- Housing Commercial Properties (shops, garages and parking spaces etc)
- Properties at the City of London Cemetery and Crematorium
- Barbican Centre, including the Barbican lending library
- Central Criminal Court
- Cleansing Depot and Offices at Walbrook Wharf
- Guildhall complex properties in the ownership of City Fund
- Police Stations
- Spitalfields Market
- Surplus Properties
- Public Car Parks
- Investment Properties
- Assets Held for Sale - HRA non-dwelling properties at Holloway

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

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

14. Heritage Assets

The carrying value of heritage assets currently held in the Balance Sheet at historic cost is £9.0m (2018-19 £9.0m) which relates almost exclusively to one asset – the capital's only Roman Amphitheatre. The amphitheatre was discovered in Guildhall Yard during an archaeological dig taking place in preparation for a building project. In 2002, the doors to the amphitheatre opened for the first time in nearly 2,000 years.

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

Further information on the Roman Amphitheatre and the London Metropolitan Archives, including opening times and details of the collections held by the LMA, can be found on the City Corporation website (https://www.cityoflondon.gov.uk/things-to-do/london-metropolitan-archives/about/Pages/default.aspx)

15. Capital Expenditure and Finance

The total amount of capital expenditure incurred in the year is shown, in the table below, together with the resources that have been used to finance it. Where assets are acquired under finance leases (see note 30) the transactions are considered to be the same as if the City Fund had purchased the assets and financed this by taking out a loan. Liabilities are therefore recognised for the same amount as the assets acquired under finance leases.

A nil or negative Capital Financing Requirement (CFR) indicates that the City Fund's provision for debt is equal to or greater than the debt incurred. Where capital expenditure is to be financed in future years by charges to revenue the expenditure results in a positive CFR, a measure of the capital expenditure incurred historically that has yet to be financed. The net increase in the capital financing requirement of £1.7m reflects the recognition of £2.7m of vehicles used exclusively in the delivery of the cleansing service, partially offset by a £1m minimum revenue provision made in the year, with no change in the underlying need to borrow.

2018-19		**2019-20**
£m		**£m**
44.6	**Opening Capital Financing Requirement**	**43.6**
	Capital Investment	
38.9	Property, Plant and Equipment	41.2
28.3	Investment Properties	1.1
10.9	Revenue Expenditure Funded for Capital Under Statute	13.2
	Sources of Finance	
(1.0)	Minimum Revenue Provision	(1.0)
(14.7)	Capital Receipts	(18.4)
(15.8)	Capital grants, contributions and donations	(17.0)
(47.6)	Direct revenue contributions	(17.4)
43.6	**Closing Capital Financing Requirement**	**45.3**

2018-19		**2019-20**
£m		£m
	Explanation of movement in year	
(1.0)	Minimum Revenue Provision	(1.0)
0.0	Assets acquired under finance leases	2.7
0.0	Increase in underlying need to borrow	0.0
(1.0)	**Increase/(decrease) in Capital Financing Requirement**	**1.7**

16. Long Term Debtors

31 March 2019		31 March 2020
£m		**£m**
12.4	Net Investment in Finance Leases	12.4
1.7	Loans to Museum of London (repayable by 2032)	1.5
2.9	Rent	2.8
0.1	Museum in Docklands Loan	0.1
0.1	Service Charge Loans	0.1
17.2	**Total**	**16.9**

17. Investment Properties

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2018-19		2019-20
£m		**£m**
1,521.8	Balance at start of the year	**1,586.2**
3.7	Transfers	4.0
	Additions:	
28.3	Purchases	0.4
0.0	Subsequent expenditure	0.5
(0.5)	Disposals	0.0
	Revaluations:	
32.9	Net gains from fair value adjustments	30.4
1,586.2	**Balance at end of the year**	**1,621.5**

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

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

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

As part of the annual valuation of our investment properties, our external valuers have determined a proportion of the portfolio has been valued on a level 3 basis. This means there are some significant unobservable inputs which determine the value of these properties, namely the market rent and yield when using the valuation method highlighted above. The below table set out the sensitivity of the property valuations to these inputs based on a +/- 0.5% change in yield and +/-5% change in market value.

Description of Asset	Asset Valuation Range	Value at 31 March 2020 (£m)
Investment Property	+/-0.5%	1,432.1

The movement in level 3 valuations for the year 2019-20 shown below. The change in valuation basis has been recognised at the point of valuation i.e. 31 March.

	1 April 2019	Transfers into Level 3	Transfer out of Level 3	Purchases	Sales	Unrealised Gain/Loses	31 March 2020
	£m	£m	£m	£m	£m	£m	£m
Investment Property	1,423.4	0.0	0.0	0.0	0.0	8.7	1,432.1

18. Financial Instruments

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

Categories of Financial Instruments

The financial instruments disclosed in the Balance Sheet are made up of the following categories under IFRS 9.

Long Term	Current		Long Term	Current
31 March 2019	31 March 2019		31 March 2020	31 March 2020
£m	£m		**£m**	**£m**
		Investments		
0.0	383.7	Fair value through profit and loss	0.0	314.0
0.0	304.6	Amortised Cost	0.0	503.1
0.0	0.0	Fair value through other comprehensive income – designated equity	0.0	0.0
0.0	**688.3**	**Total Investments**	**0.0**	**817.1**
		Debtors		
17.2	46.0	Amortised Cost	16.9	30.8
17.2	**46.0**	**Total Debtors**	**16.9**	**30.8**
		Creditors		
0.0	(97.3)	Amortised Cost	0.0	(80.8)
0.0	**(97.3)**	**Total Creditors**	**0.0**	**(80.8)**
		Long Term Liabilities		
(3.1)	0.0	Amortised Cost	(5.9)	0.0
(3.1)	**0.0**	**Total Long Term Liabilities**	**(5.9)**	**0.0**

Investments

The City Fund's investments comprise cash that is not required for day to day purposes invested in deposits of varying fixed lengths and money market funds (including short dated bonds). Investments in fixed term deposits, call accounts and notice accounts are classified as amortised cost financial assets because they comprise of cash flows which are solely payments of principal and interest. Investment in money market funds are classed as fair value through profit or loss financial assets as the net asset value of these funds can vary slightly.

Income, Expense, Gains and Losses

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

2018-19		**2019-20**
£m		**£m**
0.2	Net loss on financial assets at fair value through profit and loss	4.1
0.2	**Total net (gains)/losses in Surplus or Deficit on the Provision of Services**	**4.1**
(8.5)	Interest revenue from financial assets	(10.0)
(8.5)	**Total interest revenue in Surplus or Deficit on the Provision of Services**	**(10.0)**

Fair Value of Assets and Liabilities

Financial assets held at fair value through profit and loss are valued using unadjusted quoted prices in active markets for identical assets (level 1 inputs in the fair value hierarchy).

All other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

31 March 2019			31 March 2020	
Carrying Amount	**Fair Value**		**Carrying Amount**	**Fair Value**
£m	**£m**		**£m**	**£m**
		Financial assets		
688.5	688.3	Short Term Investments	817.1	817.1
7.1	7.1	Long Term Debtors - investment properties	7.1	7.1
10.1	10.1	Long Term Debtors - other	9.8	9.8
705.7	**705.5**	**Total financial assets**	**834.0**	**834.0**
		Financial liabilities		
(97.3)	(97.3)	Short Term Creditors	(80.8)	(80.8)
(3.1)	(3.1)	Long Term Liabilities	(5.9)	(5.9)
(100.4)	**(100.4)**	**Total financial liabilities**	**(86.7)**	**(86.7)**

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

19. Nature and Extent of Risks arising from Financial Instruments

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

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

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

The emergence of COVID-19 in the first quarter of 2020 and the public health measures taken in United Kingdom to mitigate the spread of the virus have not significantly increased the City Fund's exposure to credit or liquidity risks arising from financial instruments.

Credit Risk

Credit risk arises from deposits with banks, other financial institutions and other local authorities, as well as credit exposures to the City Fund's customers. Deposits are only made with banks with a minimum Fitch (a leading credit rating agency) "rating" of Long term A and Short term F1 or are building societies with assets over £9bn (or which have a minimum credit rating similar to that set for the banks). The City Fund also invests in money market funds, which are subject to a minimum credit rating of AAAmmf (Fitch) or equivalent. The City Fund also holds investments in in two Short Dated Bond Funds. These financial instruments typically do not obtain their own standalone credit rating. Instead, the funds will invest in a wide array of investment grade instruments, which the City Corporation actively monitors in terms of the fund's composition and credit quality of its underlying assets.

The creditworthiness of the counterparties on the City Fund's lending list is carefully monitored. 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. Security of the investments is the prime criteria when selecting investments with liquidity and yield being secondary and tertiary considerations. The lending limits attributable to HSBC, Barclays, Goldman Sachs International Bank, NatWest and Santander UK were maintained at maximum lending limits of £100m each during 2019-20, and Lloyds Bank was fixed at £150m (Lloyds being the City of London Corporation's banker). The lending limit for the Nationwide Building Society was maintained at £120m. The maximum duration for such loans is 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 is 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 five highly rated money market funds (Aberdeen Sterling Liquidity Fund, CCLA Public Sector Deposit Fund, Deutsche Managed Sterling Fund, Federated Short-Term Sterling Prime Fund, and Invesco Sterling Liquidity Portfolio); three highly rated Ultra-Short Dated Bond Funds (Federated Sterling Cash Plus Fund, Aberdeen Standard Investments Short Duration Managed Liquidity Fund and Payden Sterling Reserve Fund); and two Short Dated Bond Funds (Legal & General Short Dated Sterling Corporate Bond Index Fund and Royal London Investment Grade Short Dated Credit Fund). The City Corporation also lends to other UK local authorities with a limit of £25m to any individual authority.

The City Fund's maximum exposure to credit risk in relation to its investments in banks, building societies, local authorities 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 amount borrowed would be specific to each individual institution. No credit limits were exceeded during the reporting period and the City Fund does not expect any losses from non-performance by any counterparty in relation to outstanding deposits. As at 31 March 2020 the City Fund had £888.7m in cash, cash equivalents and investments.

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

31/03/2020	<3 months	3-6 months	6-12 months	>1 year	Total
Expected loss rate excluding HRA*	13%	23%	33%	73%	-
Expected loss rate	12%	22%	22%	18%	-
Gross carrying amount (£m)	16.9	2.1	0.9	4.9	24.8
Loss provision (£m)	2.1	0.4	0.2	0.9	3.6

*Debt in the region of £4.3m relates to an outstanding legal case with leaseholders of HRA property regarding recovery of major capital works costs. A loss provision has not been made for this debt as the outcome of the case is currently not known.

The City Fund, along with other Funds of the Corporation, share a common Corporation cashbook and at any time cash balances will be put out to investments in bank notice accounts, money market funds or deposit accounts. Each fund has a share of the invested balances in proportion to this relative holding in the Corporation cashbook. There is little exposure to credit risk arising from these investments.

Liquidity risk

The authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loans Board, for access to longer term funds. The authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. At present, the City Fund has no borrowing exposure.

Market risk

Interest rate risk

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

- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise,
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Changes in interest receivable on variable rate investments are posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement. The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget, quarterly during the year. According to this assessment strategy, if interest rates had been 1% higher with all other variables held constant, the financial effect at 31 March on investments with variable rates would be

2018-19		2019-20
£m		£m
	Increase in interest receivable on investments held at variable rates	
3.4	City Fund	3.9
0.0	HRA	0.0
3.4	**Total**	**3.9**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. All of the City Fund's financial investments are due to mature within twelve months as at 31 March 2020 and therefore the impact of a 1% movement in interest rates on the fair value of fixed rate investment assets would not be material.

Price risk

The City of London Corporation has no material investments in equity shares attributable to the City Fund.

Foreign exchange risk

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

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

31 March 2019 £m		31 March 2020 £m
44.7	Central Government Bodies	50.5
9.5	Greater London Authority	4.3
56.4	London NNDR Pool	36.2
	All Other Bodies	
10.6	Rents	16.3
26.2	Sundry	9.6
18.4	Trade Debtors	27.7
13.9	City Fund's Share of National Business Rates Arrears	12.9
12.2	Other	11.4
(7.9)	Less: Impairment allowances for expected credit losses and doubtful debts	(10.5)
184.0	Total	158.4

The adjacent table provides a breakdown of the short term debtor balance including the allowance made for expecting credit losses and bad debts. The majority of the amounts due to the City Corporation relate to transactions with other public bodies where grant and reimbursements are due to fund its activities and NNDR arrears. The remaining amounts relate to outstanding rental income, fees and charges and Penalty Charge Notice income.

21. Creditors and Receipt in Advance

The increase in the amounts due to Central Government amounts relates to the London Business Rate Pool pilot, this has seen Central Government's share of business rate income increase from 0% in 2018-19 to 25% in 2019-20. This change has also reduced the City Corporations share of these balances from 64% to 48%, reducing the value of creditors it holds for business rates.

31 March 2019		31 March 2020
£m		**£m**
(5.9)	Central Government Bodies	(59.5)
(100.4)	Greater London Authority and Transport for London	(87.0)
(58.0)	London Business Rates Pool	(30.3)
(71.5)	City Fund's share of national business rates creditors and receipts in advance	(62.7)
(10.1)	Deposits	(11.6)
(83.1)	Sundry	(93.5)
(34.1)	Receipts in advance	(37.4)
(363.1)		**(382.0)**

22. Provisions

With the introduction of the Business Rates Retention Scheme from 1 April 2013, Local Authorities are liable for successful appeals against business rates in their proportionate share. The Business Rate Pool Pilot, which has moved from a 100% to a 75% scheme, has reduced the City Funds share of the appeal provision from 64% to 48%. A provision is recognised for the best estimate of the City Fund's liability at the year-end for appeals. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals outstanding as at 31 March 2020 and an analysis of successful appeals and trends in 2019-20.

	National Business Rates	City Fund Premium on Business Rates	Total
	£m	£m	
Balance at 1 April 2019	**(71.7)**	**(1.0)**	**(72.7)**
Appeals settled in 2019-20	32.9	0.9	**33.8**
Provisions made in 2019-20	(9.2)	(1.1)	**(10.3)**
Balance at 31 March 2020	**(48.0)**	**(1.2)**	**(49.2)**

23. Pension Schemes

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

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

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the City Corporation. Notes 24 to 26 provide further information on each of the above schemes.

City of London Pension Scheme

The City Corporation Pension Scheme (the "Scheme") is operated under the regulatory framework for the Local Government Pension Scheme (LGPS) with policy determined in accordance with Pension Fund Regulations. It is a funded defined benefit scheme, meaning that the employers and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets. Prior to 1 April 2014, LGPS pension benefits were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme.

The City Corporation administers the Scheme on behalf of its participating employers. The City Corporation's Establishment Committee is responsible for personnel and administration matters, whilst its Financial Investment Board is responsible for appointing fund managers and monitoring performance.

The principal risks to the authority of the scheme are the mortality rate assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

As an employer participating in the Scheme the City Corporation's estimated share of the net deficit is the responsibility of the City Corporation as a whole. The Corporation and its three funds have a policy in place to share the net defined benefit cost of the pension fund across the three funds. As such the City Fund recognises the net defined benefit cost along with a share of scheme assets and scheme liabilities. The total net defined benefit cost is apportioned across the Corporation's three funds based on the proportion of pensionable payroll of each fund.

Disclosures in relation to City Corporation and the City Fund's share of the overall scheme which satisfy the requirements of a defined benefit pension scheme are set out in this note. This information is not used to determine the employer's pension contribution rate. This is calculated at the triennial valuation and updated by any subsequent interim valuations. The most recent triennial valuation was as at 31 March 2019 and found that the Pension Fund's funding position had improved to 90% (from 84% as at 31 March 2016). The valuation informed consideration of the level of employer's pension contribution to be charged from 1 April 2020 to 31 March 2023, which remain unchanged from 2019/20 at 21.0% per annum for the upcoming three year period.

Assets and Liabilities in Relation to Retirement Benefits

a. Reconciliation of present value of the scheme liabilities

CITY OF LONDON CORPORATION	CITY FUND SHARE 51%		CITY OF LONDON CORPORATION	CITY FUND SHARE 51%
31 March 2019	**31 March 2019**		**31 March 2020**	**31 March 2020**
£m	**£m**		**£m**	**£m**
(1,493.3)	(761.5)	1 April	(1,590.3)	(811.0)
(44.5)	(22.7)	Current Service Cost	(51.8)	(26.4)
(37.7)	(19.2)	Interest Cost	(37.8)	(19.3)
		Remeasurement gains/losses:		
41.8	21.3	Actuarial Gains/losses arising from demographic assumptions	11.6	5.9
(72.4)	(36.9)	Actuarial gains/losses arising from changes in financial assumptions	149.0	76.0
0.0	0.0	Other Actuarial Gains/Losses	(81.1)	(41.5)
0.0	0.0	Change in proportion allocated to City Fund	0.0	0.0
(12.5)	(6.4)	Past Service Cost, including curtailments	(1.1)	(0.6)
0.0	0.0	Liabilities extinguished on settlements	2.5	1.3
38.0	19.4	Benefits paid	36.9	18.8
(10.2)	(5.2)	Contributions from scheme participants	(10.7)	(5.5)
0.5	0.2	Unfunded Pension Payments	0.5	0.2
(1,590.3)	**(811.0)**	**31 March**	**(1,572.4)**	**(802.0)**

Liabilities are discounted to their value at current prices, using a discount rate of 2.35% (based on the annualised Merrill Lynch AA rated corporate bond yield curve where the spot curve is assumed to be flat beyond the 30 year point).

b. Reconciliation of fair value of the scheme assets

CITY OF LONDON CORPORATION	CITY FUND SHARE 51%		CITY OF LONDON CORPORATION	CITY FUND SHARE 51%
31 March 2019	**31 March 2019**		**31 March 2020**	**31 March 2020**
£m	**£m**		**£m**	**£m**
900.7	459.3	1 April	969.4	494.3
23.0	11.7	Interest on Assets	23.3	11.9
		Remeasurement gains/losses:		
45.4	23.1	Return on Assets less interest	(57.3)	(29.2)
0.0	0.0	Other actuarial gains/losses	(0.4)	(0.1)
0.0	0.0	Change in proportion allocated to City Fund	0.0	0.0
(1.0)	(0.5)	Administration expenses	(0.9)	(0.5)
29.6	15.1	Contributions by Employer	30.9	15.8
10.2	5.2	Contributions by Scheme Participants	10.7	5.5
(38.5)	(19.6)	Benefits Paid	(37.3)	(19.0)
0.0	0.0	Settlement Prices Received/(Paid)	(1.5)	(0.8)
969.4	**494.3**	**31 March**	**936.9**	**477.8**

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

31 March 2019		31 March 2020
%		**%**
67	Equity Investments	59
1	Cash	2
6	Infrastructure	12
26	Absolute return portfolio	26
100		**100**

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

c. Overall net deficit

CITY OF LONDON CORPORATION	CITY FUND SHARE 51%		CITY OF LONDON CORPORATION	CITY FUND SHARE 51%
31 March 2019	**31 March 2019**		**31 March 2020**	**31 March 2020**
£m	**£m**		**£m**	**£m**
(592.6)	(302.2)	1 April	(620.9)	(316.7)
(97.0)	(49.5)	change in liabilities	17.8	9.1
68.7	35.0	change in assets	(32.5)	(16.5)
(620.9)	**(316.7)**	**31 March**	**(635.6)**	**(324.2)**

Basis for Estimating Assets and Liabilities

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham LLP) using the projected unit method, based upon the latest full valuation of the scheme as at 31 March 2019 and updated to the balance sheet date. The main assumptions used in the calculations are as follows:

2018-19		2019-20
	Mortality assumptions:	
	Life expectancy in years from age 65	
	Retiring today	
23.2	Men	21.8
24.6	Women	24.4
	Retiring in 20 years	
24.5	Men	23.2
26.1	Women	25.8
3.4%	Rate of Inflation - RPI	2.7%
2.4%	Rate of Inflation - CPI	1.9%
3.90%	Salary Increases	2.90%
2.40%	Pension Increases	1.90%
2.40%	Discount Rate	2.35%
50.0%	Take-up of option to convert annual pension into retirement lump sum	50.0%

Impact on defined benefit obligation from changes to actuarial assumptions

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

Change in assumptions at 31 March 2020				
	CITY OF LONDON CORPORATION		CITY FUND	
	Increase	**Decrease**	**Increase**	**Decrease**
	£m	**£m**	**£m**	**£m**
0.1% change in rate for discounting scheme liabilities	(31.4)	32.0	(16.0)	16.3
0.1% change in rate of increase in salaries	2.8	(2.8)	1.4	(1.4)
0.1% change in rate of increase in pensions	29.3	(28.7)	15.0	(14.7)
One year change in rate of mortality assumption	63.9	(61.2)	32.6	(31.2)

Impact on the City Fund's Cash Flows

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

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £324.2m has a substantial impact on the net worth of the City Fund as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the City Fund remains sound. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total employer contributions expected to be made to the scheme for the City of London Corporation across all its funds in the year to 31 March 2020 are £30.5m (estimated City Fund Share £15.6m).

The scheme actuary has estimated that the weighted average duration of the defined benefit obligation for scheme members is 21 years.

24. The Police Pension Scheme

There are three Police Pension Schemes - the 1987 Scheme, the 2006 Scheme and the 2015 Scheme. Except where otherwise stated, the "Police Pension Scheme" is used generically to cover all the schemes. The Police Pension Scheme is defined benefit and unfunded. It is administered by the City of London in accordance with Home Office regulations and is not a multi-employer scheme.

The Scheme is funded on a pay as you go basis, with the employer contributing a percentage of police pay into the Pension Fund and the Home Office meeting the balance. At the year end the Police Pension Fund Account is balanced to nil by either receiving a contribution from the City Fund equal to the amount by which the amounts payable from the Pension Fund for the year exceed the amounts receivable or, by paying to the City Fund the amount by which sums receivable by the Fund for the year exceed the amounts payable.

Where the City Fund makes a transfer into the Pension Fund, the Home Office will pay an equivalent top-up grant to the City Fund. Where the City Fund receives a transfer from the Pension Fund, the City Fund must pay the amount to the Home Office. The Police Pension Scheme 2015 came into effect from 1 April 2015 and any benefits accrued from that date will be based on career average revalued salaries, with exceptions for those members that have transitional protection in their existing scheme. These transitional protections are under legal challenge. A contingent liability has been recognised due to the ongoing case.

The last full valuation of the Police Pension Scheme was at 31 March 2016 by the Government Actuary's Department and set contributions for the period 1 April 2019 to 31 March 2023.

Liabilities in Relation to Retirement Benefits

As the scheme is unfunded, it has no assets.

Reconciliation of present value of the scheme liabilities

31 March 2019		31 March 2020
£m		£m
(955.8)	1 April	(998.1)
(16.1)	Current Service Cost	(18.6)
(24.0)	Interest Cost	(23.5)
	Remeasurement gains/losses:	
24.8	Actuarial Gains/losses arising from demographic assumptions	(6.7)
(45.7)	Actuarial gains/losses arising from changes in financial assumptions	83.0
	Other Actuarial Gains/Losses	
34.4	Benefits paid	35.9
(12.2)	Past Service Costs	0.0
(4.1)	Contributions from scheme participants	(4.3)
0.6	Injury Benefits Paid	0.6
(998.1)	31 March	(931.7)

Impact on defined benefit obligation from changes to actuarial assumptions

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

Basis for Estimating Liabilities

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

2018-19	Mortality assumptions:	2019-20
	Life expectancy in years from age 65	
	Retiring today	
21.1	Men	21.4
23.5	Women	23.5
	Retiring in 20 years	
22.5	Men	22.8
25.0	Women	25.0
3.40%	Rate of Inflation - RPI	2.70%
2.40%	Rate of Inflation - CPI	1.90%
3.90%	Salary Increases	3.40%
2.40%	Pension Increases	1.90%
2.40%	Discount Rate	2.35%

Impact on defined benefit obligation from changes to actuarial assumptions

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

Change in Assumptions at 31 March 2020

Impact on the Defined Benefit Obligation in the Scheme		
	Increase	Decrease
	£m	£m
0.1% change in rate for discounting scheme liabilities	(17.7)	18.1
0.1% change in rate of increase in salaries	1.8	(1.8)
0.1% change in rate of increase in pensions	16.4	(16.1)
One year change in rate of mortality assumption	38.9	(37.3)

Impact on the City Fund's Cash Flows

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £931.7m has a substantial impact on the net worth of the City Fund as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the City Fund remains sound. Future contributions are expected to be met by an annually assessed grant from the Home Office.

The total employer contributions for the combined position of the Police Pension Schemes 1987, 2006 and 2015 for the year to 31 March 2020 are expected to be £9.9m and the expected top up grant from the Government is £21.5m.

The scheme actuary has estimated that the weighted average combined duration of the defined benefit obligation for the schemes is 19 years.

25.Judges' Pension Scheme

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

Liabilities in Relation to Retirement Benefits

As the scheme is unfunded, it has no assets.

Reconciliation of present value of the scheme liabilities

31 March 2019		**31 March 2020**
£m		**£m**
(2.6)	1 April	(2.9)
(0.2)	Current Service Cost	(0.2)
(0.1)	Interest Cost	(0.1)
	Remeasurement gains/losses:	
0.1	Actuarials Gains/losses arising from demographic assumptions	0.1
(0.2)	Actuarials gains/losses arising from changes in financial assumptions	0.3
0.1	Benefits paid	0.1
(2.9)	**31 March**	**(2.7)**

Basis for Estimating Liabilities

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

2018-19	**Mortality assumptions:**	**2019-20**
	Life expectancy in years from age 65	
	Retiring today	
23.2	Men	21.8
24.6	Women	24.4
	Retiring in 20 years	
24.5	Men	23.3
26.1	Women	25.8
3.50%	Rate of Inflation - RPI	2.85%
2.50%	Rate of Inflation - CPI	1.95%
4.00%	Salary Increases	3.45%
2.50%	Pension Increases	1.95%
2.30%	Discount Rate	2.30%

Impact on defined benefit obligation from changes to actuarial assumptions

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

Change in Assumptions at 31 March 2020

Impact on the Defined Benefit Obligation in the Scheme		
	Increase	**Decrease**
	£m	**£m**
0.1% change in rate for discounting scheme liabilities	(0.03)	0.04
0.1% change in rate of increase in salaries	0.00	(0.00)
0.1% change in rate of increase in pensions	0.03	(0.03)
One year change in rate of mortality assumption	0.12	(0.11)

Impact on the City Fund's Cash Flows

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £2.7m has an impact on the net worth of the City Fund as recorded in the Balance Sheet. However, the City Fund has set aside funds in an earmarked reserve to assist with meeting its share of liabilities.

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

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

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

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

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2020 a gain of £90.4m and at 31 March 2019 was a loss of £13.4m.The amount included in the Balance Sheet arising from the City Fund's estimated obligation in respect of the defined benefit plans is as follows:

31 March 2019		31 March 2020
£m		£m
	Present Value of the defined benefit obligation	
(808.4)	City of London Pension Scheme - City Fund	(799.7)
(986.5)	Police Pension Schemes	(921.1)
(2.9)	Judges Pension Scheme	(2.7)
	Fair Value of plan assets	
494.4	City of London Pension Scheme - City Fund	477.8
	Present value of unfunded obligation	
(2.7)	City of London Pension Scheme - City Fund	(2.3)
(11.6)	Police Pension Schemes	(10.6)
(1,317.7)	Net liability on balance sheet	**(1,258.6)**

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

The table summarises the entries in the financial statements for the City of London, Police and Judges Schemes:

2018-19					2019-20			
Police	**Judges**	**City of London City Fund**	**Total**		**Police**	**Judges**	**City of London City Fund**	**Total**
£m	**£m**	**£m**	**£m**		**£m**	**£m**	**£m**	**£m**
				Comprehensive Income & Expenditure Statement (CIES)				
				Cost of Services:				
16.1	0.2	22.7	39.0	Current service cost	18.6	0.2	26.4	45.2
12.2	0.0	6.4	18.6	Past service costs	0.0	0.0	0.6	0.6
0.0	0.0	0.0	0.0	(gain)/loss from settlements	0.0	0.0	(0.5)	(0.5)
				Other Operating Income				
0.0	0.0	0.5	0.5	Administration expenses	0.0	0.0	0.5	0.5
				Financing & Investment Income & Expenditure				
0.0	0.0	0.0	0.0	Current service cost	0.0	0.0	0.0	0.0
24.0	0.1	7.5	31.6	Interest cost	23.5	0.1	7.3	30.9
52.3	0.3	37.1	89.7	**Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services**	42.1	0.3	34.3	76.7
				Other Comprehensive Income & Expenditure				
				Remeasurement of the net defined benefit liability:				
0.0	0.0	(23.1)	(23.1)	Return on plan assets	0.0	0.0	29.2	29.2
(24.8)	(0.1)	(21.4)	(46.3)	Actuarial (gains) & losses - changes in demographic assumptions	6.7	(0.1)	(5.9)	0.7
45.7	0.2	36.9	82.8	Actuarial (gains) & losses - changes in financial assumptions	(83.0)	(0.3)	(76.0)	(159.3)
0.0	0.0	0.0	0.0	Actuarial (gains) & losses - Other	41.5	0.0	0.1	41.6
20.9	0.1	(7.6)	13.4	**Total Other Comprehensive Income & Expenditure**	(34.8)	(0.4)	(52.6)	(87.8)
73.2	0.4	29.5	103.1	Total Retirement Benefit Charged/(Credited) to the CIES	7.3	(0.1)	(18.3)	(11.1)
				Movement in Reserves Statement				
(73.2)	(0.4)	(29.5)	(103.1)	Reversal of net charges/credits for retirement benefits in accordance with the Code	(7.3)	0.1	18.3	11.1
30.9	0.1	15.1	46.1	**Actual amount charged against the City Fund and HRA Balances**	32.2	0.1	15.8	48.0

27. Grants and Contributions Received in Advance

A number of grants and contributions have yet to be recognised as income as they have conditions attached to them which if they are not met will require the monies to be returned to the provider. The balances at the year-end total £108.6m from S106/S278 Capital Contributions.

28. Rents Received in Advance

Premiums received at the commencement of operating leases for investment properties are effectively rents received in advance and are released to revenue on a straight line basis over the lease term. This totals £196.5m.

29. Other Long-term Liabilities

At the 31 March 2020 the City Fund has long term liabilities of £52.0m which consists of £46m of outstanding London NNDR Pool SIP payment due to be released over the life span of agree projects and £5.6m (2018-19: £3.1m) of financial lease liabilities.

30. Leases

Finance Leases

City Fund as Lessee

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

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

31 March 2019		31 March 2020
£m		£m
	Property, Plant and Equipment	
18.2	Other Land and Buildings	16.3
0.1	Vehicles, Plant and Equipment	2.8
46.7	Investment Properties	48.4
65.0		**67.5**

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

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

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

31 March 2019		31 March 2020
£m		£m
3.2	Investment Property	3.2
0.1	Cleansing Vehicles	2.8
3.3	Long Term Liabilities	**6.0**

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

Total Future Minimum Lease Payments	Present Value of Future Lease Payments		Total Future Minimum Lease Payments	Present Value of Future Lease Payments
31 March 2019	**31 March 2019**		**31 March 2020**	**31 March 2020**
£m	**£m**		**£m**	**£m**
0.1	0.1	Not later than one year	0.5	0.4
0.5	0.0	Later than one year and not later than five years	1.8	1.4
13.3	3.2	Later than five years	14.2	4.2
13.9	**3.3**		**16.5**	**6.0**

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

City Fund as Lessor

The gross investment is made up of the following amounts:

31 March 2019		31 March 2020
£m		**£m**
	Finance lease debtor (net present value of minimum lease payments)	
0.7	current	0.3
12.4	non-current	12.1
30.5	Unearned finance income	30.0
0.0	Unguaranteed residual value of property	0.0
43.6	**Gross investment in the lease**	**42.4**

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

Gross Investment in Lease	Net Present Value of Minimum Lease Payments		Gross Investment in Lease	Net Present Value of Minimum Lease Payments
31 March 2019	**31 March 2019**		**31 March 2020**	**31 March 2020**
£m	**£m**		**£m**	**£m**
1.1	0.7	Not later than one year	0.7	0.3
2.6	1.2	Later than one year and not later than five years	2.5	1.1
39.9	11.2	Later than five years	39.4	11.0
43.6	**13.1**		**42.6**	**12.4**

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

The minimum lease payments receivable are not contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Income from investment properties is set out in note 17.

Operating Leases

City Fund as Lessee

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

31 March 2019		31 March 2020
£m		£m
2.4	Not later than one year	2.4
4.7	Later than one year and not later than five years	9.7
9.0	Later than five years	8.7
16.1		**20.8**

City Fund as Lessor

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

31 March 2019		31 March 2020
£m		£m
53	Not later than one year	53
197	Later than one year and not later than five years	191
2,921	Later than five years	2,890
3,171		**3,134**

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

31. Unusable Reserves

31 March 2019		Note	31 March 2020
£m			£m
(342.4)	Revaluation Reserve	A	(348.4)
(2,145.7)	Capital Adjustment Account	B	(2,176.1)
1317.7	Pensions Reserve	C	1,258.6
(31.4)	Collection Fund Adjustment Account	D	(28.0)
4.0	Accumulated Absences Account	E	4.2
(13.1)	Deferred Capital Receipts Reserve	F	(12.5)
0.2	Financial Instrument Revaluation Reserve	G	0.2
0.2	Financial Instrument Adjustment Account	H	0.2
0.0	Pooled Investment Reserve	I	4.1
(1,210.5)	**Total Unusable Reserves**		**(1,297.7)**

A. Revaluation Reserve

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

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

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

2018-19			2019-20
£m		£m	£m
(325.4)	Balance at 1 April		(342.4)
(47.4)	Upward revaluation of assets	(33.6)	
20.0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	11.2	
(27.4)	Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(22.4)
5.0	Difference between fair value depreciation and historical cost depreciation	5.3	
1.3	Assets reclassified as investments	1.4	
4.1	Accumulated gains on assets sold or scrapped	9.7	
10.4	Amount written off to the Capital Adjustment Account		16.4
(342.4)	**Balance at 31 March**		**(348.4)**

B. Capital Adjustment Account

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

2018-19		2019-20	
£m		£m	£m
(2,076.0)	Balance at 1 April		(2,145.7)
	Reversal of items relating to capital expenditure debited or credited to the CIES:		
35.7	Charges for depreciation, impairment and revaluation losses of non-current assets	30.3	
(0.7)	Revaluation gains on Property, Plant and Equipment	(1.6)	
0.3	Amortisation of intangible assets	0.2	
10.9	Revenue expenditure funded from capital under statute	13.2	
6.5	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	27.8	
52.7	**Total reversal of items relating to capital expenditure debited or credited to the CIES:**		**69.9**
(10.5)	Adjusting amounts written out of the Revaluation Reserve	(16.4)	
42.2	Net written out amount of the cost of non-current assets consumed in the year		**53.5**
	Capital financing applied in the year:		
(14.6)	Use of the Capital Receipts Reserve to finance new capital expenditure	(18.4)	
(5.8)	Use of the Major Repairs Reserve to finance new capital expenditure	(3.0)	
(15.1)	Capital grants, contributions & donations credited to the CIES that have been applied to capital financing	(15.5)	
(0.7)	Application of grants to capital financing from the Capital Grants Unapplied Account	(1.5)	
(1.0)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1.0)	
(41.8)	Capital expenditure charged against the City Fund & HRA balances	(14.3)	
(79.0)	**Total Capital financing applied in the year:**		**(53.7)**
(32.9)	Movements in the market value of Investment Properties debited or credited to the CIES		(30.4)
0.0	Museum of London loan principle		0.2
(2,145.7)	**Balance at 31 March**		**(2,176.1)**

C. Pension Reserve

2018-19		2019-20
£m		£m
1,260.7	Balance at 1 April	1,317.7
13.4	Remeasurements of the net defined benefit liability	(87.8)
89.8	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	76.7
(46.1)	Employer's pension contributions less direct payments to pensioners payable in the year	(48.0)
1,317.7	**Balance at 31 March**	**1,258.6**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Post-employment benefits in the Comprehensive Income and Expenditure Statement are recognised as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as employer's contributions are paid to pension funds. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The negative pension reserve matches the estimated liabilities on the City of London (City Fund share), Police and Judges' Pension Schemes as determined by independent actuaries using the projected unit method and in accordance with IAS19 (see notes 23 to 26).

D. Collection Fund Adjustment Account

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

E. Accumulated Absences Account

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

F. Deferred Capital Receipts Reserve

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

G. Financial Instrument Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income.

H. Financial Instrument Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

I. Pooled Investment Reserve

The Pooled Investment Reserve accounts for the fair value movements in Pooled Investments, which are required to be held in a ring-fence reserve until these movement are realised.

Notes to the Cash Flow Statement

32. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following item:

2018-19		2019-20
£m		£m
(35.3)	Depreciation, impairments and impairment reversal	(28.8)
0.0	Amortisation	0.0
(139.3)	Increase in creditors	9.0
73.2	Increase in debtors	(19.7)
(0.1)	Increase in inventories	0.1
(43.6)	Movement in pension liability	(28.7)
(6.4)	Carrying amount of non-current assets sold	(27.8)
32.9	Movement in investment property values	30.4
1.0	Deferred credits	(29.8)
(14.7)	(Increase)/Decrease in contributions to provisions	23.5
(0.2)	Other non-cash items charged to the net surplus or deficit on the provision of services	0.0
(132.5)		**(71.8)**

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

2018-19		2019-20
£m		£m
(8.5)	Interest received	(10.0)

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

2018-19		2019-20
£m		£m
10.3	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	70.3
22.7	Capital grants credited to the net surplus or deficit on the provision of services	22.1
33.0		**92.4**

33. Cash Flow Statement – Investing Activities

2018-19		2019-20
£m		**£m**
66.9	Purchase of property, plant and equipment, investment property and intangible assets	38.5
2.2	Movement in short-term and long-term investments	127.6
0.7	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(84.3)
(36.3)	Capital grants received	(7.2)
0.4	Other receipts from investing activities	0.0
33.9	**Net cash outflows/(inflows) from investing activities**	**74.6**

34. Cash Flow Statement – Financing Activities

2018-19		2019-20
£m		**£m**
116.0	Billing Authorities - Council Tax and NNDR Adjustments	(45.4)
0.9	Income from finance lease	0.3
116.9	**Net cash inflows from financing activities**	**(45.1)**

Other Notes to the Accounts

35. Related Party Transactions

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

Disclosure

Members are required to disclose their interests, and these can be viewed online at 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 in 2019-20, including instances where their close family has made transactions with the City of London. During 2019-20 the following transactions were disclosed;

Related party	Connected party	2019/20	2018/19	Detail of transaction
		£000	£000	
Aberdeen Standard Investments Ltd	A Member is an employee of Aberdeen Standard Investments Ltd	-	(24)	Membership fees received
Age UK London	The City Corporation nominates a Member to Age UK London	15	133	Digital outreach services paid by City Fund
Askonas Holt	A Member is the Board Chairman of Askonas Holt	187	117/(16)	Fees and expenses received and paid by City Fund
Association of British Insurers	A Member is a Board Member of the Association of British Insurers.	(3,311)	-	Provision of service costs received by City Fund
Association of Police and Crime Commissioners	A Member is nominated by the City Corporation to the Association of Police and Crime Commissioners,	22	22	Membership fees paid by City Fund
City of London Academies Trust	Five members are nominated to the City of London Academies Trust	145	-	Fees paid by City Fund
Court of the City University	The City Corporation Nominates four members to the Court of the City University.	(1,111)	-	Hire and catering costs received by City Fund
Deloitte LLP	A Member has an interest in Deloitte LLP	-	(41)	Provision of services costs received by City Fund
East London NHS Foundation Trust	The City Corporation nominates a Member to the East London NHS Foundation Trust	47/(65)	(141)	Service costs paid by City Fund and catering and hire fees received by City Fund
Global Chairman of Aon Benfield	A Member is the Global Chairman of Aon Benfield	-	(60)	Contribution received by City Fund

Related party	Connected party	2019/20	2018/19	Detail of transaction
		£000	£000	
HB Reavis	A Member is a Director of HB Reavis	69		Premises related fees paid by City Fund
Heart of the City London Ltd	Three Members are nominated by the City Corporation to the Heart of the City London Ltd.	(14)	36/(22)	Support costs received and paid by City Fund
Hiscox Group	A Member is the Director of Hiscox Group		(10)	Contribution received by City Fund
Homerton University Hospital	A Member is nominated to Homerton University Hospital by the City Corporation.	25/(55)	151/(49)	IT enabler funding paid by City Fund and support costs received by the City Fund
ICAEW's Audit Registration Committee	A Member is a member of ICAEW's Audit Registration Committee	(13)	-	Archive deposit fees received by City Fund
International Dispute Resolution Centre Ltd	A Member is a Director of the International Dispute Resolution Centre Ltd who are a tenant of the City of London Corporation.	(1,813)	(785)	Rent and service charges received by City Fund during the year and amount due at the balance sheet date.
		(53)	-	
Kingston Smith LLP	A Member is a consultant to Kingston Smith LLP	16	45	Fundraising services paid by City Fund
Local Government Association - General	The City Corporation nominates two members to the Local Government Association – General Assembly	19	12	Subscription fees paid by City Fund
London and Partners	A Member is nominated by the City Corporation to London and Partners	68	75	Letting, hire and storage fees paid by City Fund
London Councils	The City Corporation nominates a Member to a London Councils Committee and another Member has declared his independent place on a number of Committees	320	274	Subscription fees paid by City Fund
Lord Mayors Show	A Member is the Director of the Lord Mayors Show Ltd	-	12/(13)	Participation fees paid and application fees received by City Fund
Named Members	Three Members paid the City Fund	(56)	(35)	Rent received by City Fund
Moore Stephens UK Ltd	A Member has declared an interest in Moore Stephens UK Ltd	-	(25)	Catering and hire costs received by City Fund
Partnership for Young London	The City Corporation nominates a Member to the Partnership for Young London.	45/17	11	Service paid by City und and workshop, central support charges received by City Fund
Prior Weston Primary School and Childrens Centre	A Member is nominated to Prior Weston Primary School and Children's centre	24/(90)	(16)	Annual fees received and paid by City Fund

Related party	Connected party	2019/20	2018/19	Detail of transaction
		£000	£000	
PWC LLP	A Member is a Partner of PWC LLP	-	705/(174)	Consultancy services paid and room fees received by City Fund
The Court of the City University	Four Members are nominated by the City Corporation to The Court of the City University	(1,111)	(981)	Room hire and catering received by City Fund
UBS	A Member has declared an interest in UBS.	(36)	(37)	Membership and licensing received by City Fund
United Kingdom Accreditation Service	A Member is the Director of United Kingdom Accreditation Service	21	-	Assessment fees paid by City Fund

Related Party Transactions with the Museum of London

The Museum of London is financed by the City of London and the Greater London Authority with the latter being the major funder and is subject to common control by central government. The City of London's contribution in 2019-20 was £5.8m (2018-19: £5.9m) and the City Fund received £5.6m for rent, loan repayments and other services. At 31st March 2020 there was an outstanding receivable of £1.0m relating to rent and loan repayments.

Half of the appointments to the Board are made by the City of London and a Member has declared an interest in the Museum. However, the City of London does not exercise control of the Museum.

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

During 2019-20 and 2018-19 there were no significant transactions between the City Fund and the other main funds of the City Corporation. There were no outstanding balances at year end.

Entities Controlled or Significantly Influenced

Barbican Theatre Productions Limited is a company limited by guarantee engaged with the production of theatre events on behalf of the Barbican Centre. All directors of the company are officers of the City Corporation based at the Barbican Centre. The company falls within the group boundary of the City Fund on the grounds of control and significant influence. However, group accounts are not necessary as, due to the elimination of group transactions on consolidation, the interest is not deemed sufficiently material. For 2018-19 the City Corporation paid £2.7m to the company and received £2.3m reimbursement from the company. In 2019-20 the City Corporation paid £7m to the company and received £6.2m reimbursement from the company.

Related Party Transactions Disclosed Elsewhere in the Accounts

The UK government has significant influence over the general operations of the City Fund. It is responsible for providing the statutory framework within which the City Fund operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the City Fund has with other parties (e.g. council tax bills, housing benefits). Grants from government departments are shown in Note 6. Amounts due to and from central government departments at 31 March 2020 are shown in notes respectively. Disclosures are made in respect of other public bodies which are subject to common control by central government in other parts of the accounts as follows:

- Precepts from other Authorities
- Pension Fund

Amounts paid to HM Revenues and Customs in respect of employer's national insurance contributions of £13.2m (2019: £12.7m).

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36. Members Allowances

Members do not receive any remuneration from the City of London for undertaking their duties. However, Members may claim travelling expenses in respect of activities outside the City and receive allowances in accordance with a scale when attending a conference or activity on behalf of the City Corporation. These costs, totalling £3,187 (2018-19: £5,528) across all of the City's activities, were met from the endowment funds of the City Corporation and not charged to the City Fund.

37. Contingent Liabilities

There is a disagreement with a contractor as to whether or not certain work is inside or outside the scope of a contract. It is not known what the outcome of this dispute will be, but costs could be in the region of £2.5m.

There is outstanding legal case with leaseholders of HRA property regarding recovery of major capital works costs. The outcome of the case is currently not known but the cost would in the region of £4.3m to the HRA.

38. Trust Funds

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

Established in 2011 through the amalgamation of the Higher Education Research and Special Expenses Fund, the Archibald Dawnay Scholarships, the Robert Blair Fellowship and the Alan Partridge Smith Bequest, the objective of the Trust is to further the education of persons attending or proposing to attend secondary, further or higher educational institutions by the provision of grants or financial assistance. Also, to provide grants for staff at maintained schools & Academies in the boroughs of London to undertake studies to further their development as teachers. As at 31 March 2020 the Trust's net assets were £0.9m (2019: £1.2m).

The City Educational Trust Fund (charity registration 290840)

The City Educational Trust Fund was established under the City of London Various Powers Act 1967, section 25 (1) which states that the capital and interest shall be applied by the City of London Corporation as it thinks fit, for one or more of the following purposes as it may from time to time determine: 1) for the advancement of the objects of the City University constituted by Royal Charter granted on 23 May 1966, or for other educational purposes connected with, or related to the said university; and 2)for the advancement of education in science and technology, business management and commerce, biology and ecology and the cultural arts by the promotion of research, study, teaching and training in and of such subjects, or any of them. As at 31st March 2020, The Trust's net assets were £3.0m (2019: £3.7m).

39. Agency Transactions

The City Fund carries out certain work on an agency basis for this it is fully reimbursed. Revenue and capital works costing £1.2m (2018-19: £1.0m) were undertaken mainly on behalf of Transport for London. These sums were fully reimbursed.

The City Fund has acted as a Lead Authority for the 75% London Business Rate Pool Pilot which operated during 2019-20. This role includes acting as finance lead for the pool, involving aggregating business rate income from participating authorities and distributing funds on behalf of the pool. The City Corporation received £1,159.8m from participating authorities of which a £1,134.1m business rate tariff payment was made to central government on behalf of the pool. Outstanding debtors and creditors relating to pool activity are shown below. Please note this exclude London NNDR Pool SIP balances which are included in the City Fund CI&ES.

The City of London Police have managed IT development work on behalf of the Home Office as part of its National Enabling Programme (NEP). The City of London Police have acted as an agent of the Home Office in carrying out this function and therefore the costs and grant income funding this work have not been included in the City Fund CI&ES. In 2019-20 the value of work carried out was £25.3m for which equal grant funding from the Home Office was received. From 1 April 2020, this work has been transferred to the Police ICT Company so the City of London Police will no longer be managing the NEP project.

Business Rate Pool Balances	Balance as at 31 March 2020 £m
Short-Term Debtors	36.2
Cash & Cash Equivalents	74.2
Short-Term Creditors	(76.3)

Supplementary Accounts and Notes

Housing Revenue Account

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

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Income and Expenditure Statement				
2018-19		**Notes**	**2019-20**	
£m			**£m**	**£m**
	Expenditure			
7.9	Repairs and maintenance		7.9	
8.9	Supervision and management		8.8	
3.2	Depreciation of non-current assets		3.3	
8.3	Revaluation (gain)/loss on HRA dwellings		1.2	
0.0	Movement in the allowance for bad debts	1	0.0	
28.3	**Total Expenditure**			21.2
	Income			
(10.0)	Dwelling rents		(10.2)	
(1.8)	Non-dwelling rents		(1.9)	
(3.5)	Charges for services and facilities		(2.3)	
(0.8)	Contributions towards expenditure		(1.4)	
(16.1)	**Total Income**			(15.8)
12.2	**Net Expenditure/(Income) of HRA Services as included in the City Fund CIES cost of services**			**5.4**
	HRA share of other income and expenditure included in the City Fund CIES			
(1.2)	Net (gain)/loss on Disposal of Fixed Assets			(0.3)
(0.1)	Interest and investment income			(0.1)
0.0	Investment property (gain)/loss on revaluation			0.5
10.9	**(Surplus)/deficit for the year on HRA Services**			**5.6**

Movement on the HRA Statement				
2018-19		**Notes**	**2019-20**	
£m			**£m**	**£m**
(4.5)	Balance on the HRA at the end of the previous year			(3.8)
10.9	(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		5.6	
(10.2)	Adjustments between accounting basis and funding basis under statute	2	(1.9)	
0.7	(Increase)/decrease in year on the HRA			3.7
(3.8)	**Balance on the HRA at the end of the current year**			**(0.1)**

1. Impairment Allowance for Bad and Doubtful Debts

2018-19		2019-20
£m		£m
0.23	Provision at 1 April	0.17
(0.03)	Bad Debts written off	(0.04)
(0.03)	Decrease in Provision	(0.01)
0.17	Provision at 31 March	**0.12**

2. Adjustments between Accounting Basis and Funding Basis under Statute

Note 11 to the City Fund Financial Statements provides further analysis of the adjustments between the accounting basis and funding basis under statute.

3. Housing Stock

As at 31 March 2020 the City Corporation's HRA rental stock was 1,872 dwellings. The HRA also includes costs and service charge income relating to properties sold on long leases of which there were 922 as at 31 March 2020 (2019: 921).

31 March 2019		31 March 2020
No.		**No.**
27	Houses and Bungalows	27
1,899	Flats	1,845
1,926	Total	**1,872**

31 March 2019		31 March 2020
No.		**No.**
1,930	Stock at 1 April	1,926
0	Demolished Property	(63)
(4)	Sales	(1)
0	Buy Back	0
0	New Build	10
1,926	Stock at 31 March	**1,872**

4. Arrears of Rent, Service and Other Charges

As at 31 March 2020 the total arrears for rent, service charges and other charges were £5.2m (31 March 2019: £4.7m) as follows

31 March 2019		31 March 2020
£m		**£m**
0.1	Former residential tenants	0.1
0.2	Current residential tenants	0.3
0.2	Commercial tenants	0.4
4.1	Service charges	4.3
0.1	Other charges	0.1
4.7	Total arrears	**5.2**

5. HRA Property, Plant and Equipment

The value of council dwellings within the HRA does not include all council dwellings owned by the City Fund (see note 13) as some council dwellings are held outside of the HRA such as the Barbican Estate.

2018-19					2019-20			
Council Dwellings	Other Land & Buildings	Assets under construction	Total	Movements on Balances	Council Dwellings	Other Land & Buildings	Assets under construction	Total
£m	£m	£m	£m		£m	£m	£m	£m
				Cost or valuation				
236.7	**40.8**	**9.2**	**286.7**	**at 1 April 2018 at 1 April 2019**	**223.2**	**41.8**	**6.6**	**271.6**
4.7	0.4	4.6	9.7	Additions	1.6	0.0	8.1	9.7
6.4	0.8	(7.2)	0.0	Transfers	2.4	0.0	(2.4)	0.0
(15.5)	0.0	0.0	(15.5)	Revaluation increases recognised in the Revaluation Reserve	(3.7)	1.7	0.0	(2.0)
(8.6)	0.0	0.0	(8.6)	Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(1.8)	0.0	0.0	(1.8)
(0.5)	(0.2)	0.0	(0.7)	Derecognition - disposals	(0.2)	0.0	0.0	(0.2)
0.0	0.0	0.0	0.0	Assets reclassified (to)/from Held for Sale	0.0	(0.3)	0.0	(0.3)
223.2	**41.8**	**6.6**	**271.6**	**at 31 March 2019 at 31 March 2020**	**221.5**	**43.2**	**12.3**	**277.0**
				Accumulated Depreciation and Impairment				
(0.1)	(0.1)	0.0	(0.2)	**at 1 April 2018 at 1 April 2019**	(0.1)	(0.1)	0.0	(0.2)
(2.9)	(0.3)	0.0	(3.2)	Depreciation Charge	(2.9)	(0.3)	0.0	(3.2)
2.6	0.3	0.0	2.9	Depreciation written out to the Revaluation Reserve	2.3	0.3	0.0	2.6
0.3	0.0	0.0	0.3	Depreciation written out to the Surplus/Deficit on the Provision of Services	0.6	0.0	0.0	0.6
0.0	0.0	0.0	0.0	Derecognition - disposals	0.0	0.0	0.0	0.0
(0.1)	(0.1)	0.0	(0.2)	**at 31 March 2019 at 31 March 2020**	(0.1)	(0.1)	0.0	(0.2)
				Net Book Value				
236.6	**40.7**	**9.2**	**286.5**	**at 1 April 2018 at 1 April 2019**	**223.1**	**41.7**	**6.6**	**271.4**
223.1	**41.7**	**6.6**	**271.4**	**at 31 March 2019 at 31 March 2020**	**221.4**	**43.1**	**12.3**	**276.8**

6. Housing Asset Valuation

Dwellings are valued at their 'existing use with vacant possession' and then reduced to reflect 'existing use for social housing'. The reduction is a measure of the economic cost of providing council housing at less than open market rents. Under Government guidance issued in 2016, the applicable social housing 'adjustment factor' is 75% +/- 5%. The estimated vacant possession value of HRA dwellings is £738.1m (2019: £743.8m) which has been reduced by 70% to £221.4m (2019: £223.1m) to reflect social housing use. Other land and buildings are assessed at existing use value.

7. Investment Property

2018-19		2019-20
£m		**£m**
4.7	Balance at start of the year	4.7
	Revaluations:	
0.0	Net gains from fair value adjustments	(0.5)
4.7	**Balance at end of the year**	**4.2**

8. Major Repairs Reserve

2018-19		2019-20
£m		**£m**
(8.5)	Balance 1 April	(3.2)
	Transfer from HRA equal to depreciation	
(2.9)	dwellings	(2.9)
(0.3)	non dwellings	(0.3)
2.7	Additional contribution to/(from) HRA	0.0
5.8	Capital expenditure (dwellings)	3.0
(3.2)	Balance 31 March	**(3.4)**

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

9. HRA Capital Expenditure

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

2018-19		2019-20
£m		**£m**
	Expenditure in year	
	Fixed assets	
4.6	Assets under construction	8.2
4.7	Dwellings	1.5
0.4	Other	0
1.2	Revenue expenditure funded from capital under statute	1.2
10.9	**Total Expenditure**	**10.9**
	Methods of financing	
1.0	Capital Receipts	1.0
5.8	Major Repairs Reserve	3.0
4.1	Reimbursements and Donations	6.9
10.9	**Total Financing**	**10.9**

Collection Fund Account

The Collection Fund shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from local taxpayers, and its subsequent distribution to local authorities and the Government. The City Corporation's share of council tax and business rates income is reflected in the Comprehensive Income and Expenditure Statement on an accruals basis in line with the Code.

Revenue Account

2018-19				Notes	2019-20		
Council Tax Restated	Business Rates	Total			Council Tax	Business Rates	Total
£m	£m	£m			£m	£m	£m
			INCOME				
(8.0)		(8.0)	Council Tax Receivable		(8.2)		(8.2)
(0.2)		(0.2)	Transfer from City Fund (Reliefs)		(0.2)		(0.2)
	(1,200.7)	(1,200.7)	National Business Rates	1		(1,216.4)	(1,216.4)
	(41.7)	(41.7)	GLA Business Rate Supplement			(43.6)	(43.6)
	(12.4)	(12.4)	City Fund Business Rate Premium			(14.4)	(14.4)
(8.2)	**(1,254.8)**	**(1,263.0)**	**TOTAL INCOME**		**(8.4)**	**(1,274.4)**	**(1,282.8)**
			EXPENDITURE				
			Council Tax Precepts and Demands				
6.2		6.2	City Fund	2	7.0		7.0
0.5		0.5	GLA		0.6		0.6
			National Business Rates Precepts and Demands				
	727.5	727.5	City Fund			552.1	552.1
	409.2	409.2	GLA			310.5	310.5
	0.0	0.0	Central Government			287.5	287.5
	0.0	0.0	National Business Rates transitional protection payments			0.0	0.0
	41.6	41.6	Business Rate Supplement collected on behalf of GLA			43.4	43.4

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Revenue Account Continued

2018-19			Notes		2019-20		
Council Tax Restated	**Business Rates**	**Total**			**Council Tax**	**Business Rates**	**Total**
£m	**£m**	**£m**	**Expenditure Continued**		**£m**	**£m**	**£m**
	12.2	12.2	City Fund Business Rate Premium			14.2	14.2
	11.6	11.6	City Fund Offset	4		11.9	11.9
			Impairment of debts for Business Rates				
	2.9	2.9	National			3.2	3.2
	0.1	0.1	GLA			0.1	0.1
			Impairment of appeals for Business Rates				
	0.0	0.0	National			0.0	0.0
	0.2	0.2	Premium			0.2	0.2
			Cost of Collection Allowance				
	2.0	2.0	National Business Rates			2.0	2.0
	0.0	0.0	GLA Business Rate Supplement			0.1	0.1
			Contributions towards previous year's estimated Collection Fund Surplus				
0.5	6.3	6.8	City Fund		1.0	26.7	27.7
0.0	7.8	7.8	GLA		0.1	14.6	14.7
	6.9	6.9	Central Government			(0.7)	(0.7)
7.3	**1,228.3**	**1,235.6**	**Total Expenditure**		**8.7**	**1,265.8**	**1,274.5**
(0.9)	(26.5)	(27.4)	(Surplus)/Deficit for Year	5	0.3	(8.5)	(8.2)
(0.9)	(18.9)	(19.8)	Balance 1 April		(1.8)	(45.4)	(47.2)
(1.8)	**(45.4)**	**(47.2)**	**Balance 31 March**		**(1.5)**	**(53.9)**	**(55.4)**

1. Income from Business Rates

The Local Government Finance Act 1988 replaced the Locally Determined Non-Domestic Rate with a National Non-Domestic Rate (NNDR) set by the Government. In addition to the NNDR, there is a discounted rate for small businesses known as the Small Business Non-Domestic Rate (SBNDR). In 2019-20 the City of London set a non-domestic rating multiplier of 0.510 (51.0p in the £) and a small business non-domestic rating multiplier of 0.497 (49.7p in the £). This comprises the NNDR and SBNDR multipliers of 0.504 and 0.491 respectively, plus a premium of 0.6p in the £ to provide additional funding to enable the City Corporation to continue to support Police, security, resilience and contingency planning at an enhanced level.

In addition, for those business premises which have a rateable value of more than £70,000, the Greater London Authority (GLA) is levying a business rate supplement (BRS) multiplier of 2p in the £ for the 2019-20 financial year to finance the Crossrail project. The City Corporation collects the BRS on an agency basis on behalf of the GLA. The rateable value at the 31 March 2020 was £2.605bn

2018-19		2019-20
£m		£m
(1,266.7)	National Business Rates	(1,288.6)
42.8	Less: Voids	47.4
20.9	Mandatory and discretionary relief	22.6
2.3	Partly occupied allowance	2.2
(1,200.7)	**Net income from national business rates**	**(1,216.4)**

2. Calculation of Council Tax

The Local Government Finance Act 1992 introduced the Council Tax from 1 April 1993, replacing the Community Charge. The Act prescribes the detailed calculations that the City of London Corporation, as a billing authority, has to make to determine the Council Tax amounts. The City of London set a basic amount of £894.28 for a Band D property, inclusive of a 2.99% increase in council tax and a 2% adult social care precept.

To this £894.28 is added £78.38 in respect of the precept from the Greater London Authority to arrive at the total Council Tax of £972.66 for a Band D property in 2019-20. Prescribed proportions are applied to this basic amount to determine the Council Tax amounts for each of the bands as follows:

BAND	Proportion	Council Tax
		£
A	6/9	648.44
B	7/9	756.51
C	8/9	864.59
D	9/9	972.66
E	11/9	1,188.81
F	13/9	1,404.95
G	15/9	1,621.10
H	18/9	1,945.32

3. Tax Bases 2019-20

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

BAND	MIDDLE TEMPLE	INNER TEMPLE	CITY AREA EXCLUDING TEMPLES	TOTAL CITY AREA
A	0.00	0.00	2.33	2.33
B	0.00	0.00	141.20	141.20
C	0.00	0.00	423.94	423.94
D	0.00	0.00	753.61	753.61
E	8.25	1.22	3024.50	3033.97
F	36.47	25.64	1590.69	1652.80
G	24.17	56.67	1762.58	1843.42
H	0.00	4.00	339.50	343.50
AGGREGATE RELEVANT AMOUNTS	68.89	87.53	8038.35	8194.77
COLLECTION RATE	95%	95%	95%	
TAX BASES	65.45	83.15	7636.43	7785.03

4. City Fund Offset

To reflect the unique characteristics of the square mile, the Government allows the City Fund to retain an amount from the NNDR paid by City businesses. This totalled £11.9m in 2019-20 (2018-19: £11.6m).

5. Surplus for the year

The surplus for the year on Business Rates of £8.5m (2018-19: surplus of £26.5m) relates solely to National Business Rates.

Police Pension Fund

Police Pension Fund Account for the year ended 31 March 2020

2018-19		2019-20	
£m		**£m**	**£m**
	Contributions receivable		
	- from employer		
(6.4)	normal	(9.7)	
0.0	early retirements	0.0	
(4.1)	- from members	(4.3)	
(10.5)			**(14.0)**
(0.2)	Transfers in from other Police Authorities	(0.3)	
	Benefits payable		
24.3	- pensions	25.1	
6.7	- commutations and lump sums	6.3	
31.0			**31.4**
	Payments to and on account of leavers		
0.0	- Transfers out to other Police Authorities	0	
0.0	- Other	0	
0.0			**0.0**
20.3	Sub-total: Net amount payable for the year before transfer from Police Authority		**17.1**
(19.4)	Additional contribution from Police Authority		(17.1)
(0.9)	Additional 2.9% funding payable by the local policing body to meet deficit for the year		0.0
0.0	**Net amount payable/receivable for the year**		**0.0**

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i. The Police Pension Fund was established under the Police Pension Fund Regulations 2007 (SI 2007 No. 1932).

ii. It is a defined benefits scheme, administered internally by the City of London and all City of London police officers are eligible for membership of the pension scheme.

iii. The fund's financial statements have been prepared using the accounting policies adopted for the City Fund financial statements set out on pages 128 to 145. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. Information on the long-term pension obligations can be found in the City Fund financial statements (see notes 23 to 26).

iv. Under the rules of the scheme, members may elect to commute a proportion of their pension in favour of a lump sum. Where a member has taken a commutation option, these lump sums are accounted for on an accruals basis from the date the option is exercised.

v. Transfer values represent the capital sums in respect of members' pension rights either received from or paid to other pension schemes in respect of members who have joined or left the service.

vi. The scheme is unfunded and consequently has no investment assets. Benefits payable are funded by contributions from employers and employees and any difference between benefits payable and contributions receivable is met by a top-up grant from the Home Office.

vii. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department.

viii. The account is prepared on an accruals basis and normal contributions, both from the members and the employer, are accounted for in the payroll month to which they relate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF LONDON CORPORATION PENSION FUND

Opinion on the Pension Fund Financial Statements

We have audited the pension fund financial statements of City of London Corporation Pension Fund ("the pension fund") for the year ended 31 March 2020 which comprise the fund account, the net assets statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The framework that has been applied in the preparation of the pension fund financial statements is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020, other than the liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Chamberlain is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the pension fund financial statements and our auditor's report thereon. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Chamberlain and City of London Corporation ("the Council") as administering authority of the pension fund

As explained more fully in the Statement of the Chamberlain's Responsibilities, the Chamberlain is responsible for the preparation of the Statement of Accounts, which comprises the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the pension fund financial statements, the Chamberlain is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to wind up the scheme or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the pension fund financial statements our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of City of London Corporation Pension Fund as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Leigh Lloyd-Thomas

For and on behalf of BDO LLP, Appointed Auditor

London, UK

XXXXXX

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

City of London Pension Fund Account

Fund Account for the year ended 31 March 2020

2018-19		Notes	2019-20
£m			**£m**
	Dealings with members, employers and others directly involved in the fund		
(42.5)	Contributions	7	(44.8)
(5.8)	Transfers in from other pension funds		(6.7)
(48.3)			**(51.5)**
46.1	Benefits	8	44.9
#1.7	Payments to and on account of leavers	9	3.1
47.8			**48.0**
(0.5)	**Net additions from dealings with members**		**(3.5)**
8.0	Management expenses	10	7.8
7.5	**Net withdrawals including fund management expenses**		**4.3**
	Returns on investments		
(1.4)	Investment income	11	(1.2)
(80.9)	Profit and losses on disposal of investments and changes in the value of investments	12	31.3
(82.3)	**Net return on investments**		**30.1**
(74.8)	**Net (increase)/decrease in the net assets available for benefits during the year**		**34.4**
(988.3)	Opening net assets of the scheme		(1,063.1)
(1,063.1)	**Closing net assets of the scheme**		**(1,028.7)**

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Net Asset Statement as at 31 March 2020

2018-19		Notes	2019-20
£m			**£m**
(0.2)	Long term investments		(0.2)
(1,051.7)	Investment assets	12	(1,023.3)
(1,051.9)	**Total net investments**		**(1,023.5)**
(13.7)	Current assets	19	(6.1)
2.5	Current liabilities	20	0.9
(1,063.1)	**Net assets of the fund available to fund benefits at the end of the reporting period**		**(1,028.7)**

1. Description of the City of London Pension Fund

a) General

The City of London Pension Fund is part of the LGPS and is administered by the City of London. The City of London is the reporting entity for this pension fund.

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

Benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

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

b) Membership of the Fund

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the City of London Pension Fund include:

- Scheduled bodies, which are automatically entitled to be members of the Fund
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The following table summarises the membership numbers of the scheme:

	31 March 2020				31 March 2019
	Current contributors	Beneficiaries in receipt of pension	Deferred members	Total	Total
	No.	No.	No.	No.	No.
ADMINISTERING AUTHORITY					
City of London Corporation	4,368	3,893	4,143	12,404	12,221
SCHEDULED BODIES:					
Museum of London	282	253	606	1,141	1,117
Magistrates Court	0	18	14	32	34
Multi Academy Trust	4	0	0	4	3
	286	**271**	**620**	**1,177**	**1,154**
ADMITTED BODIES:					
Irish Society	4	11	2	17	17
City Arts Trust	0	1	0	1	1
Parking Committee for London	0	5	7	12	12
Guildhall Club	0	5	4	9	9
City Academy - Southwark	88	10	123	221	200
Sir John Cass (Brookwood)	0	1	0	1	2
AMEY (Enterprise)	0	6	3	9	14
Eville and Jones	0	0	1	1	1
London CIV	19	1	9	29	24
Westminster Drug Project	1	0	2	3	3
Agilysis	9	4	12	25	25
Agilysis (police)	0	1	2	3	3
Bouygues (EDTE)	0	0	1	1	1
Cook & Butler	1	0	1	2	2
1SC Guarding Limited	0	0	1	1	1
Skanska	4	0	1	5	0
Veolia	5	0	0	5	0
	131	**45**	**169**	**345**	**315**
TOTAL	**4,785**	**4,209**	**4,932**	**13,926**	**13,690**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. For 2019/20, employer contribution rates range from 16.1% to 21.0% of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website.

2. Basis of preparation

The statement of accounts summarises the fund's transactions for the 2019/20 financial year and its financial position at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019/20.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 18.

The accounts have been prepared on a going concern basis.

3. Accounting policies

i. The pension fund accounts are accounted for on an accruals basis for income and expenditure, with the exception of transfer values in and out, which are accounted for on a cash basis.

ii. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

iii. Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

iv. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 13). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

v. Acquisition costs are included in the purchase costs of investments.

vi. Assets and liabilities in overseas currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Transactions during the year are translated at rates applying at the transaction dates. Surpluses and deficits arising on conversion are dealt with as part of the change in market values of the investments.

vii. The fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

Administration expenses	All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.
Oversight and governance	All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.
Investment management expenses	Investment management expenses are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments.

viii. Income from investments is accounted for on an accruals basis. Investment income arising from the underlying investments of the Pooled Investment Vehicles is typically reinvested within the Pooled Investment Vehicles and reflected in the unit price.

ix. The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and losses realised on sales of investments and unrealised changes in market value.

x. Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

xi. Under the rules of the Scheme, members may receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.

xii. Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

xiii. Where an investment manager’s fee note has not been received by the balance sheet date, an estimate based upon the most recent available equivalent trailing reporting period is used for inclusion in the fund account

4. Critical judgements in applying accounting policies

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

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 18.

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

5. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made considering historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depend on a number of complex judgements 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 fund with expert advice about the assumptions to be applied. This uncertainty relates solely to the disclosures made in Note 18 and does not impact on the Net Asset Statement or Pension Fund Account.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: • a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £34m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £3m • a one-year increase in assumed life expectancy would increase the liability by approximately £68m.
Private equity investments (Note 13)	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and use valuation techniques that rely on unobservable inputs.	Private equity investments are valued at £35m in the financial statements. There is a risk that this investment may be under or overstated significantly if the underlying valuation assumptions change.
Infrastructure investments (Note 13)	Infrastructure and pooled property investments are valued at fair value using valuation techniques that rely on unobservable inputs. Property valuations were generally subject to material uncertainty valuation clauses as at 31 March 2020. Dealing on the Aviva Lime Property Fund was temporary suspended as at the reporting date in order that the manager could avoid trading whilst there was uncertainty over property valuations.	infrastructure and pooled property investments are valued at £62m and £66m, respectively in the financial statements. There is a risk that this investment may be under or overstated significantly if the underlying valuation assumptions change.

6. Events after the reporting date

The Pension Fund's investment assets have appreciated significantly in value since the balance sheet date as global financial markets rallied following a severe drawdown in the first quarter of 2020. As at 30 September 2020, the Fund's investment assets are estimated to be valued at £1,174m. These circumstances meet the conditions of a non-adjusting post-balance sheet reporting event.

7. Contributions receivable

By Category

2018-19		2019-20
£m		£m
(11.0)	**Employees' contributions**	**(11.9)**
	Employers' contributions	
(19.1)	Normal contributions	(20.3)
(11.7)	Deficit recovery contributions	(12.5)
(0.7)	Pensions strain contributions	(0.1)
(31.5)	**Total employers' contributions**	**(32.9)**
(42.5)		**(44.8)**

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By type of employer

2018-19		2019-20
£m		£m
(39.4)	Administering authority	(41.4)
(2.1)	Scheduled bodies	(2.3)
(1.0)	Admitted bodies	(1.1)
(42.5)		**(44.8)**

The preceding analysis has changed from 2018/19 in order to include pension strain contributions (which were previously disclosed separately on the main Fund Account statement) within contributions receivable. A reconciliation to the original disclosure in the 2018/19 pension fund accounts is shown below:

	2018-19 Original	2018-19 Pension Strain Contributions	2018-19 Restated
	£m	£m	£m
Administering authority	(38.8)	(0.6)	(39.4)
Scheduled bodies	(2.0)	(0.1)	(2.1)
Admitted bodies	(1.0)	-	(1.0)
Total employers' contributions	**(41.8)**	**(0.7)**	**(42.5)**

8. Benefits payable

By Category

2018-19		2019-20
£m		£m
37.0	Pensions	39.2
7.7	Lump sum retirement benefits	5.2
1.4	Lump sum death benefits	0.5
46.1		**44.9**

By type of employer

2018-19		2019-20
£m		**£m**
42.4	Administering authority	41.5
0.8	Scheduled bodies	2.9
2.9	Admitted bodies	0.5
46.1		**44.9**

9. Payments to and on account of leavers

2018-19		2019-20
£m		**£m**
1.7	Individual transfers out	2.9
-	Refunds to members leaving service	0.2
1.7		**3.1**

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10. Management expenses

2018-19		2019-20
£m		**£m**
0.7	Administration expenses	0.7
7.1	Investment management expenses	6.9
0.2	Oversight and governance*	0.2
8.0		**7.8**

*Includes audit fees of £22,000 that have been charged to the Pension Fund (2018/19: £15,000).

Investment management expenses

2018-19		2019-20
£m		**£m**
6.4	Management fees	6.0
0.7	Performance related fees	0.9
7.1		**6.9**

11. Income from investments

2018-19		2019-20
£m		**£m**
(0.1)	Interest	(0.2)
-	Pooled property investments	(0.1)
(0.2)	Private equity	(0.1)
(1.1)	Infrastructure	(0.8)
(1.4)		**(1.2)**

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

12. Investment assets

a. Reconciliation of movements in investments

The table below shows the movement in market values by asset type

Market Value 01-04-2018	Purchases	Sales	Change in value during the year	Market Value 31-03-2019		Market Value 01-04-2019	Purchases	Sales	Change in value during the year	Market Value 31-03-2020
£m	**£m**	**£m**	**£m**	**£m**		**£m**	**£m**	**£m**	**£m**	**£m**
					Long term investments					
(0.2)	-	-	-	(0.2)	Equities (unquoted)	(0.2)	-	-	-	(0.2)
					Investment assets					
					Pooled investments (quoted)					
(174.8)	-	1.3	(11.7)	(185.2)	UK	(185.2)	-	1.1	25.6	(158.5)
(720.4)	(179.3)	183.1	(56.2)	(772.8)	Global	(772.8)	-	69.5	13.4	(689.9)
-	-	-	-	-	Pooled property investments (unquoted)	-	(67.7)	0.3	1.3	(66.1)
(29.2)	(6.0)	6.9	(6.3)	(34.6)	Private Equity (unquoted)	(34.6)	(3.8)	6.8	(3.1)	(34.7)
(57.9)	(0.6)	6.1	(6.7)	(59.1)	Infrastructure (unquoted)	(59.1)	(0.2)	3.0	(6.0)	(62.3)
(982.5)	**(185.9)**	**197.4**	**(80.9)**	**(1,051.9)**		**(1,051.9)**	**(71.7)**	**80.7**	**28.2**	**(1,011.6)**
-				-	Cash	-				(11.9)
(0.1)				-	Investment income due	-				(0.1)
(982.6)				**(1,051.9)**	**Net investment assets**	**(1,051.9)**				**(1,023.6)**

b. Investments analysed by fund manager

Market value 01-04-2019		Market value 31-03-2020
£m		£m
	Investments managed by the London CIV	
(119.2)	LCIV Global Alpha Growth Fund*	(117.7)
(68.3)	LCIV MAC Fund*	(58.9)
(0.2)	London CIV	(0.2)
(187.7)		**(176.8)**
	Investments managed outside the London CIV	
(55.8)	Alternative assets	(56.0)
(95.0)	Artemis Institutional Equity Income Fund*	(80.0)
-	Aviva Lime Property Fund	(28.8)
(135.0)	C Worldwide Global Equities*	(115.5)
(100.5)	Harris Associates Global Equity Fund*	(70.4)
(38.0)	IFM Global Infrastructure (UK)	(40.9)
(48.3)	Lindsell Train UK Equity Fund	(45.5)
-	M&G UK Residential Property Fund	(7.5)
-	M&G Secured Property Income Fund	(29.8)
(41.9)	Majedie UK Equity Fund	(33.0)
(128.2)	Pyrford Global Total Return Fund*	(125.5)
(84.9)	Ruffer Absolute Return Fund*	(87.9)
(136.6)	Veritas Global Focus Fund*	(114.0)
(864.2)		**(834.8)**
(1,051.9)	**Total**	**(1,011.6)**
-	Cash	(11.9)
-	Investment income due	(0.1)
(1,051.9)	**Net investment assets**	**(1,023.6)**

*These investments each singularly represent over 5% of the net assets of the fund.

Alternative assets comprise of private equity and infrastructure investments managed through eleven separate investment managers. £11.9m was held as cash by M&G at the reporting date for onward investment in the M&G Secured Property Income Fund on 1 April 2020.

13. Fair value - basis for valuation

Item	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key Sensitivities affecting the valuations provided
Pooled investments - equity funds (UK and Global)	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – multi-asset Funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled property investments	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events between the date of the financial statements fund's own reporting date, and by differences between audited and unaudited accounts. Valuations of underlying property assets.
Private equity	Level 3	Comparable valuation of similar companies in accordance with international private equity valuation guidelines.	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Valuations include assumptions based on non-observable market data, such as discounts applied either to reflect changes in the fair value of financial assets or to adjust earnings multiples.
Infrastructure funds	Level 3	Discounted cashflows applied to equity and debt instruments. The Funds determine fair value for these securities by engaging external valuation services.	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Valuations include assumptions based on non-observable market data, such as discounts applied either to reflect changes in the fair value of financial assets or to adjust earnings multiples.

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

	Assessed valuation range	Market value 31/03/2020	Value on increase	Value on decrease
	(+/-)	£m	£m	£m
Private equity	10%	(34.7)	(38.2)	(31.2)
Pooled property investments	10%	(66.1)	(72.7)	(59.5)
Infrastructure	10%	(62.3)	(68.5)	(56.1)
		(163.1)	**(179.4)**	**(146.8)**

a. Fair value hierarchy

Assets have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

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

Level 2

Financial instruments at level 2 are those where quoted market prices are not available for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. Products classified as level 2 comprise open ended pooled investment vehicles which are not exchange traded, unquoted bonds and repurchase agreements.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include private equity investments and infrastructure funds which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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

These valuations are prepared in accordance with the international private equity and venture capital valuation guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are typically undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Guidance released by the Pensions Research Accountants Group (PRAG) in 2016 provides further clarification on the classification of pooled investment vehicles as level 1, 2 and 3. Pooled funds that are not quoted on an exchange are classed as level 2, as these do not meet the definition of level 1 investment: *The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.*

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

As at 31 March 2019					As at 31 March 2020			
Quoted market Price	**Using observable inputs**	**With significant unobservable inputs**	**Total**		**Quoted market price**	**Using observable inputs**	**With significant unobservable inputs**	**Total**
Level 1	**Level 2**	**Level 3**			**Level 1**	**Level 2**	**Level 3**	
£m	**£m**	**£m**	**£m**		**£m**	**£m**	**£m**	**£m**
				Financial assets				
-	(958.0)	(93.9)	(1,051.9)	Fair value through profit and loss	-	(848.3)	(163.3)	(1,011.6)
-	**(958.0)**	**(93.9)**	**(1,051.9)**	**Net investment assets**	**-**	**(848.3)**	**(163.3)**	**(1,011.6)**

b. Reconciliation of fair value measurements within level 3

The table below shows the movements in level 3 disclosures for 2019/20

Disclosures for level 3	Market value at 01-04-2019	Transfers into level 3	Transfers out of level 3	Purchases at cost	Sales	Unrealised (gains)/losses	realised (gains)/losses	Market value at 31-03-2020
	£m	£m	£m	£m	£m	£m	£m	£m
Private equity	(34.6)	-	-	(3.8)	6.8	(2.4)	(0.7)	(34.7)
Pooled property investments	-	-	-	(66.0)	1.8	(1.9)	-	(66.1)
Infrastructure	(59.1)	-	-	(0.2)	3.0	(6.0)	-	(62.3)
Long term investment	(0.2)	-	-	-	-	-	-	(0.2)
Total level 3	**(93.9)**	**-**	**-**	**(70.0)**	**11.6**	**(10.3)**	**(0.7)**	**(163.3)**

14. Financial Instruments

a. Classification of financial instruments

at 31 March 2019				at 31 March 2020		
£m				£m		
Fair Value through profit and loss	**Assets held at amortised cost**	**Financial liabilities at amortised cost**		**Fair Value through profit and loss**	**Assets held at amortised cost**	**Financial liabilities at amortised cost**
			Financial Assets			
-	(0.2)	-	Equities	-	(0.2)	-
(958.0)	-	-	Pooled investments	(848.3)	-	-
-	-	-	Pooled property investments	(66.1)	-	-
(59.1)	-	-	Infrastructure	(62.3)	-	-
(34.6)	-	-	Private equity	(34.7)	-	-
-	(13.7)	-	Cash	-	(17.9)	-
-	**-**	**-**	Investment income due	**-**	(0.1)	**-**

(1,051.7)	**(13.9)**	**0.0**		**(1,011.4)**	**(18.2)**	**0.0**
			Financial Liabilities			
-	-	2.5	Creditors	-	-	0.9
(1,051.7)	**(13.9)**	**2.5**	**Total**	**(1,011.4)**	**(18.2)**	**0.9**

b. Net (Gains) and Losses on Financial Instruments

2018-19		2019-20
£m		**£m**
	Financial Assets	
(80.9)	Fair value through profit and loss	31.3
(80.9)		**31.3**

15. Risk and risk management

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

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

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

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

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

16. Sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, Mercer Ltd, the City of London Corporation has determined that the movements in market price risk set out in the table below are reasonably possible for the 2019/20 reporting period. The potential price changes disclosed below is consistent with a multi-year one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Potential market movements (% change)

Asset Type	at 31 March 2019	at 31 March 2020
Developed market global equities	17.1%	17.4%
Emerging market global equities	28.6%	29.1%
Hedge funds (proxy for multi-asset funds)	7.6%	7.3%
UK property (proxy for residential property)	14.1%	14.2%
Long lease UK property	7.7%	7.7%
Private equity	24.5%	25.8%
Unlisted infrastructure	14.8%	15.0%

Had the market price of the fund investments increased/decreased in line with the above, the impact on relevant assets would have been as follows:

Price risk

as at 31 March 2019					as at 31 March 2020			
Value £m	**Change %**	**Value on increase £m**	**Value on decrease £m**	**Asset type**	**Value £m**	**Change %**	**Value on increase £m**	**Value on decrease £m**
(650.6)	17.1%	(761.9)	(539.3)	Developed market global equities	(553.2)	17.4%	(649.5)	(456.9
(26.1)	28.6%	(33.6)	(18.6)	Emerging market global equities	(22.9)	29.1%	(29.6)	(16.2)
(281.5)	7.6%	(302.9)	(260.1)	Hedge funds (proxy for multi-asset funds)	(272.4)	7.3%	(292.3)	(252.5)
-	14.1%	-	-	UK property (proxy for residential property)	(7.5)	14.2%	(8.6)	(6.4)
-	7.7%	-	-	Long lease UK property	(58.6)	7.7%	(63.1)	(54.1)
(34.6)	24.5%	(43.1)	(26.1)	Private equity	(34.7)	25.8%	(43.7)	(25.7)
(59.1)	14.8%	(67.8)	(50.4)	Unlisted infrastructure	(62.3)	15.0%	(71.6)	(53.0)
(1,051.9)		**(1,209.6)**	**(894.5)**	**Total**	**(1,011.6)**		**(1,158.4)**	**(864.8)**

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. The pooled multi-asset investments are indirectly subject to interest rate risks, as underlying holdings include fixed income instruments, and this represent the risk that the fair value or these financial instruments will fluctuate because of changes in market interest rates. Fund managers have the discretion to manage interest risk exposure through the use of derivatives.

The fund's indirect exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value. Bonds and cash balances are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

as at 31 March 2019					as at 31 March 2020			
Value	Change	Value on increase	Value on decrease	Assets exposed to interest rate risk	Value	Change	Value on increase	Value on decrease
£m	%	£m	£m		£m	%	£m	£m
(13.7)		(13.7)	(13.7)	Cash and cash equivalents	(17.9)		(17.9)	(17.9)
(188.3)	1.00%	(183.8)	(192.7)	Bonds	(162.1)	1.00%	(157.8)	(166.4)
(202.0)		**(197.5)**	**(206.4)**	**Total**	**(180.0)**		**(175.7)**	**(184.3)**

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 owned directly or through a pooled structure, that are denominated in any currency other than the functional currency of the fund (UK sterling). Following analysis of historical data, the fund custodian BNY Mellon have provided the currency exposure and volatility data included in the table below.

As at 31 March 2019				Currency	As at 31 March 2020			
Value	Change	Value on increase	Value on decrease		Value	Change	Value on increase	Value on decrease
£m	%	£m	£m		£m	%	£m	£m
(6.8)	3.46%	(7.0)	(6.6)	Australian Dollar	(16.7)	2.38%	(17.1)	(16.3)

(2.5)	5.48%	(2.6)	(2.4)	Brazilian Real	(1.4)	4.11%	(1.5)	(1.3)
(3.5)	2.75%	(3.6)	(3.4)	Canadian Dollar	(3.1)	2.29%	(3.2)	(3.0)
(5.2)	2.38%	(5.3)	(5.1)	Danish Krona	(4.5)	1.77%	(4.6)	(4.4)
(104.9)	2.38%	(107.4)	(102.4)	Euros	(93.0)	1.76%	(94.6)	(91.4)
(22.8)	2.69%	(23.4)	(22.2)	Hong Kong Dollar	(18.6)	2.34%	(19.0)	(18.2)
(12.0)	3.16%	(12.4)	(11.6)	Indian Rupee	(9.5)	2.72%	(9.8)	(9.2)
-	-	-	-	Indonesian Rupiah	(1.7)	2.76%	(1.7)	(1.7)
(0.4)	2.57%	(0.4)	(0.4)	Israeli Shekel	-	-	-	-
(29.7)	4.22%	(31.0)	(28.4)	Japanese Yen	(40.5)	2.87%	(41.7)	(39.3)
(1.5)	2.97%	(1.5)	(1.5)	Malaysian Ringgit	(2.1)	1.68%	(2.1)	(2.1)
(5.1)	4.15%	(5.3)	(4.9)	Mexican Peso	(4.7)	3.58%	(4.9)	(4.5)
(2.4)	2.96%	(2.5)	(2.3)	Norwegian Krona	(3.0)	2.66%	(3.1)	(2.9)
(0.3)	2.97%	(0.3)	(0.3)	Peruvian Sol	(0.2)	1.96%	(0.2)	(0.2)
(0.6)	2.99%	(0.6)	(0.6)	Polish Zloty	(0.6)	2.08%	(0.6)	(0.6)
(3.1)	2.68%	(3.2)	(3.0)	Singapore Dollar	(4.0)	1.68%	(4.1)	(3.9)
(10.0)	5.84%	(10.6)	(9.4)	South African Rand	(5.8)	4.66%	(6.1)	(5.5)

As at 31 March 2019				Currency	As at 31 March 2020			
Value	**Change**	**Value on increase**	**Value on decrease**		**Value**	**Change**	**Value on increase**	**Value on decrease**
-	-	-	-	South Korean Won	(0.8)	2.87%	(0.8)	(0.8)
(6.7)	2.86%	(6.9)	(6.5)	Swedish Krona	(12.2)	2.54%	(12.5)	(11.9)
(20.4)	3.01%	(21.0)	(19.8)	Swiss Franc	(16.6)	2.41%	(17.0)	(16.2)
(2.8)	2.67%	(2.9)	(2.7)	Taiwanese Dollar	(6.1)	1.92%	(6.2)	(6.0)
(356.8)	2.67%	(366.3)	(347.3)	United States Dollar	(303.1)	2.34%	(310.2)	(296.0)
(597.5)		**(614.2)**	**(580.8)**	**Overseas sub-total**	**(548.1)**		**(560.8)**	**(535.4)**

(3.4)				Other overseas	(2.9)			
(600.9)				**Overseas total**	**(551.0)**			
(451.0)				UK investments	(472.5)			
(1,051.9)				**Total investment assets**	**(1,023.5)**			
-				Investment income due	(0.1)			
(1,051.9)				**Net investment assets**	**(1,023.6)**			

Liquidity risk

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

Liquid assets are those that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2020, liquid investment assets were £860.4m representing 83% of total fund assets (£958.0m at 31 March 2019 representing 90% of the Fund at that date). These investments can in fact be liquidated within a matter of days.

Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities. The selection of high-quality counterparts, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle transactions in a timely manner.

17. Funding arrangements

In accordance with statutory regulations a triennial valuation of the Pension Fund was completed by the City's independent consulting actuaries, Barnett Waddingham LLP, as at 31 March 2016 using the projected unit method and the resulting employers' contribution were implemented for the three financial years commencing 1 April 2017. A more recent valuation was undertaken as at 31 March 2019, and employer contribution rates resulting from this exercise will apply from 1 April 2020.

The main funding assumptions which follow were incorporated into the funding model used in the 31 March 2016 and the 31 March 2019 valuations (Consumer Price Inflation has been used as basis to reflect the actuarial assumption in real terms):

	March 2016		March 2019	
	% p.a.	Real % p.a.	% p.a.	Real % p.a.
Financial assumptions				
Discount rate	5.7	3.3	5.1	2.5
Retail Price Inflation	3.3	0.9	3.6	1.0
Consumer Price Inflation	2.4	-	2.6	-
Pension increases	2.4	-	2.6	-
Pay increases (short term)	*		N/A	
Pay increases (long term)	3.9	1.5	3.6	1.0

* CPI for the period 31/03/2016 to 31/03/2020.

The discount rate reflects the asset allocation embedded in fund's long-term strategy, the below table outlines how these assumptions translate into an overall discount rate assumption as at 31 March 2016 and 31 March 2019.

Future assumed returns at 31 March 2016	Percentage of Fund	Return Assumption	Real (relative to CPI)
	%	%	%
Gilts	-	2.4	-
Cash	-	1.8	(0.6)
Bonds	-	3.3	0.9
Equities	55	7.4	5.0
Property	10	5.9	3.5
Absolute return fund - inflation plus 3.7%	15	6.1	3.7
Absolute return fund - LIBOR plus 4.5%	20	6.3	3.9
Expenses (deduction)		(0.2)	-
Neutral estimate of discount rate based on long-term investment strategy		**6.7**	**4.3**
Prudence allowance		(1.0)	(1.0)
Discount rate		**5.7**	**3.3**

Future assumed returns at 31 March 2019	Percentage of Fund	Return Assumption	Real (relative to CPI)
	%	%	%
Equities	55	6.7	4.1
Property and infrastructure	15	6.1	3.5
Absolute return fund - inflation plus 3.7%	30	6.3	3.7
Expenses (deduction)		(0.2)	-
Neutral estimate of discount rate based on long-term investment strategy		**6.3**	**3.7**
Prudence allowance		(1.2)	(1.2)
Discount rate		**5.1**	**2.5**

Demographic assumptions

The assumed life expectancy from age 65 is show below for both the 31 March 2016 and 31 March 2019 valuations.

Life expectancy from age 65		31 March 2016	31 March 2019
Retiring today	Males	24.3	21.7
	Females	25.8	24.3
Retiring in 20 years	Males	26.5	23.1
	Females	28.1	25.8

Commutation assumption

As part of both the 31 March 2016 and 31 March 2019 valuations the actuary assumed that members on average exchanged pension to get approximately 50% of the maximum available cash on retirement.

50:50 membership

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

Funding Position at Valuation date

The valuations at 31 March 2016 and 31 March 2019 revealed that the relationship between the values placed on the assets held by the fund and the liabilities accrued in respect of pensionable service at that date were as follows:

	March 2016	March 2019
Past service liabilities	**£m**	**£m**
Active members	308.9	383.7
Deferred pensioners	185.1	236.7
Pensioners	451.6	555.3
Total	**945.6**	**1,175.7**
Assets	(796.3)	(1,062.9)
Deficit	**149.3**	**112.8**
Funding level	**84%**	**90%**

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

	March 2016	March 2019
	Contribution rate %	**Contribution rate %**
Future service funding rate	12.8	15.0
Past service adjustment	8.2	5.5
Total contribution rate	**21.0**	**20.5**

The secondary rate contributions agreed with individual employers were set at the 31 March 2016 valuation to restore the Fund to a funding position of 100% over a recovery period of no longer that 17 years. This deficit recovery plan was maintained at the 31 March 2019 valuation (i.e. the secondary rates established in 2019 aim to restore 100% funding over 14 years).

Having considered the basic rate of employer's contributions above, the City of London Corporation set contribution rates applicable to its employees of 21.0% for each of the financial years 2017/18 to 2019/20. Exceptions are City Academy who pay 17.1% p.a. and Museum of London which has certified stepped contributions of 15.1% in 2017/18, 15.7% in 2018/19 and 16.1% in 2019/20.

Following the 31 March 2019 valuation, most employers will continue to pay contribution rates of 21.0% for the three years commencing 1 April 2020 apart from the City Academy and the Multi Academy Trust (17.1%); the Museum of London (16.1%) and the London CIV (initially 38.0% and 15.0% from 1 June 2020).

18. Funded Obligation of the Overall Pension Fund

31 March 2019		31 March 2020
£m		£m
1,733.5	Present Value of the defined benefit obligation*	1,703.4
(1,063.1)	Fair Value of Fund Assets (bid value)	(1,028.7)
670.4	Net Liability	**674.7**

*The present value of the funded obligation consists of £1,673.6m in respect of vested obligations and £29.9m in respect of non-vested obligations (2018/19: £1,669.4m and £64.1m respectively).

The above figures show the total net liability of the Fund as at 31 March 2020 and have been prepared by the fund actuary (Barnett Waddingham LLP) in accordance with IAS26. In calculating the disclosed numbers, the value of Fund's liabilities calculated for the funding valuation as at 31 March 2019 have been rolled forward, using financial assumptions that comply with IAS19.

at 31 March 2019		Assumptions	at 31 March 2020	
% p.a.	Real % p.a.*		% p.a.	Real % p.a.*
3.40	1.00	RPI increase	2.70	0.80
2.40	-	CPI increase	1.90	-
3.90	1.50	Salary increase	2.90	1.00
2.40	-	Pension increase	1.90	-
2.40	-	Discount Rate	2.35	-

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

Life expectancy from age 65		31 March 2019	31 March 2020
Retiring today	Males	23.2	21.8
	Females	24.6	24.4
Retiring in 20 years	Males	24.5	23.2
	Females	26.1	25.8

McCloud and Sargeant judgments

The present value of the defined benefit obligation includes an allowance of £12.9m for the impact of any amendments that may be required to the Local Government Pension Scheme as a result of the Court of Appeal judgement on the McCloud and Sargeant cases on the basis that there is a constructive obligation as at 31 March 2020.

Guaranteed Minimum Pension (GMP) Equalisation

On 22 January 2018, the Government published the outcome of its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. The present value of the defined benefit obligation assumes that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the calculation assumes that the Fund will be required to pay the entire inflationary increase.

19. Current assets

Current assets include cash balances of £6.0m at 31 March 2020 (£13.7m at 31 March 2019) and investment income due of £0.1m (zero at 31 March 2019).

20. Current liabilities

Current liabilities represent accruals for investment management expenses, custodian fees and benefits payable.

21. Additional voluntary contributions

Market Value		Market Value
31 March 2019		**31 March 2020**
£m		**£m**
(1.7)	Prudential	(1.9)
(0.5)	Standard Life Investments	(0.4)
(0.2)	Utmost Life and Pensions	(0.2)
(2.4)		**(2.5)**

Additional voluntary contributions (AVCs) are managed externally and independently from the rest of the Pension Fund. They are paid by members to the Corporation and transferred directly to the relevant fund managers – Prudential, Standard Life Investments and Utmost Life and Pensions (formerly Equitable Life). AVCs of £0.46m were paid in 2019/20 (2018/19: £0.46m).

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

22. Related party transactions

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

During the reporting period, administration expenses which were charged to the Fund amounted to £0.7m (2018/19: £0.7m). This includes £0.5m (2018/19: £0.5m) of City of London Corporation staff salaries.

The Corporation is also the single largest employer of members of the Pension Fund and the employer contributions paid by it was £30.5m in 2019/20 (2018/19: £28.7m).

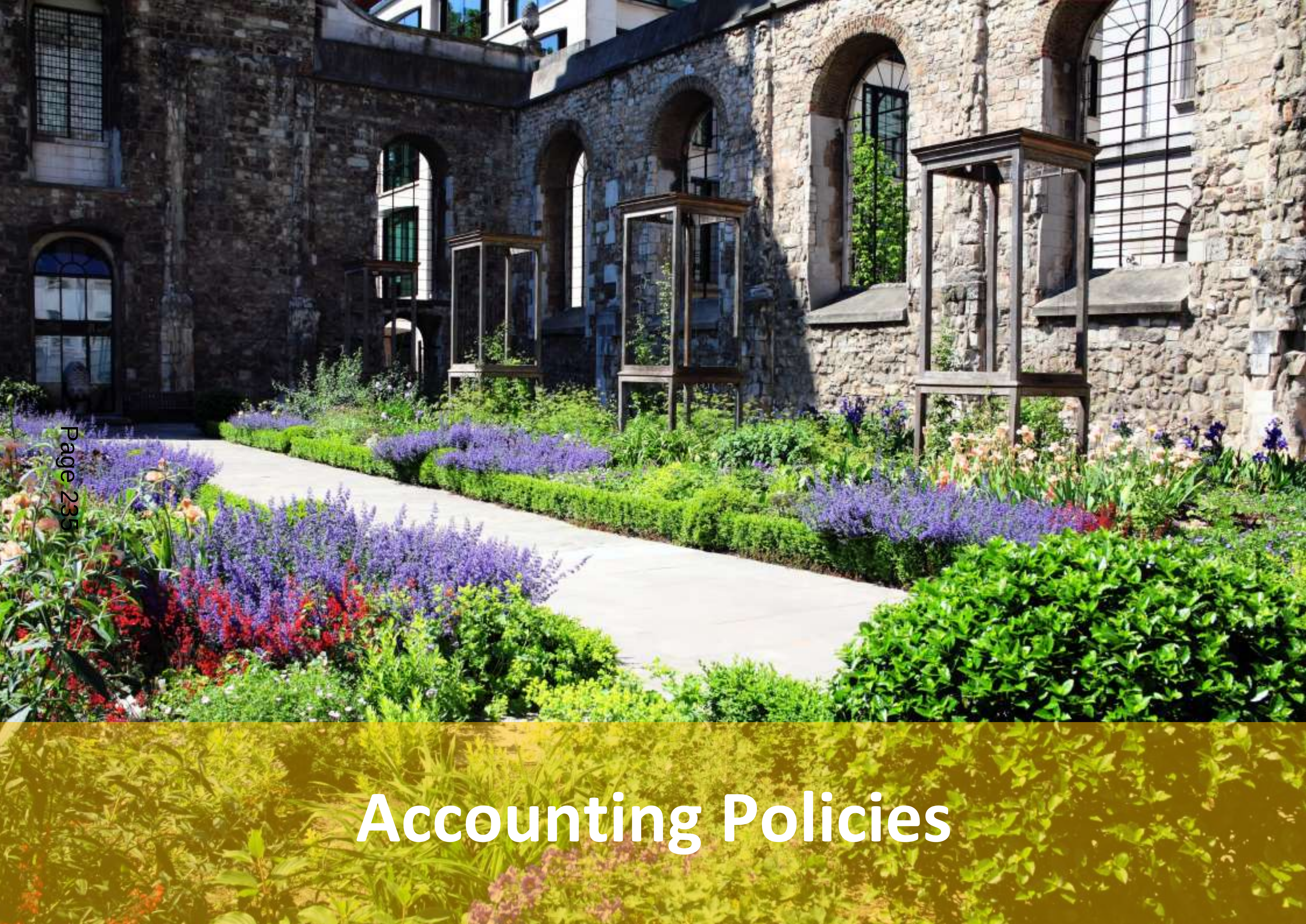
23. Key management personnel

The key management personnel of the Fund are the Chamberlain, Deputy Chamberlain, Corporate Treasurer, Pensions Manager (Administration) and Group Accountant for Pensions and Treasury Management. Total remuneration payable to key management personnel is set out below

31 March 2019		31 March 2020
£m		**£m**
0.2	Short-term benefits	0.2
0.2		**0.2**

24. Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2020 totalled £9.0m (31 March 2019: £10.4m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment. The Fund also has outstanding capital commitments totalling £10.4m to unquoted property unit trusts (31 March 2019: £90.0m).



Accounting Policies

1. Accounting Policies

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

1.1. General Principles

The Statement of Accounts summarises the City Fund transactions for the 2019-20 financial year and its position at the year end of 31 March 2020. The City Corporation is required to prepare the City Fund annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Statement of Account have been prepared on an going-concern basis.

1.2. Accruals of Expenditure and Income

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

- Revenue from contracts with service recipients, whether for service or the provision of good, is recognised when (or as) the good or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is subsequently identified that debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours less cheques and BACS payments issued but not presented. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

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

1.5. Charges to Revenue for Non-current Assets

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

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

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

1.6. Employee Benefits

(a) Short-term employee benefits

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

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

(b) Termination benefits

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

(c) Retirement benefit costs

(i) Pension Costs – City of London Staff

With the exception of serving police officers and teachers, City of London staff are eligible to contribute to the City of London Pension Fund, which is a funded defined benefits scheme. The estimated net deficit on the Fund is the responsibility of the City of London Corporation as a whole, as one employer, rather than the specific responsibility of any of its three funds (City Fund, City’s Cash and Bridge House Estates). The Corporation and its three funds have a policy in place to share the net defined benefit cost of the pension fund across the three funds. As such the City Fund recognises the net defined benefit cost along with a share of scheme assets and scheme liabilities. The total net defined benefit cost is apportioned across the Corporation’s three funds based on the proportion of pensionable payroll of each fund.

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

- Liabilities are discounted to their value at current prices
- The assets attributable to the City Fund are included in the balance sheet at their fair value using estimated bid values where necessary.

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

- Service cost comprising:
    - current service cost, the increase in liabilities as a result of years of service earned this year, allocated in the comprehensive income and expenditure statement to the services for which the employees worked
    - past service cost, the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non-distributed costs
    - net interest on the net defined benefit liability is charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement. The interest is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments
- Remeasurements comprising:
    - the return on plan assets, excluding amounts included in the net interest on the net defined benefit liability, charged to the pensions reserve as other comprehensive income and expenditure
    - actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the pensions reserve as other comprehensive income and expenditure
- Contributions paid to the Pension Fund, cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

City Fund unallocated reserve of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

(ii) Pension Costs – Police Officers and Judges

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

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

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

(iii) Pension Costs - Teachers

The payment of pensions to former teachers under the Teachers' Pension Scheme is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Community and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

1.7. Events After the Reporting Period

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

(a) Adjusting Events

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

(b) Non-adjusting Events

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.8. Financial Instruments

(a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

(b) Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

(i) **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the

Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

(ii) Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets (excluding statutory amounts such as council tax and NNDR) held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

The City Corporate currently has finance lease debtors for ground rents due on leases properties. Due to the low value of these rents compared to the investment lessees have made in these properties it is highly unlikely that default will occur and therefore no expected credit loss has been applied to these amounts.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

(iii) Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

(iv) Financial Assets Measured at Fair Value through Other Comprehensive Income (designated equity instruments)

The authority has designated an equity investment in the Municipal Bonds Agency as a financial asset measured at FVOCI on the basis that it is not held for trading and is held for strategic purposes. Fair Value gains and losses are recognised through other comprehensive income and expenditure. Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The City Fund is not party to any material finance guarantees and therefore no adjustment to the accounts has been made.

1.9. Interest Income

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

1.10. Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received.

Where a grant or contribution has been received but the conditions of entitlement have not been satisfied, the grant or contribution is treated as a receipt in advance.

(a) Revenue

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

(b) Capital

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

Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital

Grants Unapplied Account within the usable reserves section of the balance sheet reflecting its status as a capital resource available to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

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

1.11. Business Improvement Districts

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

1.12. Community Infrastructure Levy

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

1.13. Heritage Assets

Heritage assets are those assets intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Where the cost or value of heritage assets cannot be obtained at a cost which is commensurate with the benefits to the users of the financial statements, such assets will not be recognised in the Balance Sheet. The City Corporation does not consider the expense of obtaining information on cost or values to be justified and therefore recognises on the City Fund balance sheet only those heritage assets for which information on costs is readily available. The City Corporation considers that heritage assets will have indeterminate lives and high residual values; hence the City Corporation does not consider it appropriate to charge the City Fund depreciation for these assets (see note 14 for details of these assets).

1.14. Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Unallocated Reserve. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Unallocated Reserve. The gains and losses are therefore reversed out of the Unallocated Reserve in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.15. Contingent Assets

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

1.16. Contingent Liabilities

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

1.17. Provisions

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

1.18. Leases

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

(a) Finance Leases

(i) City Fund as Lessee

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

(ii) City Fund as Lessor

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

(b) Operating Leases

(i) City Fund as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

(ii) City Fund as Lessor

Assets subject to operating leases are included in the Balance Sheet according to the nature of the assets. Rental income from operating leases is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the period of the lease, even if the payments are not received on this basis (e.g. there is a premium paid at the commencement of the lease).

1.19. Overheads

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

1.20. Property, Plant and Equipment

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

(a) Recognition

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

(b) Valuation

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

- Properties regarded as operational - current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), or where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost, based on modern equivalent assets, as an estimate of current value.
- Council dwellings – current value, determined using the basis of existing use value for social housing
- Non-operational assets under construction – historic cost
- Infrastructure, community and heritage assets - historic cost, net of depreciation, where appropriate

- Vehicles, plant and equipment - cost, net of depreciation, as a proxy for current value.
- Surplus assets – fair value, estimating highest and best use

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

(c) Revaluations

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

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to impairment – see below), the decrease is recognised in the Revaluation Reserve to the extent that there is a balance on the reserve for the asset and, thereafter, against the Surplus or Deficit on the Provision of Services.

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal inception following implementation from the 2007 Statement of Recommended Practice. Gains arising before that date have been consolidated in the Capital Adjustment Account.

(d) Impairments

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

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

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

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

(e) De-recognition

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

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

The gain or loss arising from de-recognition of an asset is the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from de-recognition of an asset is included in Surplus or Deficit on the Provision of Services under other operating expenditure.

Legislation prescribes that the gain or loss is not a proper charge to the City Fund or Housing Revenue Account. As a result, the City Fund or Housing Revenue Account is debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on disposal with the consequent entry being:

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

If the asset derecognised was carried at a re-valued amount, an additional entry is required; the balance on the Revaluation Reserve is written off to the Capital Adjustment Account and reported in the Movement in Reserves Statement. The Capital Receipts Reserve can only be used for new capital investment or set aside to reduce any underlying need to borrow (the capital financing requirement). A proportion of receipts relating to Housing Revenue Account disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.

(f) Depreciation

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

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

(g) Components

Assets other than Housing Revenue Account (HRA) Dwellings

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

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

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

HRA Dwellings

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

1.21. Fair value measurement

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

a) in the principal market for the asset or liability; or

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

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

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

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

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

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

1.22. Reserves

Specific amounts have been set aside as reserves for future policy purposes or to cover contingencies. Details of the City Fund's earmarked reserves are set out in note 12. Certain reserves are required by the Code to manage the accounting process for long-term assets and retirement benefits and do not represent usable resources. Details of these unusable reserves are set out in note 31.

1.23. Revenue expenditure funded from capital under statute

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

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

1.24. Value Added Tax

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

1.25. Schools

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

1.26. Accounting for Council Tax and National Non Domestic Rates

The council tax and National Non Domestic Rates (NNDR) income included in the Comprehensive Income and Expenditure Statement is the City Fund's share of accrued income for the year. However, regulations determine the amount of council tax and NNDR that must be included in the City Fund.

Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the City Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the City Fund's share of the end of year balances in respect of council tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

1.27. Accounting for the London Business Rates Pool Pilot

In 2018-19 the City of London undertook the role of Lead Authority for the 100% London Business Rates Pool Pilot which borough together the business rates generated across the 32 London Boroughs, the City Corporation and the GLA. The City of London has continued this role on 2019-20 for the 75% London Business Rates Pool Pilot. In its role as Lead Authority, the City Corporation has received funds and made payments on behalf of the pool and retaining funds for distribution to pool members in the future. The City Corporation has treated these transactions as an agent on behalf of the pool members and therefore has not accounted for these transactions in its CIES. Any outstanding transaction to or from the pool are shown as a debtor or creditor balances on the City Corporation balance sheet.

2. Accounting Standard issued but not yet adopted

2.1 At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.

- IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

Annual Governance Statement

T **Scope of Responsibility**

1. The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK. It aims to contribute to a flourishing society, support a thriving economy and shape outstanding environments by strengthening the character, capacity and connections of the City, London and the UK for the benefit of people who live, learn, work and visit here. Its unique franchise arrangements support the achievement of these aims.

2. Although this statement has been prepared to reflect the City of London Corporation in its capacity as local authority, police authority and port health authority, which are paid for through the City Fund, the governance arrangements are applied by the Corporation to its other functions funded by City's Cash and the Bridge House Estates.

3. The City of London Corporation ("the City Corporation") is responsible for ensuring that its business is conducted in accordance with the law and proper standards of governance; that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively; and that arrangements are made to secure continuous improvement in the way its functions are operated.

4. In discharging this overall responsibility, the City Corporation is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

5. The City Corporation has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE [2]Framework *Delivering Good Governance in Local Government.* This statement explains how the City Corporation has complied with the code and also meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

6. The governance framework comprises the systems and processes by which the City Corporation is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the City Corporation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

7. The system of internal control is a significant part of that framework and is designed to manage all risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable rather than absolute assurance of effectiveness. The City Corporation's system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of its policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them economically, efficiently and effectively.

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

8. The governance framework has been in place at the City Corporation for the year ended 31st March 2020 and up to the date of approval of the statement of accounts.

Key Elements of the Governance Framework

Code of Corporate Governance

9. The principles of good governance are embedded within a comprehensive published Code of Corporate Governance. This code covers both the local authority and police authority roles, and links together a framework of policies and procedures, including:

- Standing Orders, which govern the conduct of the City Corporation's affairs, particularly the operation of Committees and the relationship between Members and officers;
- Financial Regulations, which lay down rules that aim to ensure the proper management and safeguarding of the City Corporation's financial and other resources;
- Terms of reference for each Committee;
- A Scheme of Delegations, which defines the responsibility for decision-making and the exercise of authority;
- A Members' Code of Conduct, which defines standards of personal behaviour;
- A Standards Committee whose role is to promote high standards of Member behaviour and to deal with complaints made against Members, and oversight of the register of interests, gifts and hospitality;
- A Code of Conduct for employees;
- The Corporate Plan 2018-23;
- A corporate complaints procedure, operated through the Town Clerk's Department, with a separate procedure in the Department of Community and Children's Services to comply with the relevant regulations, and a separate complaints process in respect of complaints about the City of London Police;
- A corporate Project Toolkit and other detailed guidance for officers, including procedures and manuals for business-critical systems;
- An anti-fraud and corruption strategy, including: anti-bribery arrangements; a social housing tenancy fraud, anti-fraud and prosecution policy; and a whistleblowing policy;
- A Risk Management Strategy;
- Job and person specifications for senior elected Members and the Court of Aldermen; and
- A protocol for Member/officer relations.

10. The City Corporation's main decision-making body is the Court of Common Council, which brings together all of its elected Members. Members sit on a variety of committees which manage the organisation's different functions, and report to the Court of Common Council on progress and issues as appropriate. The Town Clerk and Chief Executive is the City Corporation's statutory head of paid service, and chairs the Chief Officers Group, and the Summit Group, which is the primary officer decision-making body. The Comptroller and City Solicitor discharges the role of monitoring officer under the Local Government and Housing Act 1989. The Chamberlain carries out the duties of the section 151 officer as necessitated by the Local Government Act 1972 which requires every local authority to appoint a suitably qualified officer responsible for the proper administration of its affairs.

11. The Court of Common Council is defined as the police authority for the City of London Police area in accordance with the provisions of the City of London Police Act 1839 and the Police Act 1996.

12. The role of the police authority is to ensure that the City of London Police runs an effective and efficient service by holding the Commissioner to account; to ensure value for money in the way the police is run; and set policing priorities taking into account the views of the community. These, and other key duties, are specifically delegated to the Police Authority Board. The Police Authority Board has the following Sub Committees and Boards to provide enhanced oversight in specific areas of police work:

    - The Professional Standards and Integrity Sub Committee has responsibility for providing detailed oversight over professional standards and integrity within the Force, and examines the casework of every single complaint recorded by the Force;
    - The Performance and Resource Management Sub Committee monitors performance against the Policing Plan and oversees management of risk, human and financial resources;
    - The Economic Crime Committee considers matters relating to the Force's national responsibilities for economic crime and fraud investigation, as well as local performance on tackling economic crime; and
    - The Police Pensions Board is responsible for securing compliance with police pension scheme regulations and other legislation relating to the governance and administration of the scheme.

13. Under the Localism Act 2011, the City Corporation is under a duty to promote and maintain high standards of conduct by Members and co-opted Members. In particular, the Court of Common Council must adopt and publicise a code dealing with the conduct that is expected of Members when they are acting in that capacity and have in place a mechanism for the making and investigation of complaints. The Court approved a revised Code of Conduct in March 2018, following a review by the Standards Working Party.

14. The City Corporation has appropriate arrangements in place under which written allegations of a breach of the Member Code of Conduct can be investigated and decisions on those allegations taken. A Complaints Procedure is in place and following a review a revised model came into force in the 2018/19 municipal year. A Dispensations Sub Committee exists for the purposes of considering requests from Members for a dispensation to speak or vote on certain matters (where they have a disclosable pecuniary interest and are otherwise prevented from participation) being considered at Committee meetings. A new dispensations policy was approved by the Court of Common Council in March 2019 and further reviewed, with advice

obtained from Counsel engaged by the City Corporation, on 24th January 2020 with further changes being made. Elected and co-opted Members are invited to review and update their Member Declarations on an annual basis (although there is no statutory requirement to do so).

15. Under Section 28 of the Localism Act, the Common Council is required to appoint at least one Independent Person to support the standards arrangements. The Court of Common Council has made three appointments to the position of Independent Person.
16. The Localism Act also requires the Common Council to prepare and publish a Pay Policy Statement each year, setting out its approach to pay for the most senior and junior members of staff. The Pay Policy Statement for 2019/20 was agreed by the Court of Common Council in March 2019 and published on the City Corporation's website.
17. To assist in meeting the City Corporation's obligations under the Bribery Act 2010, officers with decision-making powers in relation to higher risk activities are required to make an annual declaration to confirm that they have met the requirements relating to potential conflicts of interest, as set out in the Employee Code of Conduct, and to confirm that they have not engaged in any conduct which might give rise to an offence under the Act.
18. As a result of the Protection of Freedoms Act 2011-12, revisions were agreed to the City Corporation's policy and procedures in respect of the Regulation of Investigatory Powers Act 2000 (RIPA), which regulates surveillance carried out by public authorities in the conduct of their business. A report was made in September 2017 to the Policy and Resources Committee on the City Corporation's use of RIPA powers. In November 2018, the Office of the Surveillance Commissioners conducted an inspection of the City Corporation's arrangements. The inspector concluded that the City Corporation is keen to set and maintain standards and has a sound RIPA structure, with good policies and procedures.
19. In November 2019 following changes to legislation and best practice amendments, the City Corporation's RIPA Policy and Procedure document was updated to reflect these changes and to ensure continued compliance in relation to the procedural requirements of handling applications submitted under RIPA.

Standards Committee

20. The Standards Committee oversees the conduct of Members and Co-opted Members in all areas of the City of London Corporation's activities be it local authority, police authority or non-local authority functions. Its main responsibility is to promote and maintain high standards of conduct by elected Members and Members co-opted on to City of London Committees.
21. Its functions include:

- monitoring and regularly reviewing the operation of the Code of Conduct for Members and related procedures;
- considering any alleged breaches of the Code;
- monitoring Members' declarations to ensure compliance with both the statutory and local registration requirements;
- regularly reviewing the complaints procedure and dispensations arrangements; and submitting an annual report to the Court of Common Council.

22. In March 2019 a new and extensively consulted upon guidance and policy came into effect. However a petition relating to the Dispensations Policy was considered by the Committee alongside other relevant matters, including the Principles of Public Life, general public confidence in local government and the City Corporation in particular, and non-Localism Act requirements/restrictions in relation to conflicts of interest. Much of this municipal year has therefore been focused on the further refinement and liberalisation of our Dispensations Policy.

23. At the January 2020 meeting of the Standards Committee, Members considered the opinion of Counsel. The Committee voted nine in favour with one abstention, to accept his opinion that the approach suggested by the elected Member regarding the granting of ‘general’ dispensations was unlawful. The Committee then continued to agree ways in which we are able to further liberalise the policy.

24. The Committee undertakes an annual review of the Protocol on Member/Officer Relations. During 2019/20, eight alleged breaches of the Members’ Code of Conduct were considered in accordance with the agreed procedure.

25. A comprehensive package of learning and development was offered to all new and returning Members. This included briefing sessions on the Member Code of Conduct and the Member/Officer Protocol, as well as other aspects of the governance framework i.e. how decisions are taken, Standing Orders and financial regulations.

Electoral arrangements

26. The City Corporation administers electoral registration and elections in the City of London and maintains an accurate database of organisations and individuals in the City of London who are eligible to register to vote. For these purposes, three separate registers are maintained: the Common Hall Register of Liverymen, the Ward Lists and the Electoral Register.

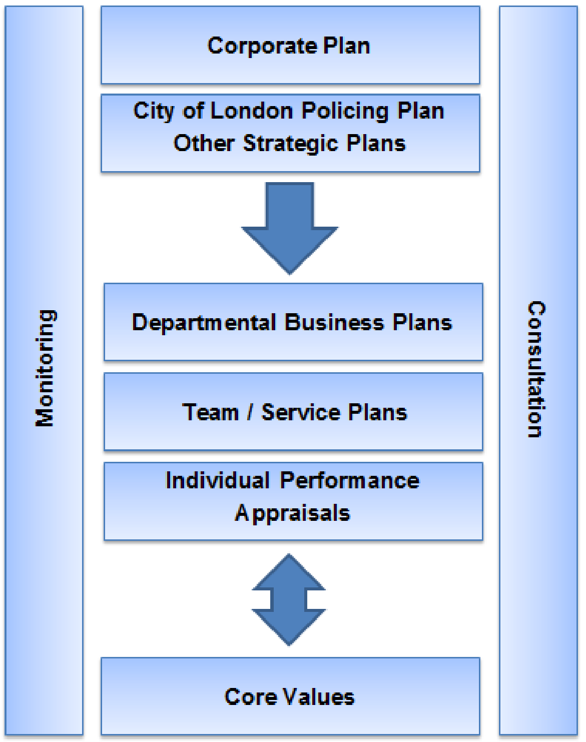
27. Common Hall is a meeting of the Liverymen of the City of London Livery Companies, held at Guildhall twice a year, to elect municipal officers including the Sheriffs and the Lord Mayor. The Lord Mayor is elected annually at Michaelmas, on 29 September, and the City's Sheriffs are elected after Midsummer day on 24 June. The main role of the Sheriffs is to support the Lord Mayor in their official duties undertaken on behalf of the City Corporation.

28. Throughout the year, all premises in the City of London are visited to identify eligible organisations for the purpose of registration on the City of London Ward Lists. The Ward Lists, which are updated annually and published every February, are used for elections for Aldermen and Members of the Court of Common Council. At national and London-wide elections, the Electoral Register is used. This is updated annually alongside the Ward Lists.

29. The City Corporation also provides advice to Members, candidates and election agents on a wide range of electoral matters, and guidance to those wishing to serve.

30. Four by-elections were held in 2019/20 and returned four new Members of the Court of Common Council. One Aldermanic election was also contested, which resulted in the sitting Alderman being re-elected. Five further Aldermen were returned in 2019/20 following uncontested elections.

Business Strategy and Planning Process



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

- The Corporate Plan 2018-23 is the strategic framework for all the City Corporation's work between 2018 and 2023. It includes a statement of the City Corporation's vision, aims, responsibilities, capabilities and commitments. It was approved by Court of Common Council on 8th March 2018 and introduced on 1st April 2018.

- The City of London Police Corporate Plan 2018-23 sets out the ambitions and high-level commitments for the Force. Its Policing Plan details the policing priorities and shows how these will be delivered over the coming year. It also contains all the measures and targets against which the Police Committee hold the City of London Police to account.

32. Plans and strategies are informed by a range of consultation arrangements, such as City-wide residents' meetings, representative user groups and surveys of stakeholders. The City Corporation has a unique franchise, giving businesses (a key constituency) a direct say in the running of the City, and a range of engagement activities, including through the Lord Mayor, Chair of Policy & Resources Committee and the Innovation & Growth Division (formerly known as the Economic Development Office). An annual consultation meeting was held in early spring 2019 for business rates and council taxpayers, and another two for residents in May 2019.

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

<u>Information Management Strategy</u>

34. The 2009 Information Management Strategy has been updated and refreshed and was approved by Summit Group in March 2019.It sets out the headline approach to information management in the City Corporation. It summarises the current position, gives a vision of where we want to be and proposes a set of actions to start us on the path to that vision. The strategy defines our approach to the other key elements for information management, in particular data security and data sharing.

35. Overall responsibility for Information Management Governance and cyber-security is vested in the Digital Services (Finance) Sub Committee (formerly known as the Information Technology (Finance) Sub Committee). The Information Management Board reports to the Summit Group. The Comptroller and City Solicitor is the Senior Information Risk Owner (SIRO) and work continues to identify Information Asset Owners (IAO) and other key IM roles within departments. Key tasks include the building and maintenance of an information asset register.

36. The City Corporation has undertaken a thorough review and updated its policies and procedures following the implementation of the General Data Protection Regulation (GDPR) on 25th May 2018, together with a programme of training for officers and Members across departments and institutions. Over 90% of the City Corporation staff have completed their training.

<u>Financial Management Arrangements</u>

37. The Chamberlain is the Chief Finance Officer in accordance with section 151 of the Local Government Act 1972 and has overall responsibility for the proper administration of the City's financial affairs. In 2010 CIPFA issued a "*Statement on the Role of the Chief Financial Officer in Local Government*"[3] which defines the key responsibilities of this role and sets out how the requirements of legislation and professional standards should be met. The

[3] Updated in 2016

City's financial management arrangements conform to the governance requirements of the Statement. The Chamberlain also fulfils the role of Treasurer of the Police Authority.

38. The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, a system of delegation and accountability, and independent scrutiny. In particular the system includes:

- a rolling in-depth survey of the City Corporation's forecast position over a five-year period;
- comprehensive budget setting processes;
- monthly, quarterly and annual financial reports that indicate performance against budgets and forecasts;
- access by all departmental and central finance staff to systems providing a suite of enquiries and reports to facilitate effective financial management on an ongoing basis;
- ongoing contact and communication between central finance officers and departmental finance officers;
- clearly defined capital expenditure guidelines;
- formal project management disciplines;
- the provision of high-quality advice across the organisation;
- an internal audit service combining in-house staff with external knowledge and expertise;
- insuring against specific risks;
- scrutiny by Members, OFSTED, CQC, HMICFRS, other inspectorates, External Audit and other stakeholders; and
- requests for Members and Chief Officers to disclose related party transactions including instances where their close family have completed transactions with the City Corporation.

39. The City Corporation has a long-standing and in-built culture of maximising returns from its resources and seeking value for money. It assesses the scope for improvements in efficiency/value for money at a corporate and service level by a variety of means, including improvement priorities set by the Policy & Resources Committee through the annual resource allocation process, and internal examination and review by the Efficiency & Performance (Finance) Sub Committee.

40. Following approval by the Court of Common Council in October 2016, an Efficiency and Sustainability Plan for the City Corporation was submitted to and accepted by the Department for Communities and Local Government (now the Ministry for Housing, Communities and Local Government). This

provided a degree of certainty over central government funding for the period from 2016/17 to 2019/20. It also established a framework for continuous efficiency improvement beyond 2017/18 when the Service Based Review programme was completed. A 2% per annum budget reduction target to deliver sufficient efficiencies across the City Corporation's funds continued during 2019/20. This was established to sustain these budgets over the medium term and allow for planned investment in services through a Priorities Investment Pot.

41. The Efficiency & Performance Sub Committee has responsibility for monitoring and oversight of the Efficiency and Sustainability Plan and of departmental Economy, Efficiency and Effectiveness (EEE) Health Checks. These include consideration of income, helping to embed further a value for money culture within the City Corporation's business planning processes.

42. The EEE Health Checks are designed to achieve better alignment of business plans to the Corporate Plan, the delivery of the 2% year-on-year Efficiency and Sustainability Plan in local risk budgets, and to enable the Efficiency & Performance Sub-Committee to fulfil its duty to review periodically the performance of each Chief Officer in order to promote efficiency and value for money.

43. A Fundamental Review was conducted in 2019/20 in order to align spending with the Corporate Plan and strengthen financial discipline in a time of declining resources. The objective was to ensure that resources are more effectively applied. The review related to City's Cash and the City Fund but did not include Bridge House Estates or the City of London Police as these are funded differently. Departments were tasked with submitting options for consideration by the Resource Allocation (Policy & Resources) Sub Committee at its annual informal away day. Selected options were built into budgets for future years and a commitment was given to reviewing the operating model and Member governance arrangements. Work has commenced on these reviews and an officer group is taking a corporate view of the commercial opportunities put forward and will bring forward proposals in due course.

44. During 2018/19, the Procurement Sub Committee was established. This Sub Committee is responsible for scrutinising and ensuring value for money is obtained on all City Corporation and City of London Police procurement contracts with of value of over £2m at key stages, including initial tender strategy to final contract award sign off. The Sub Committee also ensure compliance with the UK Public Contract Regulations and the Corporation's Procurement Code.

45. Prior to the coronavirus outbreak, forecasts indicated a surplus in 2020/21, although moving to a deficit position from 2021/22 with, the inclusion of funding for the Museum of London relocation and delivery of the Combined Courts. More recently, however, the City Corporation is facing an earlier financial challenge as a result of a drop in revenue income and a predicted reduction in business rates. The Medium-Term Financial Plan has now been reworked and the budget revised. This will impact on the Fundamental Review as the scale of the challenge becomes clearer.

46. The economic outlook and public finances remain uncertain following the EU Referendum and there is no guarantee that government funding will be not be revised further downwards in later years. The Ministry of Housing, Communities and Local Government has been consulting on a Fair Funding Review that will recalculate the baseline grant for City Fund from 2020/21. This may coincide with a move to greater business rates retention nationally, under consultation for implementation by 2020/21. The position is being monitored on an ongoing basis.

47. The City of London Police manages its budget on a ring-fenced basis. In year work on the Medium-Term Financial Plan for the City of London Police has reduced forecast deficits through a combination of savings from the Police's Transform Programme and additional funding. Outturn for 19/20 was managed within the Police's budget, and a balanced budget has been set for 20/21 which has included additional Home Office funding for uplift in Police Officers. The City Corporation has previously invested additional funding for Police capital priorities and, from 20/21, is moving to a loan-based capital funding mechanism. The City Corporation is also committing capital funding towards the Police Accommodation Strategy and Secure City infrastructure requirements.

48. The Police Performance & Resource Management Sub Committee's responsibilities include overseeing the Police's resource management in order to maximise the economic, efficient and effective use of resources to deliver its strategic priorities; monitoring government and other external agencies' policies and actions relating to police performance; overseeing the Police's risk management arrangements; ensuring continuous improvement in the Police's finance function and financial accounting systems; and ensuring that the Police delivers value for money. The Sub Committee also receives regular updates on the work of internal audit in relation to the Police and inspection reports from HMICFRS.

49. The Policy & Resources Committee determines the level of the City Corporation's own resources to be made available to finance capital projects on the basis of a recommendation from the Resource Allocation Sub Committee. Ordinarily, such projects are financed from capital rather than revenue resources, and major projects from provisions set aside in financial forecasts.

50. The City Corporation has a number of procedures in place to ensure that its policies and the principles that underpin them are implemented economically, efficiently and effectively. This framework includes:

- Financial Strategy - This provides a common base for guiding the City Corporation's approach to managing financial resources and includes the pursuit of budget policies that seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives;
- Budget policy - The key policy is to balance current expenditure and current income over the medium term. Both blanket pressure and targeted reviews are applied to encourage Chief Officers continuously to seek improved efficiency;
- Annual resource allocation process - This is the framework within which the City Corporation makes judgements on adjustments to resource levels and ensures that these are properly implemented;
- Corporate Property Asset Management Strategy - This aims to ensure that the City Corporation's operational assets are managed effectively, efficiently and sustainably, in support of the organisation's strategic priorities and business needs;
- Capital project evaluation, management and monitoring - The City Corporation has a comprehensive system of controls covering the entire life cycle of capital and major revenue projects. An annual bids process was introduced from 2019/20 to enable Members to prioritise projects and align with the Corporate Plan objectives; and

- Treasury Management and Investment Strategies - Setting out the arrangements for the management of the City Corporation's investments, borrowing, cash flows, banking and money market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

51. Consideration is given to efficiency during the development and approval stages of all major projects, with expected efficiency gains quantified within reports to Members.
52. The performance of the City Corporation's financial and property investments is monitored and benchmarked regularly, both in-house and independently, through experts in the field.
53. The City Corporation's project management and procurement arrangements provide a consistent approach to project management and co-ordination of the portfolio of projects across the organisation. The Projects Sub Committee meets monthly to ensure that projects align with corporate objectives and strategy and provide value for money.

Risk Management

54. In January 2020, the Audit & Risk Management Committee approved a revised and updated Risk Management Strategy that includes an updated policy statement and a revised framework, which aligns with the key principles of ISO 31000:2018 Risk Management Principles and Guidelines, and defines clearly the roles and responsibilities of officers, senior management and Members. The strategy emphasises risk management as a key element within the City's systems of corporate governance and establishes a clear system for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level. The strategy assists in ensuring that risk management continues to be integrated by Chief Officers within their business and service planning and aligned to departmental objectives. It will be reviewed on annual basis.
55. Strategic decisions on risk management are made by the Summit Group. On a quarterly basis Summit Group receives risk update reports and is responsible for approving new corporate risks. The Chief Officer Risk Management Group (CORMG), acting on behalf of Summit Group, meets quarterly to undertake a more in-depth review of the corporate and top departmental-level red risks. CORMG also makes recommendations to Summit Group for new corporate risks.
56. During 2019/20, the Committee has exercised its oversight role in a number of ways. In addition to receiving quarterly risk update reports, which contain information about the corporate and red departmental level risks, it considers and endorses new corporate risks. The Committee continues to operate a cycle of regular departmental risk challenge sessions with Chief Officers and their respective Committee Chairmen, of which there were five in 2019/20. The Committee has received nine deep-dive reports, including the safeguarding, resilience, information security and Police funding.
57. The last committee meeting of this municipal year (31 March 2020) was disrupted by the COVID-19 emergency. As a result, the two corporate risk deep-dive reports and the Chief Officer risk challenge were rescheduled for 2020/21.

58. The corporate risk register contains 19 risks, including six new risks that have been added during the last year. One risk, GDPR, has been determined now to be managed at a departmental level.

Health & Safety and Wellbeing

59. The Health & Safety at Work etc. Act 1974 requires the City as an employer to ensure that it implements systems for the protection of its staff and others affected by its activities. The City Corporation health and safety management system is aligned to HSG65, the Health and Safety Executive's (HSE) guidance document on the essential philosophy of good health and safety. The City Corporation systems will remain aligned with this guidance, to ensure that safety becomes part of normal business by applying a practical, sensible and common-sense approach.

60. Corporate Risk 09 (Health Safety and Wellbeing) concerns the City's Health and Safety Management System and its application. Effective health and safety management enables innovation, growth and enhances productivity, as well as helping the City Corporation to achieve its strategic objectives. The Health Safety and Wellbeing (People) Team (in Corporate HR) is the custodian of the health and safety management system. In 2019/ 20 a revised risk description was agreed so it is better aligned to the City Corporations objectives and remains relevant.

61. The City Corporation has an effective Chief Officer-led Health, Safety & Wellbeing Committee which is chaired by the Town Clerk & Chief Executive. This sets the tone from the top and facilitates buy-in. Its function is to advise and make recommendations to the City Corporation's Chief Officers on matters relating to the overall management of health, safety and wellbeing as established under the Health, Safety and Wellbeing Policy.

62. Training and development for Senior Management in larger organisations is one of the most important parts of any safety programme. The senior leadership team must be 'on-board' in order to give the safety initiative weight – and to understand how good safety practice contributes directly to service delivery, profitability or both. Senior managers need to understand their own role and accountabilities in 'making safety happen' (particularly in light of the Corporate Manslaughter legislation). Without the support and 'buy-in' of the senior management team, any health and safety programme will inevitably falter – and fail to deliver the benefits expected.

63. A programme of interactive senior leadership health and safety briefings was delivered in 2019/20 for Chief Officers and their reports. This included all the higher risk profile departments as represented on the Health, Safety & Wellbeing Committee. In addition, briefings were completed for two of the City Corporation's independent schools and for the Guildhall School of Music and Drama. There is an established annual inspection and audit programme for property and people health and safety. For example, audit inspections and compliance checks have focused on water hygiene (legionella), fire safety, asbestos management, bulk fuel storage, workplace transport and lone working/preventing violence. These are currently considered to be the City Corporation's areas of higher risk profile.

64. A new Corporate Policy on Lifting and Work Equipment was drafted and implemented, and the Corporate Policy on Legionella and Corporate Health and Safety Building Compliance Standards were revised in 2019/20.

65. The City Corporation has established Key Performance Indicators (KPIs) for health and safety including accident/incident reporting and investigation. The health and safety professionals have supported departments with their more challenging and/or significant health and safety investigations. This has helped to ensure that lessons are learned and are fed back into the development of the health and safety management system.

66. In September 2019, the Health, Safety and Wellbeing Committee took the opportunity to refresh and develop/augment health, safety and wellbeing performance measures. A revised corporate health, safety and wellbeing dashboard, with agreed performance measures reported at a set frequency, has been produced to help to drive performance (including statutory compliance) and facilitate positive behaviour change.

67. The Pentana Risk Management Information System is used to manage significant health and safety risks. Pentana enables departments to highlight their safety risks as a '*Top X*' risk, emphasising any activities with considerable implications that are un-mitigated, or where there is a lack of clarity. Significant fire safety support has been provided to several departments, including the Barbican Centre, Guildhall School of Music and Drama, the Department for Community and Children's Services and Mansion House & Central Criminal Court.

68. In 2019/20 there has been no health and safety enforcement action by the HSE. In June 2019, a member of the public drowned in Hampstead men's pond. The incident was notified to the HSE, and they subsequently undertook a robust investigation. This included interviews with staff and the swimming community. Documentation from the safety management system was also interrogated including site safety procedures, risk assessments, evidence of training and local monitoring and testing arrangements. The HSE has confirmed in writing that no further action is being taken against the City Corporation. Robust application of our safety management system has a 'protective' effect.

69. The Corporate Transport Policy is currently being refreshed. After being approved for onward consultation there was no challenge from Chief Officers, and it was due to go to Summit Group, but this has been put on hold during the Coronavirus pandemic.

70. There were no prosecutions or fire enforcement notices against the City Corporation in 2019/20. However, the organisation did receive one non-statutory deficiency notice that related to only one site and was issued by the London Fire Brigade. The notice relates to Longland Court, a block of flats on the Avondale Square Estate. The flats are owned by the City Corporation and are part of the housing portfolio managed by Community & Children's Services. Action was taken immediately and the notice is now closed.

71. The top (and persistent) reason for reported sickness absence at the City Corporation is *anxiety/stress/depression/other psychiatric illnesses*. Grounded in a growing body of evidence, including awareness of best practice, and following a report to Establishment Committee in 2018, the "*CityWell"* (employee wellbeing) programme has been re-focused on mental health as the top priority, supported by a wider health promotion / wellness programme. There is a mental health and wellbeing action plan which was refreshed during 2019/20.

72. The CityWell wellbeing strategy is a strong employee brand and has helped embed the wellbeing programme at the City Corporation. The CityWell programme has been re-focused on mental health as the top priority with mandatory training for managers supported by a wider health promotion and wellness programme.

73. Mental Health First Aid (MHFA) training is analogous to physical first aid. Whilst not a legal requirement, one is more likely to meet someone suffering distress / suicidal thoughts than someone experiencing physical ill-health or injury requiring intervention. The City Corporation took the decision to

train in-house Mental Health First Aid Instructors and roll-out an internal programme of accredited MHFA training across the corporation. To date over 150 MH First Aiders have been trained.

Business Continuity

74. The Civil Contingencies Act 2004 requires the Court of Common Council, as a Category 1 responder, to maintain plans to ensure that it can continue to exercise its functions in the event of an emergency. The City Corporation Resilience Team has overall responsibility for maintaining Business Continuity Management arrangements across the organisation, and providing support, advice and guidance for officers developing business continuity plans within their departments. This includes the testing and exercising of these plans on a regular basis.

75. The City Corporation has an overarching Business Continuity Strategy and Framework and each department has its own business continuity arrangements. Both corporate and departmental arrangements are regularly reviewed to ensure they align with the relevant national and local risk registers and business objectives. Officers from the different departments share best practice and validate their arrangements through the Emergency Planning & Business Continuity Steering Group, which convenes each quarter following the previously established Resilience Steering Group. The group works on highlighted actions that have been set at previous meetings. It is also currently working its way through actions from its most recent Independence Assurance Review, conducted by the Emergency Planning College in October 2018.

76. Business Continuity testing is undertaken periodically by departments, with the intention of testing their ability to cope under pressure. Testing scenarios are based on adverse effects and 'worst case' events which aim to limit 'Business as Usual' operations, and are derived from departmental emergency management and business continuity plans, national and local risk register documentation, previous lessons learned and horizon-scanning events. Testing is undertaken in formats including live play exercise, table-top/workshop, and seminar/discussion exercises, and is based on objectives which aim to be specific, measurable, achievable, realistic and targeted towards departmental functions. Information is captured throughout testing and fed back to the departments being exercised. Reports are produced and any lessons learned are sought to be implemented.

77. Programme management of the City Corporation's business continuity management system (BCMS) lies with the Resilience Planning Team, and all departments play a role in it. Minimum standards for London were previously set for London local authorities in relation to resilience and business continuity planning. In 2019, these standards were replaced by a London-wide Independent Assurance Process and a new 2020 Resilience Standard for London Governance, which applies to all London local authorities. The Resilience Team has aligned City Corporation arrangements with these new standards. It has participated in all the Pan-London training requirements related to the new Resilience Standards for London and continues to represent the City Corporation at all workshops and training events organised by 'London Resilience'.

78. The Resilience Team continues its ongoing work with the IT service provider Agilisys to ensure robust business continuity plans dovetail with IT functions and critical services. Departmental business continuity plans were activated in March 2020 in response to the COVID-19 pandemic. The City Corporation as a whole transitioned smoothly to its working from home arrangements as well as maintaining and delivering its key and critical services across the organisation. As part of the current response to Covid-19, the City Corporation has had to adapt its business continuity planning

arrangements to incorporate the delivery of critical services and focus on business recovery plans simultaneously during the response and transition to recovery.

79. The Resilience Team recognised there was a requirement to provide a software system to assist its Business Continuity Management (BCM) and support the process of identifying business impact analysis within those arrangements. Through research, a company was identified which provides business continuity software systems to help better manage organisational BCM. Prior to Covid-19 the Resilience Team were in the process of trialling this system in a test portal built specifically for the City Corporation, and departmental business continuity representatives were invited to test this system. On completion of the trial they were all in agreement with its ability to successfully support the City Corporation’s business continuity arrangements. We are currently looking at the next phase of this process with the view to procuring the system.

80. Due to its location as an international financial and business hub, the City (Square Mile) remains an attractive location for protest groups to demonstrate attempting to maximize publicity both nationally and globally. The City has previously experienced an array of protests and demonstrations. However, by working with business and emergency service partners to ensure robust Business Continuity and emergency response plans are in place, the City Corporation has maintained ‘business as usual’ during these disruptions, thus enhancing its reputation of working with and supporting business and local communities within the City.

Role of Internal Audit

81. Internal Audit plays a central role in providing the required assurance on the adequacy of internal controls through its comprehensive risk-based audit programme, with key risk areas being reviewed annually. This is reinforced by consultation with Chief Officers and departmental heads on perceived risk and by a rigorous follow-up audit regime.

82. The internal audit process is supported, monitored and overseen by the Audit & Risk Management Committee in accordance with the Public Sector Internal Audit Standards. An Audit Charter is in place and reviewed annually, most recently ratified by the Audit & Risk Management Committee in March 2020. This defines the role of Internal Audit, and sets out accountability, reporting lines and relationships that Internal Audit has with the Audit & Risk Management Committee, Town Clerk & Chief Executive, Chamberlain and Chief Officers.

83. The Internal Audit Section operates under the requirements of the Public Sector Internal Audit Standards (PSIAS). The City of London’s internal audit function was subject to an External Quality Assessment (EQA) by Mazars LLP in February 2017 and assessed as “generally conforms” to the new standard. An EQA is undertaken every five years in accordance with the PSIAS, with an annual self-assessment undertaken annually.

84. The anti-fraud and investigation function continues to be effective in identifying and investigating allegations of fraud and corruption, with mature processes in place to tackle fraud across the City Corporation’s social housing estates; along with conducting a wide range of risk-based anti-fraud and awareness activities. The Audit & Risk Management Committee is provided with six-monthly anti-fraud and investigation update reports which detail the anti-fraud and investigation activity undertaken by the Anti-Fraud Team and provides progress against the strategic pro-active anti-fraud plan.

Performance Management

85. The corporate business planning framework sets out the planning cycle with clear linkages between the different levels of policy, strategy, target setting, planning and action (the "Golden Thread"). We are looking to make these links more robust in coming years, but the following list describes the current process.

- All departments are required to produce annual departmental business plans and submit high-level summaries of their plans for approval by the relevant service committee(s). These are all linked to the overall Corporate Plan and show key objectives alongside financial and staffing resources. All departments are required to report regularly to their service committees with progress against their business plan objectives and with financial monitoring information. The exceptions are City of London Police, the Guildhall School of Music and Drama and the three independent schools as they are governed and funded differently.

- The same departments are also required to produce business plan workbooks which list all their workstreams and show linkages to corporate outcomes, strategies and performance indicators so that, once all the information is available, analysis can be undertaken by the Corporate Strategy & Performance Team as to their targeted and actual impacts on corporate goals.

- In 2019/20, 2020/21 business plans were presented to committee alongside 2020/21 budget estimates for the first time. This was done to provide Members with better information about priorities and departmental resource allocation proposals to promote debate and good decision-making. This presented some issues and challenges as departmental business plans do not currently align with committee budgets. The ongoing reviews of the operating model and Member governance arrangements will take these challenges into account.

- Performance and Development Appraisals are carried out for all staff. In 2019/20 a new appraisal framework was rolled out which was designed to link directly to the Corporate Plan 2018-23. The appraisals are used to set individual objectives and targets and to identify learning and development needs that are linked to business needs. In 2019/20 pay progression was linked to performance assessments under the appraisal process but following feedback from staff the approach has been revised and the direct link removed. With effect from February 2020, a new performance development approach has been adopted. The aim of this approach is to help establish a culture of coaching conversations around recognising the value of our employees as well as the organisation maximising its performance and future potential. The coaching conversation approach is aimed at helping to deliver the Corporate Plan objectives and to make sure we have developed the right skills and behaviours across the organisation. There are now no overall assessment criteria on the Appraisal form (i.e. Improvement Required, Good, Very Good or Outstanding) but line managers can make recommendations for a reward to Chief Officers.

86. Following the Fundamental Review, work commenced to design and develop a Corporate Performance Framework which will act as a single source of performance information on Key Performance Indicators across the whole of the City Corporation and enable comparison with publicly-held benchmarking data. It is being built in Microsoft PowerBI for ease of analysis, to support the production of easy to understand reports and so that it can be quickly adapted to changes to the operating model and Member governance structures. The intention is that it will be used to provide performance information for scrutiny at committee, corporate, strategic, departmental, service and operational levels, as well as in published reports.

87. Performance is communicated to Council Tax and Business Rate payers through the City-wide residents' meetings, the annual business ratepayers' consultation meeting and regular electronic and written publications, including an annual overview of the accounts.

Audit and Risk Management Committee

88. The Audit & Risk Management Committee is an enhanced source of scrutiny and assurance over the City Corporation's governance arrangements. It considers and approves internal and external audit plans, receives reports from the Head of Audit & Risk Management, external audit and other relevant external inspectorates, including HMICFRS, as to the extent that the City Corporation can rely on its system of internal control. The Committee reviews the financial statements of the City Corporation prior to recommending approval by the Finance Committee and considers the formal reports, letters and recommendations of the City Corporation's external auditors. The Committee also monitors and oversees the City Corporation's Risk Management Strategy. The Committee undertakes a systematic programme of detailed reviews of each of the risks on the City Corporation's Corporate Risk Register.

89. During 2019/20, the Committee continued its schedule of departmental risk challenge sessions. The Committee reviews the risks and risk management process for each department, on a rotating basis, with one department being invited to each meeting. These reviews are attended by the relevant Chairman and Chief Officer, with support and challenge applied so that risks are fully understood, and clear mitigation plans are in place. The Committee has also actively promoted a process for the regular reporting of top departmental risks to Service Committees, to encourage all Members to engage with the management of risk.

90. The Committee has strongly supported the internal audit function by setting clear performance expectations for Chief Officers in the timely implementation of audit recommendations, as well as ensuring internal audit's independence is fully recognised.

91. The Committee has a link to the Police Performance & Resource Management Sub Committee through the appointment of two of its Members to this Sub Committee.

92. The Committee has supported the management of the Information Security corporate risk, highlighting the mandatory awareness training for all staff, resulting in a significant increase in the percentage of staff fully completing this training.

93. The Committee has taken a keen interest in cyber-security risks and remains committed to supporting the continuous development of cyber security across the City Corporation, including the incorporation into the City Corporation's controls of lessons learned from good practice elsewhere in the private and public sectors.

COVID-19 Impact

94. On 23rd March, the Prime Minister announced a period of 'lockdown' for the country to limit the spread of COVID-19. As a result of restrictions on travel and other measures which have been implemented, all staff in the City of London Corporation who were able to work at home were asked to do so, and many of our sites were shut to all but essential workers. The main exceptions were the Central Criminal Court, Markets and Port Health and Open Spaces including Cemetery and Crematorium functions, which continued to be staffed in person in the main. The restrictions also meant that the City Corporation was initially unable to undertake its decision-making processes in the usual fashion for approximately five weeks. During this period, some committees were consulted electronically or met virtually on an informal basis to consider items that required decisions, prior to formal decisions being taken under the urgency procedures.

95. To allow for greater transparency and public scrutiny during this period, steps were taken to utilise the existing committee management software to allow for weekly reporting of urgent decisions taken, together with relevant background information.

96. The introduction of the *Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020* resolved some of the more pressing issues by permitting formal decision-making meetings to be undertaken virtually and facilitating public scrutiny.

97. From the end of April, formal committee meetings have been carried out virtually. Formal decisions are taken by Members, and the public is able to observe these meetings through a livestream on YouTube, which is now recorded and accessible to view for approximately one year.

98. Initially a decision was taken to postpone the appointment of committees at the beginning of municipal year and for all appointments to continue until April 2021. However, the first annual meeting of the Court of Common Council was able to be conducted virtually on 16 July 2020, at which time the Court appointed its committees. Committee elections took place in the subsequent months to elect Chairmen, Deputy Chairmen and to appoint Members to the relevant sub-committees, consultative committees and working parties.

99. In line with Government guidance, committee meetings continue to be held virtually.

100. The COVID-19 outbreak has also led to legislation being passed to suspend all local government elections until May 2021. Whilst the provisions do not apply to the City elections, given the national position, the uncertainty about the length of time during which the restrictions and effects on normal activities might be in place the date of next ordinary Common Council elections has been postponed from 18 March 2021 until 23 March 2022. Successful candidates would then serve a three-year term.

101. An in-year re-budgeting exercise has been carried out to assist in repairing the damage to the City's budgets arising from the COVID-19 pandemic. This was seen as a vital step in ensuring that we put our finances on a sustainable footing for the medium term.

102. Other areas affected in the year 2020/21 include the annual City-wide residents' meetings. The meetings scheduled for May were postponed and a single meeting will be held virtually in December 2020. Other activities have also needed to be carried out by different means due to continued social distancing requirements.

Review of Effectiveness

103. The City Corporation has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the internal auditors and managers within the authority who have responsibility for the development and maintenance of the governance environment and also by comments made by the external auditors and other review agencies and inspectorates.

104. Processes that have applied in maintaining and reviewing the effectiveness of the governance framework include scrutiny primarily by the Policy & Resources, Finance, Police, Audit & Risk Management, Investment, and Standards Committees; and the Resource Allocation, Police Performance & Resource Management, and Efficiency & Performance Sub Committees.

105. Each year training events and briefing sessions are provided for Members as part of the Member Development Programme to ensure that they are aware of current and emerging issues, how the City Corporation is delivering its services and responding to changing priorities; and the role of decision-makers. Amongst other things, in 2019/20 sessions included Media Awareness and Social Media; Corporate Parenting; and Equality, Inclusion and Diversity.

106. In September 2019, the Policy & Resources Committee agreed that a comprehensive and independent review of the City Corporation's governance arrangements should be undertaken in parallel with the Fundamental Review. The Court of Common Council endorsed this approach at its October 2019 meeting. Lord Lisvain's report has now been received and Members are working through its recommendations, considering which should be implemented and to what extent.

Head of Internal Audit's Opinion

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

of internal control in place to manage the achievement of its objectives. In giving this opinion they have noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.

108. Notwithstanding this overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures, which are documented in each individual audit report. A 'red' (limited) assurance opinion was provided in 6 of the 65 Internal Audit reviews completed in 2019/20, within which, 18 red and 26 amber priority recommendations were raised.

109. Following an effectiveness review undertaken by the Head of Audit & Risk Management, a revised process has been adopted for following-up action taken by management to implement recommendations raised. It is anticipated that the new approach will be more efficient for both management and the Internal Audit Team and will result in greater clarity in reporting to Members where significant control weaknesses remain.

110. Internal audit work continues to identify improvement areas for management; albeit, the overall opinion provided on the City's internal control environment is that it remains adequate and effective. There is a high level of acceptance of recommendations.

Future Work Programme

111. The governance framework is constantly evolving due to service and regulatory developments and assessments. Improvement plans have been compiled in response to the reports and assessments summarised above. Controls to manage principal risks are constantly monitored, in particular for services with statutory responsibilities for the safety of vulnerable people. The City Corporation proposes over the coming year to take the following steps to maintain, develop and strengthen the existing governance framework:

- Review the City Corporation's governance arrangements against the requirements of the CIPFA/Solace framework *Delivering Good Governance in Local Government 2016* and following the Fundamental Review.
- Develop a new operating model for the City Corporation that allows for effective delivery of the Corporate Plan within a sustainable Medium-Term Financial Plan.
- Improve the links made between the different levels of policy, strategy, target-setting, planning and action via changes to the business planning process, specifically links to finances and risks.
- Continue building the Corporate Performance Framework and populating it with data against a set of outcome-based measures for the whole City Corporation, that demonstrate impact and progress towards delivering the Corporate Plan 2018-23.
- Undertake an annual update for the registration and publication of declarations of interest by the City Corporation's Members and Co-opted Members.
- Provide training events and briefing sessions for Members as part of the Member Development Programme to ensure that they are aware of current and emerging issues, how the City Corporation is delivering its services and responding to changing priorities; and the role of decision-makers.

- Deliver the [flight path of] savings required for a sustainable medium-term financial position.
- Deliver the priority actions from the updated and refreshed Information Management Strategy:
    - Develop Business Intelligence infrastructure, new reports and analytics across the organisation.
    - Deliver communications and training on using IM for new ways of working across the organisation.
    - Implement good IM practices including protective marking and classification.
- Implement the solutions identified following the review of programme governance arrangements, to improve the handling of corporate and departmental projects, related to the Project Management software used. This is still a work in progress as it was superseded by the Project Management Academy.
- Investigate ISO22301 accreditation for our business continuity services.
- Deliver the extended remit of the Audit & Risk Management Committee to undertake periodic reviews of the risk management procedures, financial capabilities, controls, and safeguarding procedures of the City of London School, the City of London School for Girls, the City of London Freemen's School, the City of London Academies Trust (including its embedded academies) and the City Academies that are free-standing entities.
- During HM Government's 'lockdown' the City Corporation has adapted to mitigate the risk of impacting democratic oversight by Members. The City Corporation will continue to be flexible in its approach to continue to reduce this risk as the situation changes.

This annual governance statement was approved by the City Corporation's Audit and Risk Management Committee on 2 June 2020.

John Barradell

Town Clerk and Chief Executive

Date: 2nd June 2020

Catherine McGuinness

Chair, Policy and Resources Committee

Date: 2nd June 2020

Further Information

City's Cash
The existence of City's Cash can be traced back to the fifteenth century and it has built up from a combination of properties, lands, bequests and transfers under statute since that time. It is accounted for separately and does not form part of the City Fund statements, although references are made to City's Cash in certain parts of the statements. The fund is now used to finance activities mainly for the benefit of London as a whole but also of relevance nationwide. These services include the work of the Lord Mayor in promoting UK trade overseas, numerous green spaces and work in surrounding boroughs supporting education, training and employment opportunities.

Creditors
Individuals or organisations to which the City Fund owes money at the end of the financial year.

Collection Fund
Statutory account showing transactions in relation to the collection of Council Tax, payments to the Greater London Authority and the administration of the National Non-Domestic Rate.

Community assets
Assets that the City of London intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and gardens or historic buildings.

Current asset
An asset which will be consumed or cease to have value within the next accounting period; examples are stock and debtors.

Current liability
An amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.

Current service cost (pensions)
The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment (pensions)
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected, for example as a result of discontinuing an activity, and
- termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors
Individuals or organisations that owe the City Fund money at the end of the financial year.

Deferred capital receipts
These result mainly from loans to the Museum of London plus outstanding loans in respect of past sales of council dwellings to tenants who were unable to obtain a building society loan or other external means of financing. Their indebtedness is reflected in the balance sheet under long term debtors. This account shows the amount to be paid on deferred terms and is reduced each year by repayments made.

Defined benefit scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme define the benefits independently of the contributions payable, and the benefits are not directly related tc investments of the scheme. The scheme may be funded or unfunded.

Defined contribution scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and has no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation
The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Direct revenue financing
Expenditure on the provision or improvement of capital assets met directly from revenue account.

Donated assets
Assets transferred at nil value or acquired at less than fair value.

Expected rate of return on pensions assets
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Experience gains or losses
In pensions accounting, the element of actuarial gains and losses that relates to differences between the actual events as they have turned out and the assumptions that were made as at the date of the earlier actuarial valuation.

Fair value
Fair value is generally defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Heritage assets
A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Impairment
A reduction in the value of an asset below its carrying amount on the balance sheet.

Infrastructure assets
Long-term assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways, footpaths, bridges and sewers.

Intangible assets	A non-physical item where access to future economic benefits is controlled by the local authority. An example is computer software.
Pensions interest cost	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Investment properties	Interest in land or buildings that are held for investment potential.
Levies	These are charges incurred by the City of London to meet London-wide services. They include payments to the London Boroughs Grants Committee, the Environment Agency and the London Planning Advisory Committee.
National Non-Domestic Rate (NNDR)	A flat rate in the pound set by the Government and levied on businesses who occupy offices and buildings within the City. The income is collected by the City of London and is passed on to Central Government and the Greater London Authority (GLA).
Net current replacement cost	The cost of replacing a particular asset in its existing condition and in its existing use.
Net realisable value	The open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.
Non-operational assets	Long-term assets held but not directly occupied, used or consumed in the delivery of service. Examples are investment properties.
Past service cost (pensions)	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
Projected unit method	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to: • the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Provision	An amount set aside in the accounts for liabilities of uncertain timing or amount that have been incurred. Provisions are made when: • the City of London has a present obligation (legal or constructive) as a result of a past event; • it is probable that a transfer of economic benefits will be required to settle the obligation; and • a reliable estimate can be made of the amount of the obligation.
Reserves	Reserves are reported in two categories in the Balance Sheet of local authorities: • Usable reserves - surpluses of income over expenditure and amounts set aside outside the definition of a provision and which can be applied to the provision of services. Certain reserves are allocated for specific purposes and are described as earmarked reserves. • Unusable reserves - those that cannot be used to provide services. This category of reserves include adjustment accounts which deal with situations where statutory requirements result in income and expenditure being recognised against the City Fund or HRA balance on a different basis from that expected by accounting standards.
Revaluation Reserve	Represents increases in valuations of assets since 1 April less amounts written off due to the 'additional depreciation' (including impairment due to consumption of economic benefit) arising because property, plant and equipment are carried at a revalued amount rather than historic cost. It can also include reductions in values to investment properties where the reductions are not considered to be permanent.
Revenue expenditure	The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, repairs, maintenance and supplies.
Revenue expenditure funded from capital under statute	Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to revenue and impact on council tax. These items are generally grant payments and expenditure on property not owned by the authority.
Scheme liabilities	The liabilities of a defined benefits pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTES TO THE COLLECTION FUND

NOTES TO THE CITY OF LONDON PENSION FUND

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Report to the Audit and Risk Management Committee

CITY OF LONDON CORPORATION PENSION FUND

Audit Completion Report:

Year ended 31 March 2020

IDEAS | PEOPLE | TRUST

BDO

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Introduction

Contents

We have pleasure in presenting our Audit Completion Report to the Audit and Risk Management Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2020, specific audit findings and areas requiring further discussion and/or the attention of the Audit and Risk Management Committee. At the completion stage of the audit it is essential that we engage with the Audit and Risk Management Committee on the results of our audit of the financial statements comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit and Risk Management Committee meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank the management and staff of the Pension Fund for the co-operation and assistance provided during the audit.

Leigh Lloyd-Thomas

20 October 2020

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Audit and Risk Management Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

Contents

This summary provides an overview of the audit matters that we believe are important to the Audit and Risk Management Committee in reviewing the results of the audit of the financial statements of the Pension Fund for the year ended 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Overview

Our audit work is substantially complete and subject to the successful resolution of outstanding matters, we anticipate issuing our opinion on the financial statements for the year ended 31 March 2020 in line with the agreed timetable.

Outstanding matters are listed on page 33 in the appendices.

The following change was made to the planned audit approach as a result of Covid-19 where we revised the risk from normal to significant in relation to the valuation of private equity, infrastructure and property fund investments at March 2020.

No restrictions were placed on our work.

Audit report

Subject to the resolution of the outstanding matters we anticipate issuing an unmodified audit opinion on the financial statements.

THE NUMBERS
Executive summary

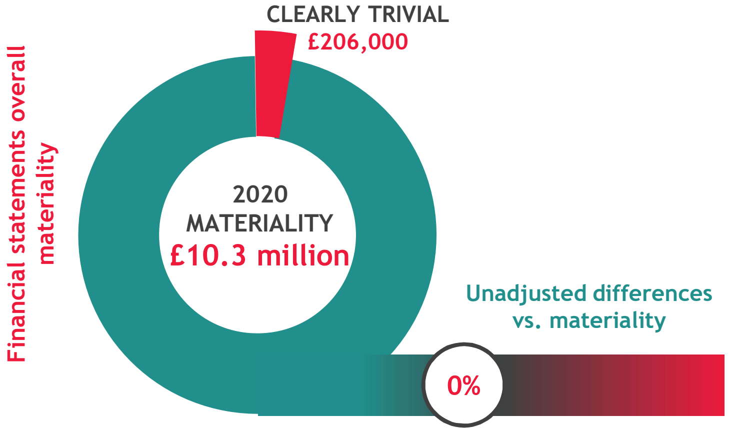
Contents

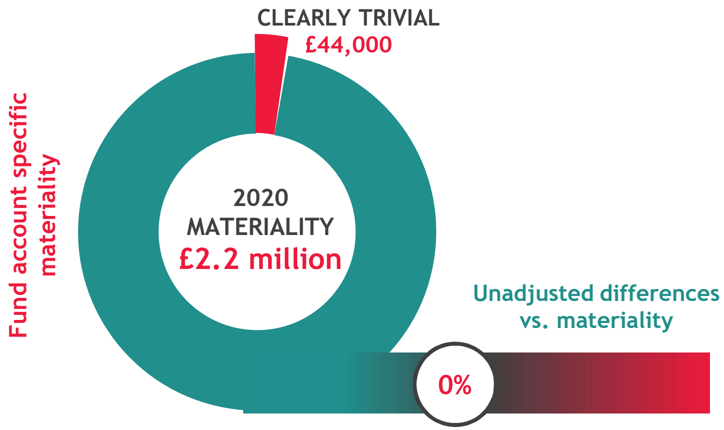
Final materiality

Final financial statements materiality was determined based on 1% of the value of investments in the net assets statement.

Specific materiality on the fund account was based on 5% of contributions.

We decreased our materiality from the planning Materiality of £10.6 million to £10.3 million as a result of the decrease in the valuations of investment assets at year end.





Audit adjustments

Management has adjusted the financial statements to reduce the valuation of private equity investments by £3.1 million following receipt of updated valuations at 31 March 2020 after the draft financial statements had been prepared.

The pension liability was increased by £6.0 million as a result of incorrect contributions income estimated by the actuary based on inaccurate cash flow information provided by the Corporation.

Unadjusted audit differences

There are no remaining audit differences based on the work completed to date.

OTHER MATTERS
Executive summary

Financial reporting

- We have not identified any non-compliance with accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient.
- The Pension Fund Annual Report is consistent with the financial statements and our knowledge acquired in the course of the audit.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Pension Fund and Corporation in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.

CORONAVIRUS IMPACT

The effects on year-end reporting and auditing

Contents

The emergence and spread of Coronavirus has had an effect on business and markets around the world. Guidance is now available to assist in identifying the potential corporate reporting and auditing issues and consequences of the virus, and there have been a number of local government specific issues, including relaxations to accounts preparation and audit timetables.

However, given the fast moving and ever changing nature of the situation, aspects of this guidance will change over time. The outbreak is an in-year event and will impact the valuations, estimations and disclosures reflected in the financial statements for periods ending on or after 31 March 2020.

Going concern

In respect of going concern, the s151 Officer is required to consider events that have occurred both before and after the balance sheet date when determining whether there is a material uncertainty over the ability to continue as a going concern. Consequently, forecast financial information and sensitivity analysis (which may require additional and/or different potential variances to be included) will need to factor in the estimated effects of the Coronavirus pandemic.

A common approach that is developing, and which BDO is encouraging, in relation to each set of financial statements that is prepared for audit is:

- The assessment of going concern the s151 Officer is required to undertake needs to explicitly consider the impact of Coronavirus to accommodate the uncertainty prevailing and must cover the period of at least 12 months from the date of signing the financial statements. The assessment may not be limited to this period if there are foreseen events or conditions beyond this period which may influence the economic decisions of users.
- The assessment needs to consider the entity's resilience through three lenses - operational capability (closed locations, reduced workforce through illness, breakdown in supply chain), demand for services (effect on income and expenditure) and structural finance (liquidity and access to committed facilities).
- If the s151 Officer consider that there are material uncertainties, this will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).
- The going concern disclosures in the basis of preparation note in the financial statements will also need to be enhanced.

Within local government, the Government's commitment to ensure that local authorities are adequately compensated for additional expenditure incurred or income lost directly as a result of the Coronavirus pandemic, removes some of the uncertainty faced by non-public sector entities. However, the assessment of going concern, and associated disclosures in the financial statements, are still expected to fully consider and record the impact of Coronavirus.

The auditor's review of s151 Officer's assessments must be greater than normal, will require more evidence, and will continue to be performed through to the point of signing the audit report.

Valuations of financial and non-financial assets and liabilities

Data used in valuations of financial and non-financial assets and liabilities should be based on forecasts, projections and assumptions that were reasonable and supportable at the balance sheet date. For 31 March 2020 year ends, given that the significant development and spread of Coronavirus occurred within the financial year and that the World Health Organisation announced a global health emergency on 31 January 2020, the estimated impact of the Coronavirus pandemic will need to be factored into this data.

Pension Fund Annual Report

Pension Funds will need to monitor developments and ensure that they are providing up-to-date and meaningful disclosures when preparing their Annual Reports.

CORONAVIRUS IMPACT

The effects on year-end reporting and auditing

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Other guidance

The National Audit Office (NAO) has published a Guide for Audit Committees on financial reporting and management during the Cornavirus pandemic. This guide aims to help Audit Committee members support and challenge the organisations they work with in the following areas:

- Annual reports
- Financial reporting
- The control environment
- Regularity of expenditure.

In each section of the guide, the NAO has set out some questions to help audit committee members understand and challenge activities. Each section can be used on its own, although the NAO would recommend that audit committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and audit committees consider reporting in the 2020/21 period when more specific and detailed reporting on the outbreak will be required.

The guide is available through the following link:

https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/

Implications for auditors

The impact of Coronavirus on going concern is a risk focus area for the audit, and in some cases may be a significant risk. As part of our on-going risk assessment procedures, we need to think about other specific areas and balances where Coronavirus might cause an issue and if this presents an additional risk. This includes the specific considerations in relation to the risks of having services in an affected area and supply chain issues in relation to items coming from these locations.

Personnel from audited entities may be unable to carry out their roles on site and/or be available to meet physically with our audit teams. Likewise, our people may be unable to work at audited entity sites or to travel to our offices, thereby potentially affecting the performance, review and supervision of the engagement team, including that of component or other auditors. We need to:

- Consider the impact on the audited entity
- Consider alternative ways of working including the use of our technology tools
- Consider implications for the quality of audit evidence and reporting.

Financial statements

AUDIT RISKS OVERVIEW

Page 293

As identified in our Audit Planning Report dated 17 March 2020 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. We have subsequently revised the risk from normal to significant on the valuation of private equity, infrastructure and property funds investments. These include those risks which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant management estimate or judgement	Use of experts required	Error Identified	Significant control findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	No	No
Pension liability valuation	Significant	Yes	Yes	Yes	No	No
Valuation of investments (Private equity, infrastructure and property funds)	Significant	No	No	Yes	No	No
Valuation of investments (Pooled investment vehicles and other investments)	Normal	No	No	No	No	No
Pension Contributions	Normal	No	No	No	No	No
Pension Benefits payable	Normal	No	No	No	No	No
Related party transactions	Normal	No	No	No	No	No

Areas requiring your attention

MANAGEMENT OVERRIDE OF CONTROLS

Contents

Page 294

Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Work performed

We carried out the following planned audit procedures:

- Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals. We used our IT team to assist with the journal extraction;
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

Results

We have not found any indication of management bias in accounting estimates. Our views on significant management estimates are set out in this report.

We have identified no significant or unusual transactions to date which we consider to be indicative of fraud in relation to management override of controls.

Conclusion

Our audit work on journals and estimates did not identify any issues.

PENSION LIABILITY VALUATION

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk	
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

The pension fund is required to report the pension liability for estimated promised future benefits for the whole fund.

The Corporation's share of the net liability, including its share of the assets held in the pension fund, is allocated across the funds in proportion to the payroll cost for each fund.

An actuarial estimate of the liability is calculated by an independent firm of actuaries.

The estimate is based on the submission of membership data from the 2019 triennial valuation exercise, updated at 31 March 2020 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

Work performed

We carried out the following planned audit procedures:

- Assessed the qualifications and competence of the actuary through the use of PwC consulting actuary (auditor's expert);
- Reviewed the reasonableness of the assumptions used by Barnett Waddingham (management's expert) for the calculation of the liability against other local government and police pension actuaries' assumptions and other observable data using the benchmark range of acceptable assumptions provided by PwC consulting actuary (auditor's expert);
- Reviewed the controls for providing accurate membership data to the actuary and agreed cashflow data provided to the actuary;
- Checked the accuracy and completeness of the data set submitted to the actuary for the 2019 triennial valuation of the LGPS;
- Checked whether any significant changes in membership data have been communicated to the actuary since the 2019 LGPS submission;
- Discussed with the actuary the continuing impact of GMP equalisation and the McCloud judgement regarding age discrimination on the pension fund liability and impact on employer fund; and
- Checked the accuracy of the calculations relating to the allocation of the share of the net assets across the funds in proportion to the employer's contribution's paid to the scheme.

PENSION LIABILITY VALUATION

Contents

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Results

We have agreed the disclosures to the information provided by the actuary and identified no issues.

Our review of the accuracy and completeness of the data provided to the actuary for the roll forward valuation at 31 March 2019 is complete. We identified one error in the value of the final pensionable pay for a deferred member in the pension database when checking to source payroll data. We extended our sample by a further 15 deferred pensioners and found no further errors. The error found, when extrapolated over the balance of deferred pensioner liability, is trivial and therefore no further action has been taken.

We identified that incorrect cashflow information was sent to the actuary for employer and employee contributions. The actuary uses this information to estimate the current service costs and accrued benefits for the year and amounts received to fund future benefits. The resubmitted information has resulted in the defined benefit obligation for the pension fund increasing by £6.0 million. This disclosure has been corrected by management.

Management confirmed there has been no significant changes in the membership of the fund in the year.

The actuary has applied full GMP indexation for members at state pension age and this is consistent with the previous year.

The actuary has calculated the impact of McCloud at £12.9 million assuming that active members since 2012 will benefit from the scheme amendments. This is consistent with the assumptions in the previous year and with the recent consultation on the proposed remedy to remove age discrimination for those members in the scheme at the time that the age underpin was agreed.

In July, HM Treasury announced that it would be amending the Teachers Pension scheme to remove the differential in survivor pensions for same sex marriage or civil partnerships following the Goodwin case, and that this will also apply to other public sector pension schemes. This is expected to result in lower survivor pensions although the actuary has not yet assessed the impact on the pension liability. Initial discussions with actuaries suggests that the impact will not be material.

Our review of the assumptions used to calculate the present value of future pension obligations is noted in the following page, and were found to fall within a reasonable range.

Conclusion

The defined benefit obligation has been corrected as a result of incorrect cash flow information being sent to the actuary.

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PENSION LIABILITY VALUATION

Significant estimate – LGPS pension liabilities

Scheme pension liabilities (£1,697.4m)

< lower | **Impact of assumptions on the estimate** | higher >

The pension liability has decreased from £1,733.5 million to £1,697.4 million (before the adjustment noted on page 12). This includes a reduction of £167.4 million arising from changes to financial assumptions for salary increases of 2.9% (previously 3.9%), pension increases of 1.9% (previously 2.4%), and a change in the rate of discounting scheme liabilities to 2.35% (previously 2.4%). It also includes a gain on demographic assumptions of £12.3 million arising from reduced mortality assumptions of approximately 1.3 years for males and 0.2 years for females as increases in life expectancy have stalled in recent years. The impact of updating membership data from the triennial valuation has increased the liability for ‘experience gains and losses’ by £81.2 million.

We have compared the key financial and demographic assumptions used to an acceptable range provided by our consulting actuary.

Financials:	Actual used	Acceptable range	Comments
- RPI increase	2.7%	2.80-2.65%	Reasonable
- CPI increase	1.9%	1.95-1.85%	Reasonable
- Salary increase	2.9%	2.9%	Reasonable
- Pension increase	1.9%	1.95-1.85%	Reasonable
- Discount rate	2.35%	2.35%	Reasonable
Commutation:	50%	50%	Reasonable
Mortality:			
- Male current	23.2 years	22.8-24.7 years	Reasonable
- Female current	25.8 years	25.2-26.2 years	Reasonable
- Male retired	21.8 years	21.4-23.3 years	Reasonable
- Female retired	24.4 years	23.7-24.7 years	Reasonable
Mortality gains	CMI 2018 (+1.5% improvement rate)		Reasonable

We consider that the assumptions and methodology used by the actuary are appropriate and will result in an estimate of the net pension liability which falls within a reasonable range. Our actuary has provided an estimate of the overall strength of assumptions and this indicates that the estimate has tended towards a prudent (higher) liability mainly due to using the CMI 2018 mortality gains rather than the latest available CMI 2019 tables.

VALUATION OF INVESTMENT ASSETS

Private equity, infrastructure and property funds

Contents

Page 298

There is a risk that private equity infrastructure and property fund investment valuations may not take into account the impact of Covid-19 at 31 March 2020.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	■
Additional disclosure required	■
Significant control findings to be reported	
Letter of representation point	

Risk description

Private equity £38.4 million, infrastructure £61.7 million and property funds £66.1 million valuations are provided by the General Partner or fund manager using valuations based on techniques such as enterprise value or discounted cash flows. Market values have risen by £4.6 million in the year.

Audited valuations for private equity are provided at dates that are not coterminous with the accounting year end and need to be updated to reflect cash transactions up to 31 March.

There is also a risk that valuations provided at 31 March 2020 may not have taken into account the impact of Covid-19, especially where the valuations are simply rolled forward from the last audited valuation.

Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of valuations from General Partners or fund managers and requested copies of the audited financial statements of the partnerships (and member allocations). We confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds;
- Where available, obtained independent assurance reports over the controls operated by the General Partners (private equity) or fund managers for valuations and existence of investments;
- Reviewed updated valuations at 31 March 2020 to assess the impact of Covid-19 and whether valuations are subject to any material uncertainties; and
- Agreed the allocation of amounts for each fund where there is pooling of investments across the Corporation.

Results

Management included private equity valuations based on the December 2019 valuations provided by the General Partners. However, these were subsequently updated at 31 March 2020 after the draft financial statements had been prepared and reduced the valuations by £3.1 million.

We obtained direct confirmation of investment valuations from the General Partners or fund managers. We obtained assurance reports over the controls operated by General Partners or fund managers for valuations. Where these are not commissioned we agreed the December valuations to audited accounts.

We reviewed published information over property funds and noted that the Aviva Lime fund of £28.8 million suspended activity in the fund to preserve liquidity although continued to provide daily pricing. The fund also reported that the underlying property valuations were subject material uncertainty due to market conditions and lack of activity in the sector, and that investors could not redeem their units at the published prices. This uncertainty has been disclosed in the valuation notes. We do not propose reporting an emphasis of matter in the audit report as we consider this is not a material uncertainty against the overall total investment assets.

We have agreed the split of pooled investments between the relevant funds.

Conclusion

Private equity valuations have been reduced to reflect the updated valuations provided by the General Partners at 31 March 2020.

VALUATION OF INVESTMENT ASSETS

Pooled investment vehicles and other investments

Contents

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There is a risk that pooled investment vehicle valuations may not be correctly reported at year end.

Significant risk	
Normal risk	■
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

The valuation of other investments (pooled investment vehicles) are provided by fund managers and reported on a monthly basis.

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Work performed

We carried out the following planned audit procedures:

- We obtained direct confirmation of investment valuations from the fund managers and agreed independent valuations, where available, provided by the custodian;
- Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds; and
- Agreed the allocation of amounts for each fund where there is pooling of investments across the funds.

Results

We obtained and agreed valuations to direct confirmation of investment valuations from the fund managers and agreed valuations, where available, to readily available observable data such as Bloomberg.

We reviewed the independent assurance reports over controls including valuations and noted that there were three fund managers where the reports had been qualified. We reviewed the exceptions and considered the potential impact over the existence of the assets and valuations, and we are comfortable that the gaps in controls or where compliance with the controls could not be evidenced would not resulted in the potential for material misstatement of the valuation of the investments held.

We have agreed the split of pooled investments between the relevant funds.

Conclusion

Our audit work on pooled investment vehicles and other investments did not identify any issues.

PENSION CONTRIBUTIONS

Contents

Page 300

There is a risk that the Corporation or other admitted and scheduled employers may not be calculating contributions correctly or paying over the full amount due to the pension fund

Significant risk	
Normal risk	■
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

Employers are required to deduct amounts from employee pay based on tiered pay rates and to make employer contributions in accordance with rates agreed with the actuary.

Additional contributions are also required against pension strain for early retirements.

There is a risk that the Corporation or other admitted and scheduled employers may not be calculating contributions correctly or paying over the full amount due to the pension fund.

Work performed

We carried out the following planned audit procedures:

- Tested amounts payable by employers / receivable by the pension fund for normal contributions including checking to employer payroll records;
- Ensured that income is recognised in the correct accounting period where the employer is making payments in the following month;
- Performed tests over pension strain contributions due from employers for early retirements with undiscounted pensions;
- Agreed total contributions payable by the Corporation (as employer) to the amounts received in the pension fund; and
- Reviewed contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.

Results

Our testing has not identified any issues with the calculation of normal contributions receivable from employers or employees or pension strain contributions.

Our testing has not identified any issues with the timings of contributions receivable to the fund.

Our review of contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rate to cover minimum contributions to be paid as set out in Certificate did not identify and issues.

We have also agreed the total contributions payable by the Corporation to the amounts received in the pension fund.

Conclusion

Our audit work did not identify any issues.

PENSION BENEFITS PAYABLE

Page 301

There is a risk that pension benefits payable may not be correct or paid to non-existent members.

Significant risk	
Normal risk	■
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

There is a risk that pension benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.

Work performed

We carried out the following planned audit procedures:

- For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, we checked a sample of calculations of pension entitlement;
- Checked the correct application of annual pension uplift for members in receipt of benefits;
- Tested a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member and also reviewed the results of the checks undertaken by ATMOS on the existence of pensioners;
- Cross check payments to movements in the membership statistics.

Results

Annual pension uplifts have been correctly applied at 3% and we did not identify any issues regarding the existence of pensioners.

We checked payments to movements in the membership statistics. Our testing did not identify any payments to deceased members.

We checked calculations of benefit entitlements. Our testing did not identify any issues.

Conclusion

Our audit work did not identified any issues.

RELATED PARTY TRANSACTIONS

Contents

Page 302

There is a risk that related party disclosures are not complete and accurate.

Significant risk	
Normal risk	■
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit and Risk Management Committee.

There is a risk that related party disclosures are not complete and accurate, and disclosed in accordance with the applicable reporting framework for each fund / entity.

Historically, members of each entity have provided year end declarations but the requirements to consider other connected parties (including family and business connections) may not have been explicitly considered.

Work performed

We carried out the following planned audit procedures:

- Reviewed management processes and controls to identify and disclose related party transactions;
- Reviewed relevant information concerning any such identified transactions;
- Discussed with management and reviewed members' and management declarations to ensure that there are no potential related party transactions which have not been disclosed; and
- Undertaken Companies House searches for potential undisclosed interests.

Results

Our testing did not identify any undisclosed related party transactions and amounts disclosed in the financial statements were agreed to transaction data and breakdowns of staff costs. Two members had failed to provide declaration of interest returns.

Conclusion

Our audit work did not identify any issues.

OTHER MATTERS

Page 303

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Issue	Comment
Technology Risk Assurance review	We have carried out a review of IT controls across all funds this year and will present a separate report with recommendations to address control deficiencies once the audit for each fund is concluded.
Annual report	We reviewed the annual report and compared it to the CIPFA guidance and checklist. We noted that there are a number of areas were the 'must do' disclosures had not been complied with. Management has updated the report to ensure that these are included and indicated that they will work towards full compliance with the CIPFA requirements.
Audit fees incorrectly disclosed in the financial statements.	We noted that 2018/19 audit fees was incorrectly disclosed in the financial statements. Management has amended the financial statements.
Presentation and missing disclosures in the financial statements	Our review of the draft financial statements identified a number of presentational and other missing/ incorrect disclosures. Management has amended the financial statements.

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Contents

Fraud

Whilst the Chamberlain and Members have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud.

We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report on 31 March 2020.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

ADJUSTED AUDIT DIFFERENCES

Summary for the current year

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Page 305

There was one audit difference identified by our audit work that was adjusted by management. This decreased net assets by £3.1 million, from £1,031.8 million to £1,028.7 million.

	Fund Account			Net Assets Statement	
Adjusted audit differences	NET DR/(CR) £m	DR £m	(CR) £m	DR £m	(CR) £m
Decrease in net assets / net assets of the fund before adjustments	31.3			1,031.8	
Alternative investments valuation update to March 2020					
DR Change in Market value		3.1			
CR Investment asset valuation					3.1
Decrease in net assets / net assets of the fund after adjustments	34.4			1,028.7	

ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

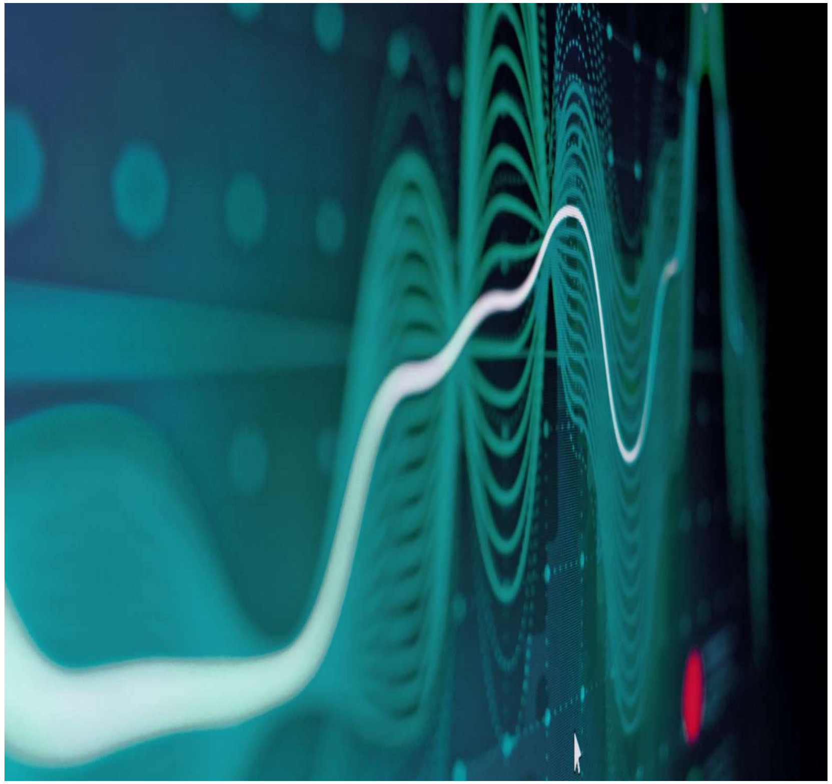
Disclosure omissions and improvements

Page 306

We are required to bring to your attention other financial reporting matters that the Audit and Risk Management Committee is required to consider

The following adjusted disclosure matters were noted:

- The pension liability disclosure was corrected to increase the liability by £6.0 million to £1,703.4 million
- Narrative amendments made to the annual report and accounts to improve disclosures as a result of the completion of the annual report checklist and accounts disclosure checklist.



REPORTING ON OTHER INFORMATION

Page 307

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Pension Fund Annual Report is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the Pension Fund Annual Report is consistent with the financial statements and our knowledge.

OTHER DEFICIENCIES

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Area	Observation & implication	Recommendation	Management response
Other deficiency	No evidence is retained of management review of the data submitted to the actuary for the triennial valuation.	Evidence of the review of the data submitted to the actuary should be retained.	Evidence will be retained of management's review of the data submitted to the actuary for the triennial valuation.

FOLLOW UP OF PRIOR YEAR DEFICIENCIES

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Area	Issue and impact	Original recommendation	Progress	Management response
Prior year deficiency	Our prior year audit work identified that there was no complete bank reconciliation at year end. We identified that an overpayment of £426,000 relating to recharges by the Corporation to the pension fund was not accounted for in the ledger. A bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet.	Management should review processes for preparing cash and bank analyses and supporting bank reconciliations. Balances within clearing codes should be cleared down with equal and opposite entries and the total population of reconciling items should be identified, in order to appropriately prepare the bank reconciliations.	The 2020 bank reconciliation has been appropriately prepared. [Closed]	N/A

OVERVIEW

Contents

Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Pension Fund's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

INDEPENDENCE

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Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2020.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Corporation.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit that they comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Corporation.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

Contents

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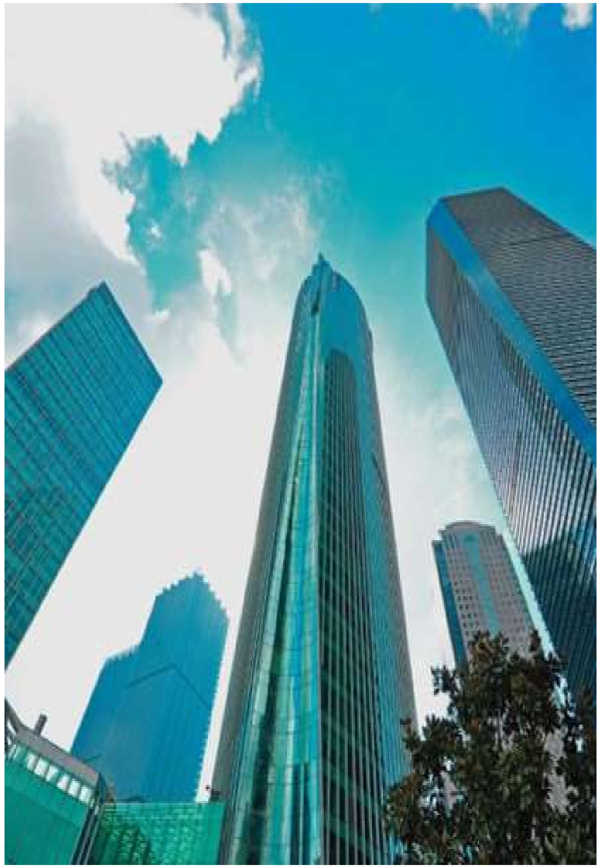
Fees summary	2019/20 Actual £	2019/20 Planned £	2018/19 Actual £
Audit fee			
Code audit fee	22,000	22,000	22,000
Total fees	**22,000**	**22,000**	**22,000**



APPENDICES CONTENTS

OUR RESPONSIBILITIES
Responsibilities and reporting

Contents

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to members of the Corporation (as the Administering Authority).

We read and consider the 'other information' contained in the Pension Fund Annual report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Audit and Risk Management Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

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ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

Issue	Comments
Significant difficulties encountered during the audit.	The audit has been very challenging as a result of the Covid-19 lockdown. This has meant that staff on both sides are working from home and therefore the face to face communication/ review of files has not been possible resulting in increased time being spent by both sides in relation to the audit. In addition hard copy files held in the London Metropolitan Archive were not available until later in the audit which has also resulted in delays.
Written representations which we seek.	We enclose a copy of our draft representation letter.
Any fraud or suspected fraud issues.	No exceptions to note.
Any suspected non-compliance with laws or regulations.	No exceptions to note.
Significant matters in connection with related parties.	No exceptions to note.

COMMUNICATION WITH YOU

Contents

Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Corporation as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit and Risk Management Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Planning Report	31 March 2020	Audit and Risk Management Committee
Audit completion report	3 November 2020	Audit and Risk Management Committee

OUTSTANDING MATTERS

Contents

We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2020.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Audit and Risk Management Committee meeting at which this report is considered:

- Completion of internal quality reviews.
- Receipt of signed letter of representation

AUDIT REPORT

Contents

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF LONDON CORPORATION PENSION FUND

Opinion on pension fund financial statements

We have audited the pension fund financial statements of City of London Corporation Pension Fund ("the pension fund") for the year ended 31 March 2020 which comprise the fund account, the net assets statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The framework that has been applied in the preparation of the pension fund financial statements is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020, other than the liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Chamberlain is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the pension fund financial statements and our auditor's report thereon. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

AUDIT REPORT

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

We have nothing to report in this regard.

Responsibilities of the Chamberlain and City of London Corporation ("the Corporation") as administering authority of the pension fund

As explained more fully in the Statement of the Chamberlain's Responsibilities, the Chamberlain's is responsible for the preparation of the Statement of Accounts, which comprises the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the pension fund financial statements, the Chamberlain's is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation intends to wind up the scheme or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the pension fund financial statements our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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AUDIT REPORT

Use of our report

This report is made solely to the members of City of London Corporation Pension Fund, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the City of London and the Corporation's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Leigh Lloyd-Thomas

For and on behalf of BDO LLP, Appointed Auditor

London, UK

[Insert date]

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

guidance

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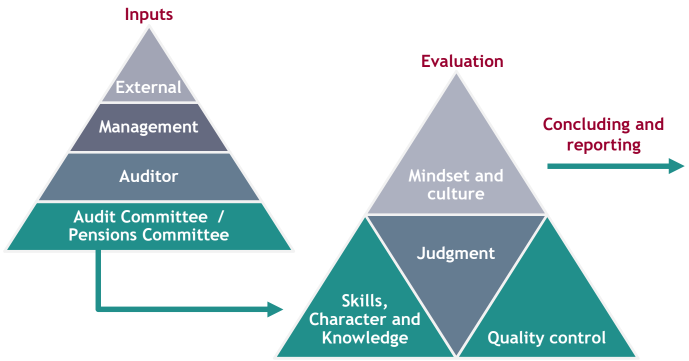
FRC PRACTICE AID FOR AUDIT COMMITTEES

The FRC issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the **FRC website**. In their practice aid the FRC note: 'The directors of a company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the company's internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and worthy basis for taking decisions.'

The practice aid then discusses how the role of audit committee in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high quality audit (see note below).

It gives guidance for audit committee in the following areas:

- Audit tenders and the tender process including audit fee negotiations and auditor independence
- A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding:



- Transparency - reporting to the Board on how the audit committee has discharged these responsibilities
- Some guidance on key areas of audit judgement

The provision of high quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high quality audits. A copy of the letter can be found on the **FRC website**.

LETTER OF REPRESENTATION

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BDO LLP
55 Baker Street
London
WIU 7EU

[Fund name and Letter headed paper]

Dear Sir / Madam

Financial statements of City of London Pension Fund for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of the Pension Fund's financial statements for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Corporation.

The Chamberlain has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Pension Fund as of 31 March 2020 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Pension Fund, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Pension Fund's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Pension Fund have been made available to you for the purpose of your audit and all the transactions undertaken by the Pension Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Pension Fund's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release.

As a result of our assessment we consider that the Pension Fund is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note 2 to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Pension Fund's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Pension Fund's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

Other than those disclosed in the financial statements, there have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

LETTER OF REPRESENTATION

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

You have not advised us of any remaining unadjusted misstatements in the financial statements or other information in the Annual Report.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 22 to the financial statements, there were no loans, transactions or arrangements between the Pension Fund and Corporation members or their connected persons at any time in the year which were required to be disclosed.

The disclosures in the financial statements concerning the Corporation as Administering Authority of the Pension Fund are accurate.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

The value at which investment assets are recorded in the net assets statement is the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuations, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the scheme. Any significant changes in those values since the year end date have been disclosed to you.

No assets of the fund has been assigned, pledged or mortgaged.

The following key assumptions have been used to calculate the actuarial present value of future pension benefits disclosed in the financial statements:

- Rate of inflation (CPI): 1.9%
- Rate of increase in salaries: 2.9%
- Rate of increase in pensions: 1.9%
- Rate of discounting scheme liabilities: 2.35%
- Commutation take up option: 50%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 26.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each officer and member has taken all the steps that they ought to have taken as an officer or member of the Corporation in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Peter Kane - Chamberlain of London

[date]

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AUDIT QUALITY

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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the FRC's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

Leigh Lloyd-Thomas

t: 020 7893 2616
e: leigh.Lloyd-thomas@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

www.bdo.co.uk

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Report to the Audit and Risk Management Committee

CITY OF LONDON CORPORATION
CITY FUND

Audit Completion Report:

Year ended 31 March 2020

IDEAS | PEOPLE | TRUST

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WELCOME

Contents

We have pleasure in presenting our Audit Completion Report to the Audit and Risk Management Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2020, specific audit findings and areas requiring further discussion and/or the attention of the Audit and Risk Management Committee. At the completion stage of the audit it is essential that we engage with the Audit and Risk Management Committee on the results of our audit of the financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit and Risk Management Committee meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by the Corporation as a whole. We expect that the Audit and Risk Management Committee will refer such matters to the Court of Common Council, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the management and staff of the Corporation for the co-operation and assistance provided during the audit.

[insert signature]

Leigh Lloyd-Thomas

22 October 2020

Leigh Lloyd-Thomas
Engagement lead

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Audit and Risk Management Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW
Executive summary

Contents

This summary provides an overview of the audit matters that we believe are important to the Audit and Risk Management Committee in reviewing the results of the audit of the financial statements and use of resources of the City Fund for the year ended 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Overview

Our audit work is substantially complete and subject to the successful resolution of outstanding matters, we anticipate issuing our opinion on the financial statements and use of resources for the year ended 31 March 2020 in line with the statutory deadline of 30 November 2020.

Outstanding matters are listed on page 57 in the appendices.

The following changes were made to our planned audit approach:

- Enhanced audit procedures to address the material uncertainty reported in respect of Property, Plant and Equipment and Investment Property valuations;
- Elevated risk level from normal to significant in respect of impairment of receivables due to the impact of coronavirus;
- Additional risk identified in respect of going concern due to the impact of pandemic; and
- Additional risk identified in respect of accounting for lease premiums.

No restrictions were placed on our work.

Audit report

Subject to the outstanding matters, we anticipate issuing an unmodified audit opinion on the financial statements and use of resources.

We will report an emphasis of matter in our audit report in relation to the material uncertainty around PPE and Investment Property valuations.

We have no exceptions to report in relation to the arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

THE NUMBERS
Executive summary

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Final overall materiality

Final materiality was determined based on a benchmark of 1% of income generating assets using the combined values of long term assets, managed investments and cash resources as a suitable value for materiality.

This was revised upwards from £32.3 million reported in the audit planning report to £34 million based on the draft financial statements.

Specific materiality

Specific materiality for the Comprehensive Income and Expenditure Account was based on 1.5% of gross expenditure. We consider that a misstatement at a lower level through revenue expenditure would be material where this may impact on setting future council tax or HRA rent levels.

This was revised downwards from £7.2 million reported in the audit planning report to £6.9 million based on the draft financial statements.

Audit adjustments

We did not identify any material misstatements.

Management has adjusted the financial statements for:

- Overstated grant income
- Valuation errors for the Guildhall complex and Barbican site
- Impact of the corrected misstatements in the pension fund relating to a reduction in asset values from revised private equity fund valuations.

These adjustments decreased the draft surplus on the provision of services of £86.8 (to £85.7 million) and decreased net assets of £1,592.9 million (to £1,591.8 million) by £1.15 million.

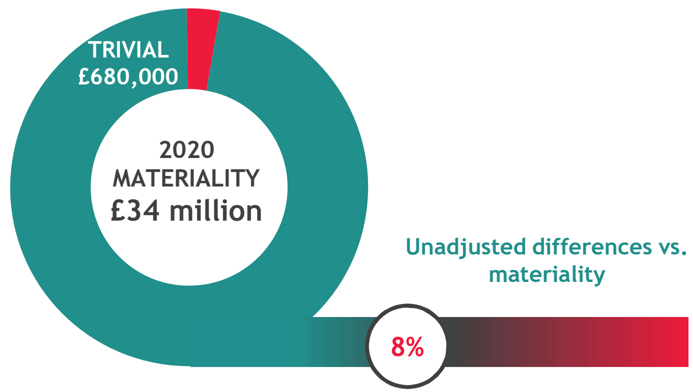
The City Fund balance decreased by £1.15 million as a result of these adjustments.

Unadjusted audit differences

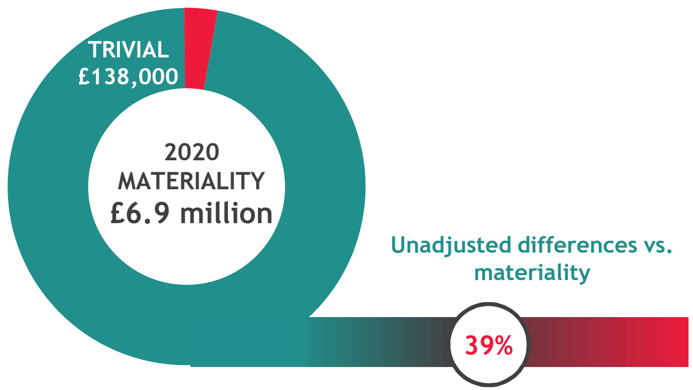
We identified audit adjustments that, if posted, would increase the surplus on the provision of services for the year of £85.7 million (to £88.4 million) and net assets of £1,591.8 million (to £1,594.5 million) by £2.69 million.

There is no impact on the City Fund balance of £177 million as these adjustments would be reversed to the collection fund adjustment account through the Movement in Reserves Statement.

Financial statements materiality



CIES specific materiality



Contents

Financial reporting

- We have not identified any non-compliance with accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient
- The Narrative Report is consistent with the financial statements and our knowledge acquired in the course of the audit. We have suggested adding further detail into the financial summary section of the Narrative Report to improve the readers' understanding of the City Fund's outturn position.
- The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.
- We will complete our review of the Whole of Government Accounts Data Collection Tool (DCT) after we have completed our audit of the financial statements.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Corporation in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.

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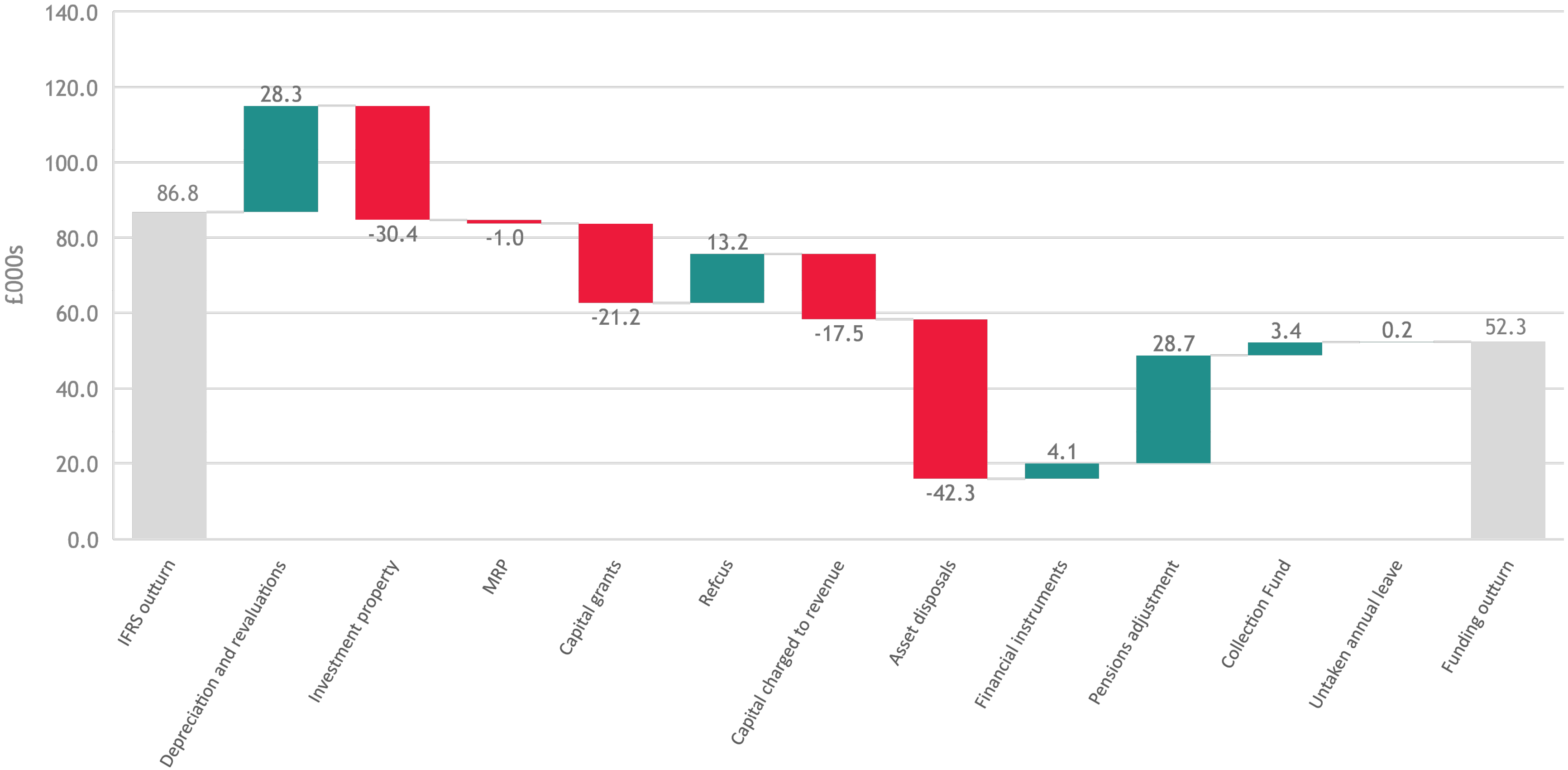
Reconciliation of CIES accounting outturn to funding outturn

The chart below highlights the statutory adjustments made to the CIES reported ‘surplus on the provision of services’ of £86.8 million (based on IFRS financial reporting requirements), per the draft accounts and before any audit adjustment, to the funding outturn surplus of £52.3 million.

This includes adjustments to remove capital charges and gains (such as depreciation, revaluations and asset disposals) and replace with the statutory Minimum Revenue Provision, remove capital grants received and revenue funded from capital resources, include capital expenditure charged to revenue and replace the IAS 19 based pension costs for the year with amounts payable to the pension.



CORONAVIRUS IMPACT

The effects on year-end reporting and auditing

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The emergence and spread of Coronavirus has had an effect on business and markets around the world. Guidance is now available to assist in identifying the potential corporate reporting and auditing issues and consequences of the virus, and there have been a number of Local Government specific issues, including relaxations to accounts preparation and audit timetables.

However, given the fast moving and ever changing nature of the situation, aspects of this corporate guidance will change over time. The outbreak is an in-year event and will impact the valuations, estimations and disclosures reflected in the financial statements for periods ending on or after 31 March 2020.

Going concern

In respect of going concern, the Chief Finance Officer is required to consider events that have occurred both before and after the balance sheet date when determining whether there is a material uncertainty over the ability to continue as a going concern. Consequently, forecast financial information, sensitivity analysis (which may require additional and/or different potential variances to be included) and compliance with bank and other covenants will need to factor in the estimated effects of the Coronavirus pandemic.

A common approach that is developing, and which BDO is encouraging, in relation to each set of financial statements that is prepared for audit is:

- The assessment of going concern that the Chief Finance Officer is required to undertake needs to explicitly consider the impact of Coronavirus to accommodate the uncertainty prevailing and must cover the period of at least 12 months from the date of signing the financial statements. The assessment may not be limited to this period if there are foreseen events or conditions beyond this period which may influence the economic decisions of users.
- The assessment needs to consider the entity's resilience through three lenses - operational capability (closed locations, reduced workforce through illness, breakdown in supply chain), demand for services (effect on income and expenditure) and structural finance (liquidity and access to committed facilities).
- If the Chief Finance Officer considers that there are material uncertainties, this will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).
- The going concern disclosures in the basis of preparation note in the financial statements will also need to be enhanced.

Within local government, the Government's commitment to ensure that local authorities are adequately compensated for additional expenditure incurred or income lost directly as a result of the Coronavirus pandemic, removes some of the uncertainty faced by public sector entities. However, the assessment of going concern, and associated disclosures in the financial statements, are still expected to fully consider and record the impact of Coronavirus.

The auditor's review of Chief Finance Officer's assessments must be greater than normal, will require more evidence, and will continue to be performed through to the point of signing the audit report. While our assessment is iterative, our current view is that management has a good understanding of the impacts of coronavirus on year end reporting and auditing and the budget requirement in the coming years.

Grant funding

Grant funding received before 31 March 2020 to fund expenditure related to the Coronavirus pandemic will need to be assessed for conditions and recognised in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Valuations of financial and non-financial assets and liabilities

Data used in valuations of financial and non-financial assets and liabilities should be based on forecasts, projections and assumptions that were reasonable and supportable at the balance sheet date. For 31 March 2020 year ends, given that the significant development and spread of Coronavirus occurred within the financial year and that the World Health Organisation announced a global health emergency on 31 January 2020, the estimated impact of the Coronavirus pandemic will need to be factored into this data.

CORONAVIRUS IMPACT

The effects on year-end reporting and auditing

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Subsequent events disclosure

Significant income and expenditure incurred as a result of the Coronavirus pandemic after 31 March 2020 and up to the date of signing may need to be disclosed as a non-adjusting post balance sheet event, if considered of such importance as to affect the ability of users of the financial statements to make proper evaluations.

Narrative reporting implications

The Annual Governance Statement should clearly set out the risks arising from Coronavirus.

Local authorities will need to monitor developments and ensure that they are providing up-to-date and meaningful disclosures when preparing their Statement of Accounts.

Other guidance

The National Audit Office (NAO) has published a Guide for audit committees on financial reporting and management during the Cornavirus pandemic. This guide aims to help audit committee members support and challenge the organisations they work with in the following areas: annual reports, financial reporting, control environment and regularity of expenditure.

The NAO has set out some questions to help audit committee members understand and challenge activities. Each section can be used on its own, although the NAO would recommend that audit committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and audit committees consider reporting in the 2020/21 period when more specific and detailed reporting on the outbreak will be required.

https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/

Implications for auditors

As part of our on-going risk assessment procedures, we need to think about other specific areas and balances where Coronavirus might cause an issue and if this presents an additional risk:

- Valuation and disclosure of financial and non-financial assets including property, plant and equipment (PPE), investment properties, intangibles, investments and accounts receivable
- Going concern and/or working capital assessment and disclosure
- Risk disclosures
- Subsequent event disclosures.

Personnel from audited entities may be unable to carry out their roles on site and/or be available to meet physically with our audit teams. Likewise, our people may be unable to work at audited entity sites or to travel to our offices, thereby potentially affecting the performance, review and supervision of the engagement team, including that of component or other auditors. We need to:

- Consider the impact on the audited entity
- Consider alternative ways of working including the use of our technology
- Consider implications for the quality of audit evidence and reporting.

Valuers are also encouraged by updated RICS guidance to include caveats within valuation reports relating to potential material uncertainties in their assessed valuations. In these cases, such caveats should be included within the financial statements and may be referred to by the auditor in their opinion/report.

AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated March 2020 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. We have subsequently increased the impairment allowance for the non-collection of receivables risk from normal to significant. These include those risks which had the greatest effect on the overall audit strategy, allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant management estimate or judgement	Use of experts	Error identified	Control findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	No	No
Revenue (and expenditure) recognition Some work ongoing in this area	Significant	No	No	Yes, adjusted	No	No
Property, plant and equipment and investment property valuations Some work ongoing in this area	Significant	Yes	Yes	Yes, adjusted	No	Yes - confirm material assumptions used
Pension liability valuation Additional error on police pension liability to be agreed	Significant	Yes	Yes	Yes, adjusted	No	Yes - confirm material assumptions used
NDR appeals provision Some work ongoing in this area	Significant	Yes	Yes	Yes, not adjusted	No	Yes - confirm material assumptions used
Impairment allowance for non-collection of receivables	Significant	Yes	No	Yes, adjusted	Yes	Yes - confirm material assumptions used

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MANAGEMENT OVERRIDE OF CONTROLS

Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Work performed

We carried out the following planned audit procedures:

- Considered estimates and judgements applied in the financial statements to assess their appropriateness and the existence of any systematic bias;
- Reviewed and checked high value and unusual journal entries made in the year and agreed the journals to supporting documentation. We determined key risk characteristics to filter the population of journals and used our IT team to assist with the journal extraction;
- Considered unadjusted audit differences for indications of bias or deliberate misstatement; and
- Considered areas where management bias could impact remuneration through performance based payment schemes.

Results

Our views on significant management estimates are set out in this report and does not indicate any evidence of systematic bias in preparing the financial statements.

Our audit work on journals and estimates did not identify any issues.

The remaining unadjusted audit differences do not indicate bias or deliberate misstatement.

Conclusion

We have identified no significant or unusual transactions to date which we consider to be indicative of fraud in relation to management override of controls.

REVENUE (AND EXPENDITURE) RECOGNITION

Contents

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Auditing standards presume that income recognition presents a fraud risk.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

Under auditing standards there is a presumption that there is a risk of fraud in revenue recognition. For the City Fund, we consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the Comprehensive Income and Expenditure statement (CIES). There is also a risk around the existence of fees and charges and investment property rental income. For net-spending bodies in the public sector there is also risk of fraud related to recognition of expenditure.

Work performed

We carried out the following planned audit procedures:

- Tested a sample of grants included in income to documentation from grant paying bodies and checked that the recognition criteria had been met;
- Tested a sample of fees and charges to ensure that income had been recorded in the correct period and that all income that should have been recorded had been;
- Tested a sample of property rental income and agreed to lease agreements and recalculations performed to confirm amounts are accurate and were recorded in the correct period; and
- Tested a sample of expenditure either side of year end, to confirm that expenditure had been recorded in the correct period and that all expenditure that should have been recorded at year end had been.

Results

Grant recognition testing

The vast majority of this testing has been completed however we are awaiting audit evidence to support a number of capital grants selected for testing.

To date our audit testing has identified that the Section 31 Business Rates grant had been overstated by £1.1 million due to a calculation error. Management has agreed to correct this in the final version of the financial statements.

Income fees and charges testing

Our audit testing has not identified any issues.

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REVENUE (AND EXPENDITURE) RECOGNITION

Auditing standards presume that income recognition presents a fraud risk.

Results (continued)

Property rental income testing

Our audit work has not identified any issues.

Expenditure cut-off testing

Audit testing has not identified any issues.

We are currently reviewing a number of purchase orders that have been raised after the date the invoice was received to understand the reason for this and to ensure the expenditure in the correct financial year.

Work outstanding

To complete the testing of the remaining samples noted above.

Conclusion

Work outstanding to be completed before we are able to conclude on this risk.

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PPE AND INVESTMENT PROPERTY

There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

Significant risk	■
Normal risk	
Significant management estimate or judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	■
Additional disclosure required	■
Significant control findings to be reported	
Letter of representation point	■

Risk description

The Corporation applies an annual revaluation process for investment properties and higher value operational assets to provide assurance that carrying values are not materially misstated; with the remainder of the non material value assets being revalued every five years. The Corporation has appointed three different valuers for City Fund for investment property and other operational land and buildings. Internal valuers also carry out some valuations.

Due to the significant value of the land, buildings, dwellings and investment properties, the high degree of estimation uncertainty and material uncertainties over valuations of land and buildings due to prevailing market conditions as a result of the coronavirus pandemic, there is a significant risk over the valuation of these assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at the year-end.

Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and the valuer's skills and expertise in order to determine if we can rely on the management expert;
- Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewed the accuracy and completeness of information provided to the valuer;
- Reviewed assumptions used by the valuer in light of the prevailing market conditions to support the valuations including any material uncertainty for classes of assets;
- Discussed with our Real Estate Team the reasonableness of assumptions on benchmark and yields range for investment properties;
- Followed up valuation movements that appeared unusual or outside of our expectations; and
- Confirmed that assets not specifically valued in the year have been assessed to ensure their reported values remain materially correct.

Emphasis of matter in the audit report

Since issuing our audit planning report RICS issued guidance to valuers regarding material uncertainties over valuations of land and buildings due to prevailing market conditions as a result of the coronavirus pandemic. The City Fund valuers responsible for valuing land and building included material uncertainties over their valuations in their reports as at 31 March 2020.

Page 341

PPE AND INVESTMENT PROPERTY

There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

Results

Management are considering the additional disclosures for the financial statements in order to clearly describe the types of assets that fall within the valuers material uncertainty. We will refer to these disclosures as an emphasis of matter in our audit report as the matter is of such importance that it is fundamental to users' understanding of the financial statements (albeit our opinion is not qualified).

Our review of instructions to the valuer including the valuer's skills and expertise did not identify any issues.

We confirmed that the basis of valuation for assets valued in year is appropriate and in line with Code.

Our review of the accuracy and completeness of the data inputs used by the valuers identified the following issues:

- Guildhall Complex – we identified that yields and cost percentages had been incorrectly rolled forward from the prior year and the asset valuation has been understated by £520,000; and
- Barbican Estate – we found an error in the hard coded formula calculation used in the valuation for the Barbican Estate that resulted in an understatement of assets of £1.3 million.

Management has agreed to correct the financial statements for both of these errors.

Our audit work in respect of the accuracy and completeness of data inputs for depreciated replacement cost (DRC) valued assets is still in progress.

The results of our review of the significant assumptions and estimates used by the valuers for classes of assets are reported on the following pages.

Representations required

We have sought specific representations over material assumptions used in the valuations including investment property yields and rebuild cost indices.

Work outstanding

To complete the testing of inputs used in the valuations (eg rents, rebuild cost location adjustments) for some assets as noted in the following pages.

To confirm that assets not specifically valued in the year have been assessed to ensure their reported values remain materially correct.

Conclusion

Work outstanding to be completed before we are able to conclude on this risk.

PPE AND INVESTMENT PROPERTY

Significant estimate – Investment properties

Investment property valuation £1,622 million

< lower | Impact of assumptions on the estimate | higher >

Investment properties are valued by reference to highest and best use market value using an income based approach. This valuation is based on the current passing rents for the existing lease term, expectations about future rents at the next rent review, market driven yield expectations for similar properties and the covenant strength of the existing lease and tenant. The significant valuation assumption is the market yield applied to the rents.

Investment properties increased in value by £35.3 million to £1,621.5 million (2.1%) in 2019/20 driven primarily by the revaluation increment (£30.2 million).

We set yield expectations for the portfolio based on year-end market trends and property type (such as office, retail or industrial). These expectations also included consideration of a property's location and security of future income.

The majority of investment properties comprise office buildings within the city and the following range of yields were applied:

- City office space (EC1 to EC4) 3.00% to 4.00%
- City strategic estate (Bonhill and Worship St) 4.50% to 5.00%

In consultation with our Real Estate and Valuation teams, we compared the yields used by the valuers to our expectations (within a +/- 0.25% range) and discussed properties outside of these expectations with the valuer to assess the appropriateness of the yields used.

For those properties that were outside of the expected yields the valuers provided detailed information to support the valuations.

We are satisfied that the yields applied to the valuations of investment properties are reasonable.

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PPE AND INVESTMENT PROPERTY

Significant estimate – Non-specialised other land and buildings

Non-specialised other land and buildings (including Barbican Estate) net book value £269.3 million

< lower | **Impact of assumptions on the estimate** | higher >

Non-specialised other land and buildings increased in value by £2.6 million (+0.94%) in 2019/20. These valuations may be based on:

- income approach using the current net profits for the assets at market driven yield expectations for similar types of assets (eg car parks, markets); and
- recent market sales prices for similar assets adjusted for size and condition.

The significant valuation assumptions are the market yield applied to net profits and sales of similar properties.

Existing Use Value

We set detailed expectations for year on year valuation movements in asset values, taking into account various external sources of information tailored to the individual assets that were revalued. We compared the valuation movements to our expectations and three assets had valuation movements that fell outside of these expectations (Modern and Tradition Crematorium, The Haywood Centre and the Tower Hill car park).

The Tower Hill car park valuation reduced by £597,000 million due to fall in net profits as a result of another car park recently opening just outside of the congestion charge boundary. The inputs used in the valuation were agreed to income and expenditure data as per City Fund records. The reasonableness of the yield applied to the valuation was also tested by assessing against comparative data. The cost rate percentages applied were compared to expected estimates. Based on our work, we are satisfied that the valuation of Tower Hill car park is reasonable.

Detailed testing of the Crematorium and Haywood Centre valuation movements is still in progress.

Market Value

We set detailed expectations for year on year valuation movements in asset values and also checking the key inputs used in the valuations. This included Spitalfields Markets, Guildhall Complex, Barbican Residential Estate and HRA commercial property.

We agreed the income and expenditure used in the Spitalfields Markets valuation and the reasonableness of the yields and cost rates. While we noted some small variances in the rates these were within tolerable thresholds for testing.

We agreed the floor size for the Guildhall Complex and compared the market value per square foot to market benchmark rates. Comparable properties for yield purposes were also assessed for reasonableness with no issues. However, we found an error in the formula used for the Capital Value of the Justice Rooms and the errors has been noted on page 15.

We agreed the lease and rent data used for a sample of assets from the Barbican Estate and assessed yields and cost rates against our expectations. Some small variances were noted but these were within tolerable thresholds. However, we found an error in the hard coded formula calculation used in the valuation for one lease and the errors has been noted on page 15.

We compared the estimated rental values and yields for the HRA commercial property portfolio to similar properties and market benchmarks and all were found to be within expectations. Some audit testing is in progress to agree rents to lease documentation for some properties.

PPE AND INVESTMENT PROPERTY

Significant estimate – Specialised land and buildings

Specialised properties net book value £312.7 million

< lower | **Impact of assumptions on the estimate** | **higher >**

To be confirmed

Land and buildings that do not have a market value due to their specialised nature are valued on a depreciated replacement cost basis. This valuation estimates the cost of replacing the 'service potential' of that asset using modern materials and adjusted to reflect the age and obsolescence of the asset to reflect its remaining useful economic life.

The service potential of the asset does not necessarily have to be a like-for-like replacement and a 'modern equivalent asset' replacement can be specified that may result is a different size or specification building or re-provisioning to a more appropriate location. Management determined that no adjustments are needed to the service potential valuations for building size, specification or location. Some assets are deemed to be of such cultural or historic significance that a rebuild cost uses assumptions to rebuild the asset in the same materials rather than modern materials that can increase the replacement cost valuation.

The key input to the depreciated replacement cost valuations is the size of the building and the key estimate is the rebuild cost to be applied.

All specialised property assets valued this year have been subject to detailed testing including agreeing the replacement size by checking the gross internal floor area (GIA) and agreeing the age / obsolescence adjustment to the remaining useful life provided by the valuer.

The rebuild cost assumptions have been agreed to data provided by RICS for Building Cost Indices including Weighted Overall Cost Rate, Location, Location Factor, professional fees percentages and overall obsolescence factors applied.

Some work is in progress to agree inputs and rebuild costs.

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PPE AND INVESTMENT PROPERTY

Significant estimate – HRA dwellings

HRA dwellings net book value £221.4 million

< lower **Impact of assumptions on the estimate** **higher >**

Dwellings decreased in value by £1.7 million (-0.76%) in 2019/20. HRA dwellings are valued at open market value and adjusted down by 70% to reflect the discounted social rents charged to tenants. The adjustment reflects information provided by DCLG in 2016 for regional (London) differences between market rents and social rents that estimated that across London the average reduction was 75% but may be adjusted +/-5% for local circumstances. Dwellings not within the HRA and let at market value do not have this adjustment applied.

Dwellings were subject to valuation based on allocation of properties into relevant Beacons (for similar types of properties) and valued by reference to recent sales data for similar properties. Where possible, the City Surveyor has used other sales on City Fund Estates to support the valuations. Where there haven't been equivalent sales in the year, the City Surveyor has used other similar properties in the area or other City of London Estates.

The key input to the valuation is the allocation of all dwellings into an appropriate Beacon. The key estimates are the open market value of a Beacon by reference to recent similar sales or housing indices and the social housing discount factor applied.

Our testing of the allocation of dwellings into appropriate Beacons (by location, architype and bedrooms) did not identify any inappropriate grouping or allocations.

The valuer has appropriately applied sales prices for recent sales for the limited number of City Fund dwellings sold in year along with sales of similar properties. We checked and agree the data used for these recent sales in determining the open market value for each Beacon property.

We also assessed the reasonableness of the overall valuation movement using London house price index data from Halifax and Nationwide, Land Registry data as well as other publicly available external residential market data for central London from Knight Frank, CBRE and the GLA London Datastore. Our analysis of the market movement shows a fairly minimal movement year-on-year and the overall 0.76% valuation reduction is in line with our expectation.

The social housing discount applied has remained at 70% for some years and MHCLG update the national rates usually every 5 years. A refresh of the national and regional differences between market rents and social rents can therefore be expected in the next few years. The HRA discount rate applied by the Corporation was also last reviewed some years ago. We suggest that management review the local discount applied when MHCLG publish its updated guidance.

We have reported in recent years that the useful economic lives (UEL) of dwellings has been set at 125 years based on the usual term for leases granted. This is significantly longer than the UELs used by other local authorities where the main structure of a dwelling tends to range from 60 to 80 years. The City Surveyor has stated that this is due to the robust structure and ongoing repairs, maintenance and cyclical replacement works programmes in place for these properties. We consider this to be at the optimistic end for UELs but this would not result in a material difference in the annual depreciation charge had a UEL of 80 year been applied.

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PENSION LIABILITY

Risk description

The LGPS pension fund is required to report the pension liability for estimated promised future benefits for the whole fund. The Corporation's share of the net liability, including its share of the assets held in the pension fund, is allocated across the funds in proportion to the payroll cost for each fund. The City Fund also reports the pension liability for the City Police pension scheme.

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk	
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate will be based on the submission of membership data from the 2019 triennial valuation exercise for the LGPS and the 2017 triennial valuation for the police pension, updated at 31 March 2020 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

Work performed

We carried out the following planned audit procedures:

- Assessed the qualifications and competence of the actuary through the use of PwC consulting actuary (auditor's expert);
- Reviewed the reasonableness of the assumptions used by Barnett Waddingham (management's expert) for the calculation of the liability against other local government and police pension actuaries' assumptions and other observable data using the benchmark range of acceptable assumptions provided by PwC consulting actuary (auditor's expert);
- Reviewed the controls for providing accurate membership data to the actuary;
- Checked the accuracy and completeness of the data set submitted to the actuary for the 2019 triennial valuation of the LGPS;
- Checked whether any significant changes in membership data had been communicated to the actuary;
- Discussed with the actuary the continuing impact of GMP equalisation and the McCloud judgement regarding age discrimination on the pension fund liability and impact on employer fund; and
- Reviewed the testing of the assets carried out as part of the LGPS audit and checked the accuracy of the calculations relating to the allocation of the share of the net assets across the funds in proportion to the employer's contribution's paid to the scheme.

Results

We are satisfied that the actuary has the appropriate skills and experience, and has applied the appropriate technical actuarial standards to calculate the LGPS and police pension liabilities.

In our pension fund testing we confirmed that the 2019 LGPS membership data submission was complete and accurate. A similar review was undertaken in previous years for the 2017 police membership data submission. Management confirmed there has been no significant changes in the membership these funds during the year.

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PENSION LIABILITY

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Our testing of the LGPS pension fund assets also required an adjustment to reduce the private equity valuations by £5.2 million following receipt of the updated March 2020 valuations. The City Fund share of the reduction in scheme assets was £2.7 million. This re-measurement in the pension liability is a charged to other comprehensive income and expenditure (which does not impact the surplus on the provision of services in the comprehensive income and expenditure accounts) and the pension reserve. Management has confirmed that this will be corrected in the final version of the financial statements.

The actuary has applied full GMP indexation for members at state pension age and this is consistent with the previous year. The actuary has calculated the Corporation impact of McCloud at £12.9 million assuming that active members since 2012 will benefit from the scheme amendments. This is consistent with the assumptions in the previous year and with the recent consultation on the proposed remedy to remove age discrimination for those members in the scheme at the time that the age underpin was agreed.

In respect of the Police pension scheme, our audit identified that the benefits payable information submitted to the actuary had incorrectly included advance pension payments. Management are currently liaising with the Actuary to understand what impact this will have on the Police pension liability disclosed in the financial statement.

In July, HM Treasury announced it would amend the Teachers Pension scheme to remove the differential in survivor pensions for same sex marriage or civil partnerships following the Goodwin case, and this will also apply to other public sector pension schemes. This is expected to result in lower survivor pensions although the actuary has not assessed the impact on the pension liability. Initial discussions suggests that the impact will not be material.

Our review of the assumptions used to calculate the present value of future pension obligations is noted in the following pages, and were found to fall within a reasonable range.

Representations required

We have sought specific representations over material assumptions used in the valuation of the pension liability include the financial and mortality assumptions.

Work in progress

In respect of Police pensions, awaiting confirmation of what the impact on the liability is going to be in relation to error identified in the information initially submitted to the actuary and why the current female mortality rate used by the actuary falls outside of the expected range.

Conclusion

Following the corrections above, the defined benefit obligation for the LGPS and Police pension schemes have been appropriately calculated and the assumptions used are reasonable.

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PENSION LIABILITY

Significant estimate – LGPS pension liabilities

City Fund LGPS share of pension liabilities £802 million

< lower — Impact of assumptions on the estimate — higher >

The City Fund's share of the LGPS pension liability has reduced from £811 million to £802 million (before the adjustment noted on page 21) and it's share of the scheme assets reduced from £494.3 million to £480.5 million. The net deficit increased by £4.8 million to £321.5 million. The reduction in the liability includes £76 million gain arising from changes to financial assumptions including annual salaries increases of 2.9% (previously 3.9%), annual pension increases of 1.9% (previously 2.4%), and a change in the rate of discounting scheme liabilities to 1.9% (previously 2.4%). It also includes a gain on demographic assumptions of £5.9 million arising from reduced mortality assumptions of approximately 1.4 years for males and 0.2 years for females as increases in life expectancy have stalled in recent years. The impact of updating membership data from the triennial valuation has increased the liability for 'experience actuarial losses' by £41.5 million which has resulted in a 5% movement in the liability. We queried this with the actuary who confirmed that there was not one significant factor impacting this but several smaller factors, such as changes in the profile of members, member movements, and estimates and timings of some cashflows over the last three years. The movement is within a reasonable 'experience gain / loss' threshold following a triennial update of member data and therefore we have not undertaken any further work to confirm the actuary's responses.

The key estimates are the following financial and mortality assumptions. We have compared the assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

	Actual used	Acceptable range	Comments
Financial:			
- RPI increase	2.7%	2.80-2.65%	Reasonable
- CPI increase	1.9%	1.95-1.85%	Reasonable
- Salary increase	2.9%	2.95-2.85%	Reasonable
- Pension increase	1.9%	1.95-1.85%	Reasonable
- Discount rate	2.35%	2.35%	Reasonable
Commutation:	50%	50%	Reasonable
Mortality:			
- Male current	23.2 years	22.8-24.7 years	Reasonable
- Female current	25.8 years	25.2-26.2 years	Reasonable
- Male retired	21.8 years	21.4-23.3 years	Reasonable
- Female retired	24.4 years	23.7-24.7 years	Reasonable
Mortality gains	CMI 2018 (+1.5% improvement rate)		Reasonable

We consider that the assumptions and methodology used by the actuary are appropriate and will result in an estimate of the net pension liability which falls within a reasonable range. We note that the consulting actuary has provided an estimate of the overall strength of assumptions and this indicates that the estimate has tended towards a prudent (higher) liability mainly due to using the CMI 2018 mortality gains rather than the latest available CMI 2019 tables.

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PENSION LIABILITY

Significant estimate – Police pension liabilities

Police pension liabilities £931.7 million

< lower **Impact of assumptions on the estimate** **higher >**

The police pension liability has reduced from £998.1 million to £931.7 million. The reduction in the liability includes a £83 million gain arising from changes to financial assumptions including annual salaries increases of 3.4% (previously 3.9%), annual pension increases of 1.9% (previously 2.4%), and a change in the rate of discounting scheme liabilities to 1.9% (previously 2.4%). It also includes a loss on demographic assumptions of £6.7 million arising from increased mortality assumptions of approximately 0.3 years as increases in life expectancy have stalled in recent years.

The key estimates are the following financial and mortality assumptions. We have compared the assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

	Actual used	Acceptable range	Comments
Financial:			
- RPI increase	2.7%	2.65 - 2.8%	Reasonable
- CPI increase	1.9%	1.85 - 1.95%	Reasonable
- Salary increase	3.4%	3.35 - 3.45%	Reasonable
- Pension increase	1.9%	1.85 - 1.95%	Reasonable
- Discount rate	2.4%	2.35- 2.45%	Reasonable
Commutation:	50%	50 - 60%	Reasonable (60% 1987 old scheme, 60% 2006 new scheme, 60% 2015 scheme)
Mortality:			
- Male current	22.8 years	22.6 - 23.6	Reasonable
- Female current	25.0 years	25.1 - 25.8	Reasonable Below the acceptable range - query with management
- Male retired	21.4 years	20.8 - 21.9	Reasonable
- Female retired	23.5 years	23.2 - 24	Reasonable
Mortality gains	CMI 2018 (+1.25% improvement rate)		Reasonable

We consider that the assumptions and methodology used by the actuary are appropriate and will result in an estimate of the net pension liability which falls within a reasonable range. We note that the consulting actuary has provided an estimate of the overall strength of assumptions and this indicates that the estimate has tended towards a prudent (higher) liability mainly due to using the CMI 2018 mortality gains rather than the latest available CMI 2019 tables.

NDR APPEALS PROVISION

There is a risk in relation to the estimation of the provision due to potential incomplete data and assumptions used in calculating the likely success rate of appeals.

Significant risk
Normal risk
Significant management estimate or judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant control findings to be reported
Letter of representation point

Risk description

City Fund as a billing authority is required to estimate the value of potential refund of business rates arising from rate appeals, including backdated appeals. The Valuation Office Agency (VOA) provides information regarding the appeals currently being assessed and settled. Management use this information to calculate a success rate for specific business types for settled appeals, and applies an appropriate rate to each type of business appeal still outstanding at year end.

There is a low number of appeals and settlements from the 2017 VOA list following the introduction of the Check – Challenge – Appeal process that means there is limited data on which to base the estimate for the provision. This increases the level of risk as the provision could be overstated based on the assumptions used for the 2017 VOA list provided by MHCLG that the 2010 VOA list suffered appeals losses of 4.7% over that rating period.

Work performed

We carried out the following planned audit procedures:

- Reviewed of the accuracy of the appeals data to confirm that it is complete based on the VOA list, and that settled appeals are removed; and
- Reviewed the assumptions used in the preparation of the estimate including the historic success rates to confirm that the rates applied are appropriate to outstanding 2010 appeals and expected losses for the 2017 rating list.

Results

In previous years, management has estimated the appeals provision based on data provided by the VAO for 2010 appeals and refunds and for the 2017 rating list using the MHCLG guidance, but adjusted down where local evidence suggested that the appeal success rate is lower for the 2017 rating sit than the 2010 rating list. This year, management commissioned an expert (Analyse LOCAL) to calculate the 2019/20 appeals provision.

We have assessed the skills and competency of the management expert.

Work is in progress to understand the key assumptions used by Analyse LOCAL to estimate the likely success rates of appeals and amounts refundable. We note that provision has decreased from £113 million to £101.1 million this year. Under the change to the London Business Rate Pooling arrangements since last year, the City Fund share of the provision has reduced from £72.7 million to £49.2 million.

We checked and agreed that the data provided to the expert was complete and accurate.

NDR APPEALS PROVISION

Page 351

There is a risk in relation to the estimation of the provision due to potential incomplete data and assumptions used in calculating the likely success rate of appeals.

Results (continued)

Analyse LOCAL note, in their method statement, that an estimation of appeals that could be withdrawn and mandatory and discretionary reliefs have not been taken into consideration in their calculation of the provision and state that management should consider adjusting the provision for these factors.

Our audit testing has found that the estimate for potential withdrawn appeals and mandatory and discretionary reliefs have not been factored into the calculation of the provision included in the accounts as management do not consider these to have a material impact.

We have estimated the impact on the City Fund share (48%) of the total provision liability to be an overstatement of £2.65 million (£150,000 in respect of the estimate for withdrawn appeals and £2.54 million in respect of mandatory and discretionary reliefs). We have included this as an unadjusted misstatement on page 36. The overall impact on the Collection Fund Revenue Account is purely disclosure and would reduce impairment of appeals for business rates, as described on the face of the collection fund account, by £5.61 million. We have included this as an unadjusted narrative misstatement on page 37.

Representations required

We expect to seek specific representations over material assumptions for appeals success rates once we have this information from Analyse LOCAL.

Work outstanding

To complete our review of the reasonableness of the assumptions used to calculate the estimate appeals provision.

Conclusion

Work outstanding to be completed before we are able to conclude on this risk.

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NDR APPEALS PROVISION

Significant estimate – Refunds for appealed business rates

City Fund share of NDR appears £49.2 million

< lower	Impact of assumptions on the estimate	higher >
	To be confirmed	

Work is in progress to understand the key assumptions used by Analyse LOCAL to estimate the likely success rates of appeals and amounts refundable.

NON-COLLECTION OF RECEIVABLES

Risk description

The City Fund recognises an allowance for the non-collection of receivables primarily in respect of council tax, NDR, housing benefit overpayments, housing rents and parking penalty charges. Management assesses each type of receivable separately in determining how much to allow for non-collection.

Since issuing our audit planning report we have increased this risk from 'normal' to 'significant' given the likely increased estimation required to calculate impairment allowances for non-collection of receivables due to the impact of the coronavirus pandemic. There is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied.

There is a risk over the valuation of the allowance for the non-collection of arrears and debt.

Significant risk	
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Work performed

We carried out the following planned audit procedures:

- Reviewed the provision model for significant income streams and receivables and debt balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears, and for financial assets within the scope of IFRS 9 that this also reflects expected credit losses; and
- Checked that information has been accurately extracted from systems to support the modelling of collection rates by age.

Results

Our review of the assumptions used to calculate the impairment allowance for non-collection of receivables is noted in the following pages, and were found to fall within a reasonable range based on the available data for historical collection rates. However, we noted that collection rates for NDR arrears, Barbican residential and HRA rents have not been refreshed for a number of years and management should undertake a refresh of the collection rates to ensure that impairment allowances used for NDR arrears remains appropriate.

We agreed the information used to calculate the impairment allowance for each type of receivables was correctly extracted from the underlying data. Our audit testing did identify that the overall PCN debt and impairment allowance had both been overstated by £3.08 million due to duplicated entries included in the debt listing, but the net collectable debt is correct. Management has confirmed that this will be corrected in the revised version of the financial statements.

Representations required

We have sought specific representations that:

- historic collection rates calculated in previous years for NDR arrears, Barbican residential and HRA rents remain consistent with collection rates in 2019/20; and
- historic collection rates are a reasonable basis for calculating expected credit losses and that enhanced forecasting of losses will not result in material differences in the impairment allowances.

Conclusion

Although the collection rates have not been updated for some types of receivables for a number of years and the expected credit loss estimate does not include any enhanced forecasting of losses, we are satisfied that the impairment allowance estimate is reasonable.

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NON-COLLECTION OF RECEIVABLES

Significant estimate – Expected losses on receivables

Impairment allowance £13.6 million

< lower | **Impact of assumptions on the estimate** | higher >

Management periodically review collection rates for each income stream to estimate the potential losses on receivables or arrears at balance sheet date. The impairment allowance is a calculated by reference to losses and write-offs by age of the debt or current recovery stage. The expected credit loss and impairment allowance is based on these historic collection rates. Management has not undertaken a review of expected credit losses based on future expectations as required for receivables within the scope of IFRS 9 for financial assets as the majority of receivables are statutory debt subject to the previous incurred loss model and have determined that the historical losses model remains appropriate.

Non-domestic rate arrears and cost provision

Arrears and provision as at 31 March were £28.1 million and £11 million respectively. Arrears of £5.4 million has been provided for in full (95-100%) as it is considered uncollectable or is due to be written off. We consider this reasonable given all stages of recoverability have been exhausted.

Debts that have entered the ‘late demand’ stage of recoverability total £10.5 million and 5% of this has been impaired. The impairment allowance is based on an analysis of debt collected against 31 March 2018 NDR arrears that was calculated to support the impairment allowance as at 31 March 2019. This analysis has not been updated to support the 5% allowance carried forward and applied to arrears as at 31 March 2020. However, debts classified in the ‘late demand’ category have been of a consistent value for the last three years so it is unlikely there would be a material change to this allowance.

The remainder of the debt totalling £12.1 million is in various stages of debt recovery and an impairment allowance of £5.1 million has been estimated by reference to different stages of recovery and non-collection of 25% to 49%. These impairment rates are based on historical collection rates that have been rolled forward for a number of years. Management has not undertaken a refresh of the collection rates to assess the appropriateness of the continued use of these impairment allowances although it is unlikely this would materially impact the impairment allowance as at 31 March 2020.

Rent arrears and cost provision

Arrears and provision as at 31 March 2020 were £6 million and £2.2 million respectively.

The arrears are analysed between current (£5.5 million) and former tenants (£500,000). The management surveyor reviews all individual arrears over £15,000, which accounts for 93% of the total debt, to determine the likely rent to be recovered. Collection rates for the past two years have been applied to the remaining debt.

We are satisfied that the provision for non-collection of rent arrears assumptions are reasonable.

NON-COLLECTION OF RECEIVABLES

Significant estimate – Expected losses on receivables

Impairment allowance £13.6 million (continued)

Penalty Charge Notices (PCN) arrears and cost provision

Arrears and provision as at 31 March 2020 were £11.3 million and £9.9 million respectively.

The cost provision covers debt from PCNs issued from 2012/13 to 2019/20. For each year, this is calculated as collectable debt for that year, less total cash received as at 31/03/2020, less debtors written off as at 31/03/2020, less forecast future collections.

Forecast future collection is calculated as the collectable debt for that year multiplied by a percentage. The percentage is based on the amount historically collected in the nth year from issue. This is calculated for the following 5 years from issue with any remainder included as a provision.

The PCN cost provision is based on historical collection rates which we consider to be reasonable for estimating future losses.

Other sundry debt arrears and cost provision

Arrears and provision as at 31 March 2020 were £18.2 million and £1.3 million respectively. The vast majority of the sundry arrears relate to HRA, Barbican Centre and Police.

All significant debts in respect of these sundry debts are reviewed on a case-by-case basis and we are satisfied that reasonable assumptions have been made in calculating the provision for these debts.

Our audit testing did identify that Barbican residential debt of £3.1 million with a corresponding impairment allowance of £139,000 and HRA rental debt of £260,000 with a corresponding impairment allowance of £33,000 used impairment allowance percentages that had been rolled forward for a number of years and could not be substantiated be reference to historic collection rates or similar types of evidence.

Given the value of the debt and a worst case scenario applied to any allowance this would not materially impact the financial statement in 2019/20.

ACCOUNTING FOR LEASES

Contents

Page 356

There is a risk leases may not be correctly accounted for.

Significant risk	
Normal risk	■
Significant management estimate or judgement	■
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

Since issuing our planning report we have added an additional risk in respect of accounting for lease premiums. This is because the City Fund received a total of £85.4 million in lease premiums in 2019/20 in respect of three assets where it is the lessor. The premiums and rents are apportioned between the land element, which will ordinarily be an operating lease recognised as revenue, and the building element which is likely to be a finance lease and recorded as a capital disposal. The element of the premium relating to the land is treated as deferred rental income and released to revenue over the term of the lease.

Given the complex calculations and significant judgements involved in the apportionment of the land and buildings there is a risk that lease premiums may not be accounted for correctly.

Work performed

We carried out the following planned audit procedures:

- We reviewed the reasonableness of the method used to apportion the lease premium received between land and buildings;
- Checked that the correct land apportionment had been accounted for as deferred rental income and that the land value had been correctly reflected in non-current assets; and
- Checked that the disposal proceeds for the apportioned share of the building had been correctly accounted for a capital receipt.

Work in progress

We are currently in the process of reviewing the reasonableness of the method used to apportion the lease premium received between land and buildings.

However, our initial review suggests that the allocation of the lease premium may have understated the amount attributable to the land (and taken to deferred income) and overstated the amount attributable to the buildings (and taken to disposal gains and usable capital receipts).

Conclusion

Work outstanding to be completed before we are able to conclude on this risk.

RELATED PARTY TRANSACTIONS

Page 357

There is a risk that related party disclosures are not complete and accurate.

Significant risk	
Normal risk	■
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit and Risk Management Committee.

There is a risk that related party disclosures are not complete and accurate, and properly disclosed.

Historically members have provided year end declarations but the requirements to consider other connected parties (including family and business connections) may not have been explicitly considered.

Work performed

We carried out the following planned audit procedures:

- Reviewed management processes and controls to identify and disclose related party transactions;
- Reviewed relevant information concerning any such identified transactions;
- Discussed with management and reviewed members' and management declarations to ensure that there are no potential related party transactions which have not been disclosed; and
- Undertaken Companies House and Charity Commission searches for potential undisclosed interests.

Results

Our audit testing identified five related party transactions that were not disclosed in the financial statements, two related party disclosure where the receivable and payable values were not disclosed and one transaction value that had ben incorrectly disclosed. Management has confirmed that these will be corrected in the revised version of the financial statements.

During our review of declarations, it was noted that a number of declarations have not been completed accurately nor completely, with the member either leaving sections blank, or omitting to sign the forms. A control weakness has been raised regarding this matter on page 49.

Conclusion

Following the corrections above, the related party transactions disclosures are appropriate.

GOING CONCERN

Page 358

Current conditions and interruption of normal cash flows may result in a local authority having insufficient cash to meet liabilities as the fall due.

Significant risk	
Normal risk	■
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

Since issuing our audit planning report we have added an additional risk in respect of going concern disclosures. The assessment of going concern under the effects of the coronavirus outbreak will need to incorporate unprecedented shocks to forecasts. The increased demand on services, decline in income from services, deferrals of normal payment terms or impairment of debt, decreases in asset values and supply chain disruptions may be dissimilar to any previously encountered 'real world' scenario, making forecasting the precise results difficult.

The effects of the coronavirus are likely to affect the level of uncertainty that may exist in an assertion that the entity will be able to continue as a going concern. Regardless of the result of management's assessment, many entities will need to disclose key judgments and estimates it used to arrive at this conclusion.

Key areas in a going concern assessment may include: sources of assumed liquidity and cash flows, forecasts of future revenue or additional expenditure, and support from government.

If a material uncertainty does exist, this should be disclosed in terms that are specific to the City Fund as users of the financial statements will wish to know how and when the uncertainty might crystallise and its effects. This will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).

Work performed

We have reviewed management's assessment and disclosures in respect of going concern, including sensitivities of the assumptions and impact on cash flows and available reserves.

Results

We have reviewed cash flow forecasts prepared by management and reasonable consideration has been made when incorporating key assumptions in relation to COVID-19 impacts, such as significantly reduced commercial property income and increased service expenditure as well as other assumptions around reduction in future government funding, changes to the business rate retention scheme and Brexit.

Whilst the impact of these assumptions could have a significant impact, management has recognised that the City Fund has a strong working capital position, with £817 million invested in short term investments and a further £178.1 million sitting with useable general reserves which would cover any cash flow shortfalls should they arise and hence do not consider there to be any material uncertainties in resect of going concern.

Conclusion

We are satisfied that the management's assessment and disclosures in respect of going concern are reasonable.

OTHER MATTERS

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Audit area	Description of findings
Cash and short term investments misclassification	Cash balances of £1.1 million had been misclassified as short term investments. Management has confirmed that this will be corrected in the final version of the financial statements.
Bank reconciliation differences	The Corporation bank reconciliation does not reconcile by £126,000. Management believe that £90,000 of this relates to an old fraud case and amounts have yet to be analysed to confirm if they should be written out. The remaining difference of £36,000 could not be fully explained by management. A bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet so we therefore recommend that the bank reconciliation differences are appropriately investigated and dealt with so that the bank reconciles.

Contents

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Contents

Fraud

Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report in March 2020.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

Contents

We are required to bring to your attention unadjusted differences and we request that you correct them

There are two unadjusted audit differences identified by our audit work which would increase the surplus on the provision of services for the year of £85.7 million (to £88.4 million) and net assets of £1,591.8 million (to £1,594.5 million) by £2.69 million.

There is no impact on the City Fund balance of £177 million as these adjustments would be reversed to the collection fund adjustment account through the Movement in Reserves Statement.

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

Unadjusted audit differences	Income and expenditure NET DR/(CR) £m	Income and expenditure DR £m	Income and expenditure (CR) £m	Balance Sheet DR £m	Balance Sheet (CR) £m
Surplus on the provision of services / net assets before adjustments	**(85.7)**			**1,591.8**	
1: Overstated NDR appeals provision - adjustment for mandatory and discretionary reliefs (factual)					
Dr NDR appeals provision liability				2.54	
Cr NDR appeals provision expense	**(2.54)**		(2.54)		
2: Overstated NDR appeals provision - adjustment for withdrawn appeals (judgemental)					
Dr NDR appeals provision liability				0.15	
Cr NDR appeals provision expense	**(0.15)**		(0.15)		
Total unadjusted audit differences	**(2.69)**		**(2.69)**	**2.69**	
Surplus on the provision of services / net assets if above issues adjusted	**(88.4)**			**1,594.5**	

Impact on the City Fund balance	City Fund balance £m
Balance before unadjusted audit differences	**177.0**
Impact on surplus on the provision of services above	2.69
Adjustments that would be reversed from the General Fund and through the Movement in Reserves Statement	(2.69)
Balances after the above adjustments	**177.0**

Contents

UNADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

Contents

We are required to bring to your attention other financial reporting matters that the Audit and Risk Management Committee is required to consider

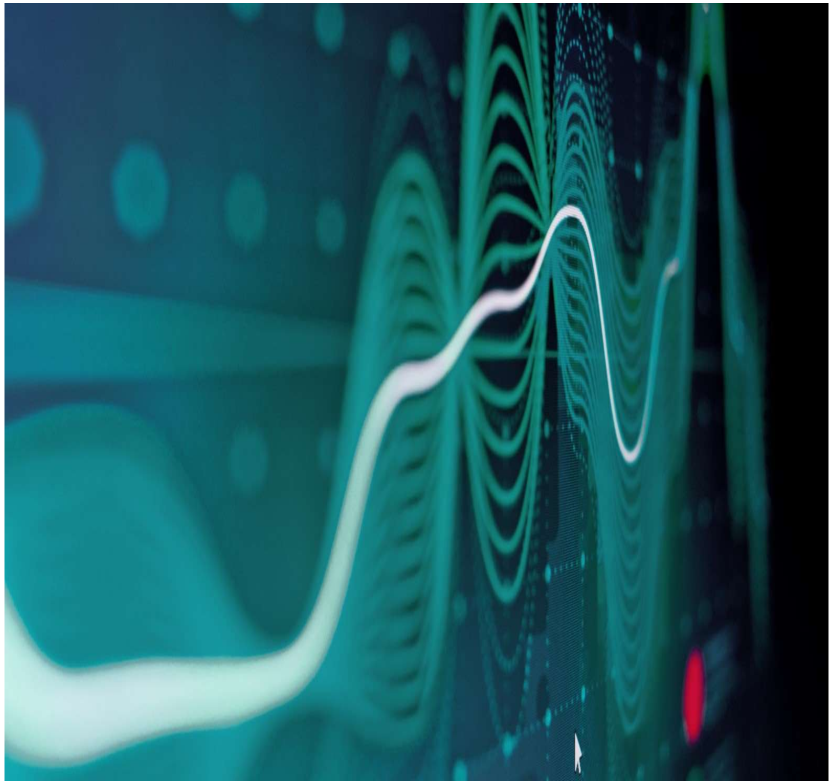
The following unadjusted disclosure matters were noted:

- Our audit testing has found that the estimate for potential withdrawn appeals and mandatory and discretionary reliefs have not been factored into the calculation of the NDR appeals provision included in the accounts as management do not consider these to have a material impact. The overall impact on the collection fund account disclosure and would reduce impairment of appeals for business rates, as described on the face of the collection fund account, by £5.61 million. We have included this as an unadjusted narrative misstatement on page 37. Whilst the impact on the City Fund share of this misstatement is described on page 25 and included as an adjusted misstatement on page 36.
- Capital commitments note 13 - our audit testing has identified differences between the values of commitments disclosed in the financial statements and supporting audit evidence. The differences indicate that capital commitments have been overstated by £2.8 million. Management has confirmed that the disclosure will not be amended.

ADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

Contents



There were six audit differences identified by our audit work that were adjusted by management.

These adjustments decreased the draft surplus on the provision of services of £86.8 (to £85.7 million) and decreased net assets of £1,592.9 million (to £1,591.8 million) by £1.15 million.

The City Fund balance decreased by £1.15 million as a result of these adjustments.

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Income and expenditure			Balance Sheet	
Adjusted audit differences	**NET DR/(CR) £m**	**DR £m**	**(CR) £m**	**DR £m**	**(CR) £m**
Surplus on the provision of services / net assets before adjustments	**(86.8)**			**1,592.9**	
1: Overstatement of s31 NDR revenue grant					
Dr Taxation and non-specific grant income	**1.1**	1.1			
Cr Short-term debtors					(1.1)
2: Understatement of IAS 19 pension liability - scheme assets re-measurement					
Dr Pension liability				2.7	
Cr Pension reserve					(2.7)
3: Overstatement of penalty charge notice (PCN) debt / allowance					
Dr PCN income	**3.08**	3.08			
Cr PCN debtors					(3.08)
Dr PCN impairment allowance				3.03	
Cr PCN impairment expense	**(3.03)**		(3.03)		
4: Misclassification of short term investments					
Dr Cash and cash equivalents				1.1	
Cr Short-term investments					(1.1)

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ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Income and expenditure			Balance Sheet	
Adjusted audit differences	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
5: Understatement of the Guildhall Complex valuation					
DR PPE other land and buildings – Guildhall Complex asset				0.52	
CR Revaluation reserve					(0.52)
6: Understatement of the Barbican Residential Estate valuation					
DR PPE council dwellings – Barbican Residential Estate asset				1.3	
CR Revaluation reserve					(1.3)
Total Adjusted audit differences	**1.15**	**4.18**	**(3.03)**	**8.65**	**(9.8)**
Adjusted surplus on the provision of services / net assets	**(85.7)**			**1,591.8**	

Impact on the City Fund balance	City Fund balance £m
Balance before adjusted audit differences	**178.1**
Impact on surplus on the provision of services above	(1.15)
Adjustments that have be reversed from the General Fund and through the Movement in Reserves Statement	0
Balances after the above adjustments	**177.0**

ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

Contents

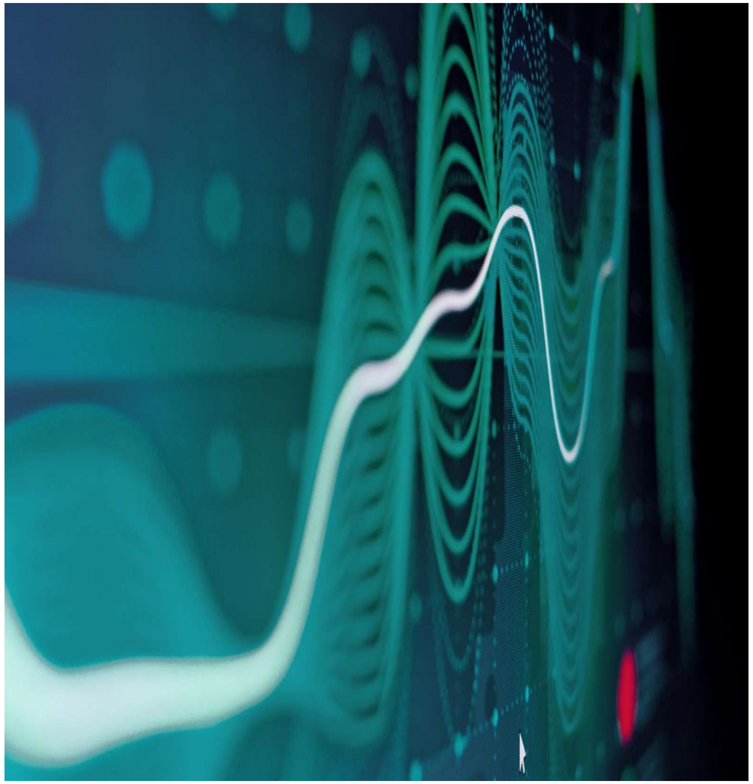
Page 367

We are required to bring to your attention other financial reporting matters that the Audit and Risk Management Committee is required to consider

The following adjusted disclosure matters were noted:

- Prior year future minimum lease payments amounts incorrectly stated for operating leases where City is the lessee and the lessor in note 30.
- Note 30 City as Lessor (Finance Lease) - the overall gross investment in lease >5 years should be reduced by £0.4 million to 39.4 million.
- Note 30 City as Lessee (Finance Lease) – current year asset value table should be £16.3 million (OLAB), 2.8, £48.4 million (Investment Property), the lease liability table should include £2.8 million for cleansing vehicles and minimum lease payments have been incorrectly stated.
- Collection Fund Statement – Impairment of NDR appeals needs to be netted down and income grossed up to be consistent with that reported in the prior year.
- Collection Fund note 1 – current year mandatory and discretionary reliefs value should be £22.6 million and prior year figures do not agree to prior year accounts.
- Note 10 Audit Fee – additional disclosure required to clearly show the additional audit fee charged for audit of the 2018/19 financial statements and certification of the housing benefits claim.
- Note 2 Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty – additional disclosure required in respect of estimates and assumptions applied.
- Note 18 Net loss on financial assets at fair value through profit and loss – fair value movements on pooled investment vehicles must be debited or credited to a reserve used only for the purpose of pooled investment vehicle per the statutory instrument.
- Balance sheet – amending the longer-term liability ‘deferred credits’ to ‘rents received in advance’ is considered more understandable to the reader of the financial statements.

Management has confirmed that the disclosures will be amended in the revised version of the financial statements.



REPORTING ON OTHER INFORMATION

Contents

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that other information in the Narrative Report is consistent with the financial statements and our knowledge. We have suggested adding further detail into the financial summary section of the Narrative Report to improve the readers understandability of the financial statements. Management has confirmed that these changes will be made to the revised version of the financial statements.
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Corporation review of effectiveness and our knowledge of the Corporation.	We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge.

WHOLE OF GOVERNMENT ACCOUNTS

Page 369

Matter	Comment
For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Corporation for use by the Ministry for Housing, Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.	Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 30 September 2020. We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the City Fund's financial statements.

OVERVIEW

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- Informed decision making
- Working with partners and other third parties.

As identified in our Audit Planning Report we assessed the following matters as being the most significant risks regarding use of resources.

Audit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion
Police financial management	Sustainable resource deployment	Significant	No
Sustainable finances	Sustainable resource deployment	Significant	No

POLICE FINANCIAL MANAGEMENT

Page 371

There is a need for City Police to develop an MTFS with significant savings to ensure that it can continue to deliver the level of policing required in the City

Significant risk	■
Normal risk	
Sustainable resource deployment	■
Informed decision making	
Working with partners and other third parties	
Significant control findings to be reported	

Risk description

The City Police are forecasting an underlying budget deficit of £11.1 million in 2020/21, rising to £16.8 million per annum by 2023/24. It is planned that the City Fund will provide £5.4 million of support in 2020/21, with City Police responsible for making necessary savings of £5.7 million in 2020/21 rising to £9.2 million in 2023/24 to balance budgets. It has been proposed that the business rates premium is increased by 0.2p to 0.8p in the £ as this will raise £5 million in order to cover the support needed by the City Fund along with the Police savings that would balance the budget in 2020/21.

Although the 2020/21 budget can be balanced, City Police are likely to be required to make difficult decisions in order to meet savings targets necessary over the medium-term in order to balance revenue budgets and generate funds needed to deliver capital programmes that are currently unfunded.

Work performed

We carried out the following planned audit procedures:

- Reviewed the assumptions used in the Medium Term Financial Strategy and assessed the reasonableness of the cost pressures, the amount of Government grant reductions applied and increases in the business premium;
- Monitored the delivery of the budgeted savings in 2019/20 and the plans to reduce costs from 2020/21; and
- Reviewed the strategies and transformation programmes to close the budget gap after 2020/21.

Results

In line with the budgeted forecast, City Police achieved a balance budget position in 2019/20 through budgeted cost savings, increased Home Office grant and the agreed allocation, from City Fund, of additional revenue raised from the increase in Business Rates Premium.

Reasonable assumptions in terms of cost pressures and grant income have been made to date but the MTFS does still show that significant savings need to be made in the medium term to close the financial gaps identified (£11.1 million in 2020/21 rising to £16.8 million in 2023/24). It has been agreed that the City Corporation would fund £5.4 million in 2020/21, with City Police responsible for making necessary savings to balance the budget. In 2020/21, the City measures to address the deficit include Transform savings of £5.7 million, rising to £9.2 million in 2023/24. City Police are reviewing further measures, such as extending shared service arrangements, in order to balance its budget over the medium term.

While we continue to note concerns over financial management, City Police and the Corporation are actively working to address the funding gap and provide additional funding where this is required.

Conclusion

We consider there to be appropriate arrangements in place with regard to sustainable finances for the City Fund.

SUSTAINABLE FINANCES

Page 372

The Corporation will need to deliver planned savings to maintain financial sustainability in the medium term and there is a significant risk that these savings may not be delivered

Significant risk	■
Normal risk	
Sustainable resource deployment	■
Informed decision making	
Working with partners and other third parties	
Significant control findings to be reported	

Risk description

The 2020/21 City Fund budget forecasts a surplus of £27.3 million. This has mainly been achieved through opportunities to increase income and make savings that do not impact on front line services, as identified by the Fundamental Review. This includes income proposals of £19.5 million, savings/resource reductions of £8.8 million and a £6.7 million draw on reserves. The Government has also pushed back its reform of Business Rates to 2021/22 which means there is an extra year of retaining the current level of rates before they are reduced. Despite the savings made to date in the Fundamental review and those identified over the next year, City Fund faces substantial growing deficits over the medium term starting in 2021/22 (£15.2 million) growing to a deficit of £31 million by the end of 2023/24 which, at present, can only be reduced and budgets balanced through use of reserves.

The impact of capital projects, such as the Museum of London and the combined courts building, is a major factor contributing to these deficits in the medium-term and over a longer 10-year horizon. The deficit could increase if the financial strategy is weighted towards borrowing, rather than asset disposal, due to the statutory need to provide an annual contribution to debt repayment. Budgets over the medium-term also include a substantial proportion (25%) of proposals relating to income generation which, the achievement of, is far less certain than cost savings and therefore a risk to the sustainability of the MTFS.

Identifying the required savings in the medium-term will be a challenge and is likely to require difficult decisions around service provision.

Work performed

We carried out the following planned audit procedures:

- Reviewed the assumptions used in the Medium Term Financial Strategy and assessed the reasonableness of the cost pressures, the level of Government grant reductions applied and income generation proposals;
- Monitored the delivery of the budgeted savings in 2019/20 and the plans to reduce costs from 2020/21; and
- Reviewed the strategies and transformation programmes to close any budget gap after 2020/21.

SUSTAINABLE FINANCES

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The Corporation will need to deliver planned savings to maintain financial sustainability in the medium term and there is a significant risk that these savings may not be delivered

Significant risk	■
Normal risk	
Sustainable resource deployment	■
Informed decision making	
Working with partners and other third parties	
Significant control findings to be reported	

Results

The City Fund achieved a better than budget position in 2019/20 by spending £6 million less than originally planned. This was achieved through reductions in operating costs (including employee costs), higher than expected income and slippage in repairs and maintenance programmes, and therefore not needing to draw on central contingencies. After taking in account a transfer from the City Fund to Police pension reserve and funding from taxation and non-specific grants the total underspend amounted to £43.4 million which has been transferred to the City Fund balance.

The 2020/21 budget and the MTFS includes reasonable measures to address cost pressures as identified through the fundamental review as well as reasonable assumptions in relation to income generation measures, including tax / premium increases and containing the cost of major projects and other programmes. The MTFS shows that the City Fund faces substantial growing deficits over the medium term starting in 2021/22 (£15.2 million) growing to a deficit of £31 million by the end of 2023/24. The impact of capital projects, such as the Museum of London and the combined courts building, is a major factor contributing to these deficits in the medium-term and over a longer 10-year horizon therefore options, such as phasing the projects, joint ventures and re-classification of projects to other funds, are now being considered in order to manage these cost pressures and deficits going forward.

The City Fund has been monitoring the financial impact of the coronavirus pandemic on the fund since April 2020 and immediate financial pressures have been incorporated into the 2020/21 budget. Given the healthy budgeted position for 2020/21, the financial implications of the pandemic do not give rise to any material uncertainties over this budget position. Financial implications are being considered and will be incorporated into the refreshed MTFS. The refreshed MTFS is also likely to include updated assumptions in respect of the reform of business rates as it is likely that the current retention level of rates will be maintained until 2022/23 rather than 2021/22. This should help to ease the pressure of a growing deficit in the medium term.

The full extent of the financial gap over the medium term has not yet been identified through savings plans however the City Fund is in a position to call on reserves, should it need to, in order to close the current financial gaps identified in the MTFS.

Conclusion

We consider there to be appropriate arrangements in place with regard to sustainable finances for the City Fund.

SIGNIFICANT DEFICIENCIES

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We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit and Risk Management Committee.

As the purpose of the audit is for us to express an opinion on the City Fund's financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Area	Observation & implication	Recommendation	Management response
Bank reconciliations	Our audit testing has found that the Corporation bank reconciliation does not reconcile by £126,000. Management believe that circa £90,000 of this relates to an old fraud case and amounts have yet to be analysed to confirm if they should be written out. The remaining difference of £36,000 could not be fully explained by management. A bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet.	The bank reconciliation differences are appropriately investigated and dealt with.	[xx]

OTHER DEFICIENCIES

We also bring to your attention other deficiencies noted during the audit.

Area	Observation & implication	Recommendation	Management response
Impairment allowance	A proportion of NDR, Barbican residential and HRA rental arrears are impaired using impairment allowance percentages that have been rolled forward for a number of years and could not be substantiated by reference to historic collection rates or similar types of evidence.	These debts are impaired using appropriate rates that are consistent with historic collection rates or similar type of evidence.	[xx]
Related party transactions	During our review of declarations, it was noted that a number of declarations have not been completed accurately nor completely, with the member either leaving sections blank, or omitting to sign the forms. Not receiving complete declarations may lead to management not identifying related party transactions during the accounts preparation process, and may also influence financial decisions during the year if a related party is not included on a register of interest.	The importance of the declarations is reinforced to all members, through training if necessary. These declarations should then be reviewed when returned to ensure all information is complete before they are then subject to our review and consideration.	[xx]
Capital commitments	Our audit testing has identified differences between the values of commitments disclosed in the financial statements and supporting audit evidence. The differences indicate that capital commitments have been overstated by £2.8 million.	Detailed audit working papers are produced and sufficient and appropriate audit evidence are retained when producing the disclosure in order to demonstrate a clear audit trail back to the figures in the financial statements.	[xx]

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OVERVIEW

Contents

Opinion on financial statements

Subject the matters outstanding on page 56, we anticipate issuing an unmodified opinion on the financial statements.

We wish to draw attention to the 'emphasis of matter' that we will be including in our audit report in respect of the material uncertainly in relation to PPE and Investment Property valuations. See page 15 for further details in respect of this emphasis of matter.

Conclusion on use of resources

We are proposing to issue an unqualified use of resources conclusion.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the City Fund's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

INDEPENDENCE

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Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2020.

Details of services, other than audit, provided by us to the Corporation during the period and up to the date of this report are set out on the following page and were provided in our Audit Planning Report. We understand that the provision of these services was approved by the Audit and Risk Management Committee in advance in accordance with the Corporation's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Corporation.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Corporation.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

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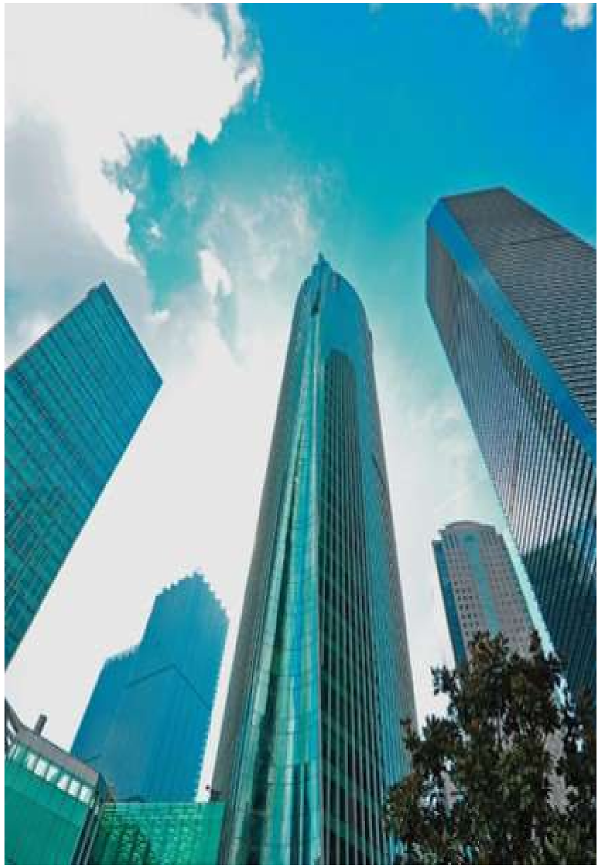
Fees summary	2019/20 Actual £	2019/20 Planned £	2018/19 Actual £
Audit fee			
• Code audit fee: financial statements and use of resources	TBC	108,000	128,000
Non-audit assurance services			
Fees for reporting on government grants:			
• Housing benefits subsidy claim	Work not started	18,000	23,000
• Pooling of housing capital receipts return	Work not started	2,000	2,000
• Teachers’ pensions return	Work not started	2,000	2,000
Fees for other non-audit services			
• ICF China Green Finance Programme reasonable assurance report	7,000	7,000	7,000
Total fees	**TBC**	**137,000**	**162,000**



APPENDICES CONTENTS

OUR RESPONSIBILITIES

Responsibilities and reporting

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Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of the Corporation.

We read and consider the 'other information' contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Corporation had not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We review the Whole of Government Accounts Data Collection Tool provided to HM Treasury and express an opinion on whether it is consistent with the audited financial statements.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Audit and Risk Management Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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	Issue	Comments
1	Significant difficulties encountered during the audit.	The audit has been very challenging as a result of the Covid-19 lockdown. This has meant that staff on both sides are working from home and therefore the face to face communication/ review of files has not been possible resulting in increased time being spent by both sides in relation to the audit.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

COMMUNICATION WITH YOU

Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Corporation as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit and Risk Management Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Planning Report	March 2020	Audit and Risk Management Committee
Audit completion report	November 2020	Audit and Risk Management Committee
Annual Audit Letter	December 2020 / January 2021	Audit and Risk Management Committee

OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the financial statements and use of resources for the year ended 31 March 2020.

The following key matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Audit and Risk Management Committee meeting at which this report is considered:

- Awaiting audit evidence to support a number of capital grants selected for testing.
- Finalising the review of a number of purchase orders that have been raised after the date the invoice was received to understand the reason for this and to ensure the expenditure in the correct financial year.
- Responses to queries and outstanding information from the valuer in respect of PPE valuations.
- We need to confirm that assets not specifically valued in the year have been assessed to ensure their reported values remain materially correct.
- Awaiting a response from management to understand why benefits paid in respect of police pensions differs from that information submitted to the Actuary.
- Awaiting a response from management in relation to our queries in respect of the methodology used to apportion the lease premium between operating and finance leases.
- Awaiting audit evidence to support three creditor transactions.
- Awaiting Police income transaction breakdowns to carry out income completeness testing.
- Awaiting audit evidence to support one exit package in relation to the Barbican Centre.
- Awaiting audit evidence to support one asset under construction transaction.
- Finalisation of financial instrument and investment interest income audit testing.
- Manager, Partner and Quality Control review, and clearance of review points.
- Technical clearance.
- Subsequent events review.
- Final review and approval by you of the Statement of Accounts.
- Management letter of representation to be approved and signed.

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AUDIT REPORT

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To be drafted and agreed once outstanding testing has been completed.

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LATEST REGULATORY DEVELOPMENTS

Future of Audit, Regulation and Market Competition

A number of corporate governance, financial reporting and audit failures since the 'financial crises' have led to auditing being the focus of the BEIS Select Committee and the commissioning of three separate, but related, independent reviews scrutinising audit, auditors and the corporate and audit regulatory environment. Although these independent reviews started at various times since 2018, none have yet fully concluded upon and further consultations on precisely what the implementation will look like is expected to take place during 2020. However, that is not to say that changes have not already begun: There are already a number of changes being made by the market participants themselves such as increased operational separation of audit from consulting and voluntary restriction of non-audit services. There have also been a number of changes arise through regulation such as the further restriction on non-audit services introduced with the new ethical standard in December 2019. Other expected changes will be implemented via a suite of consultations expected in 2020. Detailed below is a summary of the current reports issued and their status with a summary of the contents.

Initiative	Timeline 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Status
BEIS Select Committee	'Carillion' report issued 5/2018	'Future of audit' report issued 24/4/2019	Government response issued 7/6/2019			It is a priority area for the Committee which has a watching brief
Competition and Markets Authority (CMA) Report 'Statutory Audit Services Market Study'	Launch of Market study 9/10/2018	Responses to consultation 21/1/2019	Report and recommendations published 18/4/2019	First BEIS consultation on implementation ended 13/9/2019		Further consultations expected in 2020
'Report of the Independent Review in to the quality and Effectiveness of Audit' - Sir Donald Brydon		Team appointed to undertake review 2/2019	Consultation ended 7/6/2019		Brydon report issued 9/12/2019	Further consultations expected in 2020
'Independent Review of the FRC' by Sir John Kingman	Kingman Report published - 83 recommendations 18/12/2018	Secretary of State announces plans for a new regulator (ARGA) 11/3/2019	48 recommendations to be implemented by FRC BEIS first implementation consultation ended 11/6/2019			Further consultations expected in 2020

LATEST REGULATORY DEVELOPMENTS

Continued

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Report	Topic	Key points
'Independent Review of the FRC' by Sir John Kingman	December 2018 - Future of regulation and the FRC - requested by the Secretary of State	• Highlighted deficiencies in FRC and its operating effectiveness • New regulator to replace FRC 'Audit, Reporting and Governance Authority' • Reconsideration of which entities are classed as 'public interest' A number of changes require legislation changes but the FRC is working on implementation where possible.
Related BEIS consultation	BEIS consultation - independent review of the FRC - March 2019 - Recommends adopting a significant number of the Kingman proposals without further consultation - ended June 2019	The proposals being classed as: • FRC and BEIS will implement as soon as possible • Can be implemented once considered, in advance of legislation • Primary legislation required Further consultations are expected and will form part of the 2020 suite of consultations undertaken.
Competition and Markets Authority (CMA) Report 'Statutory Audit Services Market Study'	April 2019 - Future of market competition	Report 18 April 2019 – suggestions include • Increased accountability of audit committees including a focus on how they select auditors and their consideration of audit quality • Mandatory joint audits for largest companies including one member not from the big 4 and peer reviews • An operational split between the audit and non audit practices of the big 4 • A 5 year review of progress by the new regulator Further consultations are expected and will form part of the 2020 suite of consultations undertaken.

LATEST REGULATORY DEVELOPMENTS

Continued

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Report	Topic	Key points
BEIS (Business, Energy and Industrial Strategy Committee) Report 'The Future of Audit' - 24 April	Consideration of 2 reports – CMA and Kingman – to ensure they will lead to coherent framework	This report considers the CMA and Kingman reports and supports their recommendations and encourages implementation. In particular: • Implement Kingman recommendations as soon as possible • Endorsement of CMAs suggestion to split firms operations between audit and non-audit • Segmented market cap and joint audits for FTSE 100 • Detecting fraud a priority • Tightening of dividend regime • Make audit more forward looking • Welcomes introduction of ARGA – deal with failures more quickly and more stringently Published June 2019.

LATEST REGULATORY DEVELOPMENTS

Brydon

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In December 2019 Sir Donald Brydon published his “Report of the Independent Review in to the quality and Effectiveness of Audit” . This report proposes a fundamental changes to the audit profession, the scope of audit and how the Audit Committee interacts with auditors and shareholders. The report introduces over 100 actions in a number of areas including:

- Audit Purpose, Audit Profession and Auditor reporting;
- Directors’ Reporting;
- Role of Shareholders;
- Other stakeholders;
- Internal Controls;
- Fraud;
- Transparency;
- Technology;
- Auditor Liability;
- Audit and Risk Committees;
- KPIs and APMs (Alternative Performance Measures); and
- ARGA – the new regulator.

Key considerations for Audit Firms

- A new definition of audit: “ The purpose of an audit is to help establish and maintain deserved confidence in a company, in its directors and in the information for which they have responsibility to report, including the financial statements.”
- Recognition of other stakeholders alongside the company’s shareholders;
- Creation of a standalone audit profession as opposed to an extension of the accounting profession;
- Introduce the need for ‘professional suspicion’ alongside ‘professional scepticism’;
- Replace ‘true and fair’ with ‘present fairly, in all material respects’;
- Retain binary audit opinion but create continuity between reports, increase transparency further, have regard to other public information;
- Report specifically on the directors’ statement in relation to fraud; and
- Audit firms ensure a clear separation between the team which negotiates the audit fees, and the team which carries out the audit.

Key considerations for Audit Committees are as follows

- Recommendations for Directors to present to shareholders a three year audit and assurance policy dealing with auditors appointment, assurance budget and risks;
- Directors to present an annual Public Interest Statement and Resilience Statement (replacing the going concern and viability statements) in the annual report;
- Directors to present an annual statement on the actions they have taken to prevent fraud;
- CEO and CFO to provide an annual attestation to the board of directors as to the effectiveness of the company’s internal controls over financial reporting;
- Directors be required to disclose when any material failure of their internal controls has taken place;
- Any Alternative Performance Measures reported by a company, and any use of Key Performance Indicators to underpin executive remuneration, should be subject to audit; and
- Publication by the directors of a risk report in advance of the audit with shareholders to be given a formal opportunity to propose matters to be covered in the audit and also permitted to question the Audit Committee Chair and the auditor.

LATEST REGULATORY DEVELOPMENTS

Redmond

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On 8 September 2020, Sir Tony Redmond published his *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting*

The Report includes a number of key recommendations, including:

- The establishment of new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit, taking on certain responsibilities from Public Sector Audit Appointments (PSAA), Institute of Chartered Accountants in England and Wales (ICAEW), FRC/ARGA, and the Comptroller and Auditor General (C&AG)
- The governance arrangements within local authorities be reviewed by local councils with the purpose of:
  - an annual report being submitted to Full Council by the external auditor;
  - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
  - formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually
- The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
- Quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.
- The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
- The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.

FRC ETHICAL STANDARD

Issued in December 2019

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In December 2019 the FRC published the Revised Ethical Standard 2019 ('ES'), which is applicable from 15 March 2020. There are some transitional provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines.

Key headlines	Impact
The objective, reasonable & informed third party test	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules, or result in an outcome that is inconsistent with the general principles.
Extra-territorial impact	For group audits where the audited entity has overseas operations, the ES will require all BDO Member firms to be independent of the UK audited entity and its UK and overseas affiliates in accordance with the UK Ethical Standard, irrespective of if their audit work is relied upon.
Contingent fees	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
Secondments	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
Recruitment and remuneration services	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.
Non-audit services to a public interest entity (PIE)	Moving to a "white-list" of permitted non-audit services for PIEs. The white-list largely consists of services which are either audit-related or required by law and/or regulation. The provision of services not on the white-list are prohibited. The ES separates those permitted services which are exempt from the 70% fee cap and those services which are subject to the fee cap.
Other entities of public interest ('OEPI')	OEPI is a new term in the Ethical Standard. The FRC have imposed the 'white-list' applicable to PIE audited entities to also apply to OEPIs. OEPIs are entities which, according to the FRC, do not meet the definition of a PIE but nevertheless are of significant public interest to stakeholders. They include AIM listed entities which exceed the threshold to be an *SME listed entity* - generally those with a market cap of more than €200m; Lloyd's syndicates; Private sector pension schemes with more than 10,000 members and more than £1billion of assets; Entities that are subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860), excluding fund management entities which are included within a private equity or venture capital limited partnership fund structure. These would be entities which: – Have more than 2000 employees; and / or – Have a turnover of more than £200 million and a balance sheet total of more than £2 billion. The FRC have noted that the rules applicable to OEPIs will apply from periods commencing on or after 15 December 2020.

FRC PRACTICE AID FOR AUDIT COMMITTEES

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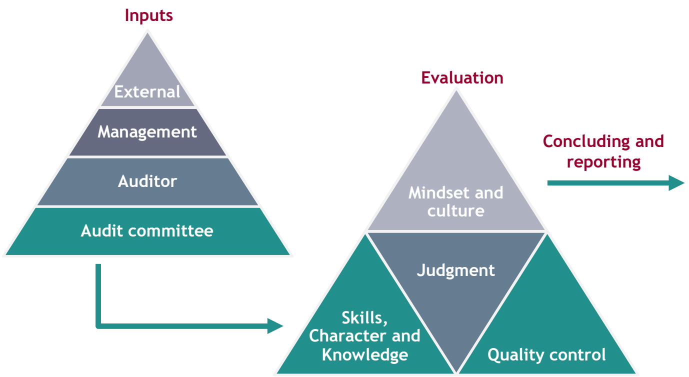
The FRC issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the **FRC website**. In their practice aid the FRC note: 'The directors of a company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the company's internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and worthy basis for taking decisions.'

The practice aid then discusses how the role of audit committees in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high quality audit (see note below).

It gives guidance for Audit Committees in the following areas:

- Audit tenders and the tender process including audit fee negotiations and auditor independence
- A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding:



- Transparency - reporting to the Board on how the audit committee has discharged these responsibilities
- Some guidance on key areas of audit judgement

The provision of high quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high quality audits. A copy of the letter can be found on the **FRC website**.

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LETTER OF REPRESENTATION

[Client name and Letter headed paper]

BDO LLP
55 Baker Street
London
WIU 7EU

Dear Sirs

Financial statements of the Corporation of London - City Fund for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of the City Fund's financial statements for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Corporation.

The Chamberlain has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the City Fund as of 31 March 2020 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Corporation, in respect of the City Fund, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Corporation's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Corporation, in relation to the City Fund, have been made available to you for the purpose of your audit and all the transactions undertaken by the City Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Corporation's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release.

As a result of our assessment we consider that the Corporation is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Corporation and City Fund's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the City Fund's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

LETTER OF REPRESENTATION

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To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 35 to the financial statements, there were no loans, transactions or arrangements between the Corporation and Corporation members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) and Police pension scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of inflation (CPI): 1.9%
- Rate of increase in salaries: LGPS 2.9% / Police 3.4%
- Rate of increase in pensions: 1.9%
- Rate of discounting scheme liabilities: LGP 2.35% / Police 2.4%
- Commutation take up option: LPGS 50% / Police 50%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

b) Valuation of housing, other land and buildings and investment properties

We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to dwellings and other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

The yields used in the valuation of investment property and other land and buildings valued on an income approach are appropriate and reflect current market conditions. There are principally:

- City office space (EC1 to EC4) 3.00% to 4.00%
- City strategic estate (Bonhill and Worship St) 4.50% to 5.00%

LETTER OF REPRESENTATION

Contents

The rebuild costs applied for depreciated replacement cost valuations are appropriate and reflect our best estimate of replacing the service potential of the buildings. The rebuild cost assumptions have been agreed to data provided by RICS for Building Cost Indices including Weighted Overall Cost Rate, Location, Location Factor, professional fees percentages and overall obsolescence factors applied.

We are satisfied that investment properties have been appropriately assessed as Level 2 or Level 3 on the fair value hierarchy for valuation purposes and valued at fair value, based on highest and best use.

c) Non domestic rates appeals provision

We are satisfied that the provision recognised for non-domestic rates appeals is materially correct, and the calculation of historical appeals are consistent with those advised to me by the Valuation Office Agency. We confirm that the successful rates applied to outstanding appeals as at 31 March 2020 are consistent with our knowledge of the business.

[To insert key assumptions when provided by Analyse LOCAL]

d) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for non-domestic rates, housing rent and sundry debt arrears are reasonable. The historic collection rates calculated in previous years for NDR arrears, Barbican residential and HRA rents remain consistent with collection rates in 2019/20.

We are satisfied that historic collection rates are a reasonable basis for calculating expected credit losses and that enhanced forecasting of losses will not result in material differences in the impairment allowances.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Corporation in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Peter Kane

Chamberlain

Date:

AUDIT QUALITY

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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the FRC's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

Leigh Lloyd-Thomas

t: 020 7893 2616
e: leigh.Lloyd-thomas@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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CITY OF LONDON

CITY'S CASH
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Agenda Item 9

CONTENTS

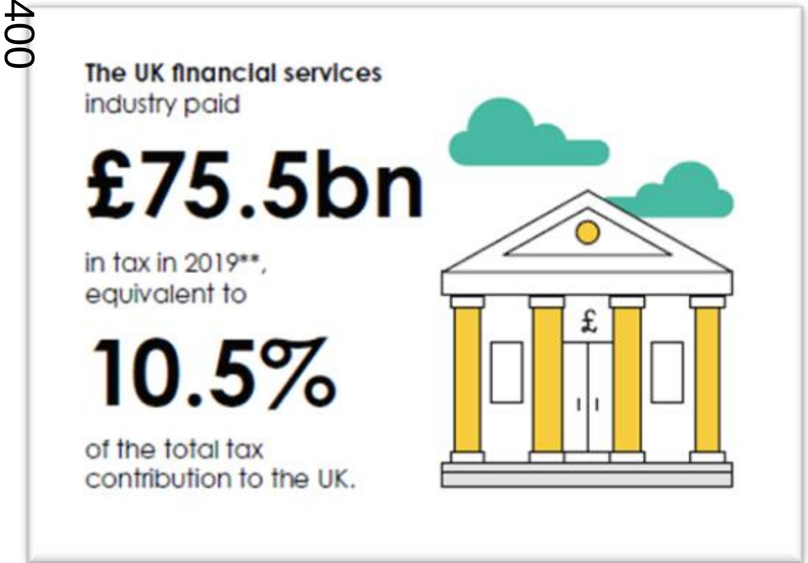
Annual Report

1. Introduction

City's Cash is a fund of the City of London Corporation (the City 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 6) that are of importance nationally and internationally as well as to the City and Greater London.
- 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

Registered Address	Guildhall, London, EC2P 2EJ
Chief Executive	The Town Clerk of the City of London
Treasurer	The Chamberlain of London
Solicitor	The Comptroller and City Solicitor
Bank	Lloyds Bank plc
Discretionary Fund Managers	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
	Wellington Management International
Auditor	BDO LLP, 55 Baker Street, London W1U 7EU

3. Other City of London Corporation Funds

This annual report and the financial statements only cover City's Cash, which is one of three funds from which the City of London 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 Greater London through the City Bridge Trust with annual grants amounting to around £30m.

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: https://www.cityoflondon.gov.uk/about-us/budgets-spending.

4. Corporate Strategy

In 2018-19, the City Corporation launched a new Corporate Plan for 2018-23. It sets out our three aims which in turn are broken down into 12 outcomes (shown below). Our Plan commits us to strengthening the character, capacity and connections to the City, London and the UK for the benefit of residents, workers, learners and visitors. This Plan will guide our thinking and decision-making, providing us with the focus to achieve sustainable systemic change during what is likely to be another period of significant change on a global, national and regional level, bringing both threats and opportunities. These include preventing climate change, terrorism and cyber-crime, and countering their effects, which will all remain high priorities for the organisation. So too will retaining the UK's competitiveness, in the context of Brexit; increases in the cost of living; reductions in public sector spending and recovering from the impacts of COVID-19. We are also ensuring that we can support our residents, workers, visitors, partners and our own organisation to respond effectively to these disruptive changes.

Contribute to a flourishing society

1. People are safe and feel safe.
2. People enjoy good health and wellbeing.
3. People have equal opportunities to enrich their lives and reach their full potential.
4. Communities are cohesive and have the facilities they need.

Support a thriving economy

5. Businesses are trusted and socially and environmentally responsible.
6. We have the world's best legal and regulatory framework and access to global markets.
7. We are a global hub for innovation in finance and professional services, commerce and culture.
8. We have access to the skills and talent we need.

Shape outstanding environments

9. We are digitally and physically well-connected and responsive.
10. We inspire enterprise, excellence, creativity and collaboration.
11. We have clean air, land and water and a thriving and sustainable natural environment.
12. Our spaces are secure, resilient and well maintained.

The Plan is designed to be used as a strategic framework for the organisation. It has therefore been aligned to corporate strategies, service level business plans, team plans and staff appraisal forms. This 'golden thread' allows us to monitor the impact of everything we do has on the aims and outcomes we have identified.

As an organisation we are committed to being relevant, responsible, reliable and radical – acting strategically and at pace in order to ensure everyone can share in the benefits we aim to create. This means that we must be open: to unlocking the full potential of our many assets – our people, heritage, green and urban spaces, funds, data and technology; to trying new things and learning as we go; and to working with our stakeholders and partners who share our aims. To deliver this we have developed a number of key strategies:

- **Responsible Business Strategy, 2018-25**: committing us to creating a positive impact and reducing negative impact across all our activities and decisions – encouraging those we work with externally to do the same.
- **Social Mobility Strategy, 2018-28:** committing us to bridge and reduce the social and economic divides that may be experienced by people during their lifetime, by maximising and promoting social mobility within businesses, organisations, central and local government and educational and cultural institutions.
- **Digital Skills Strategy, 2018-23:** committing us to equipping people and businesses across the City, London and beyond to take full advantage of digital technologies and innovations to help themselves and their economies thrive.
- **Apprenticeships Strategy, 2018-23:** committing us to a workforce and organisation that thrives through high-quality and wide-ranging apprenticeships that welcomes diverse talent and develops relevant skills.
- **Education, Skills and Cultural and Creative Learning Strategies, 2018-23:** Committing us to preparing people to flourish in a rapidly changing world through exceptional education, cultural and creative learning and skills which link to the world of work.
- **Transport Strategy 2019-2044:** provides a 25-year framework for future investment in and management of the City's streets, as well as measure to

reduce the social, economic and environmental impact of motor traffic and congestion.

5. Governance Arrangements

City's Cash is managed by committees of the City of London Corporation, with Membership of the committees drawn from the 25 Members of the Court of Aldermen and the 100 Members of 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: http://democracy.cityoflondon.gov.uk/ecSDDisplay.aspx?NAME=Standing%20Orders&ID=645&RPID=0.

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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, in support of the Summit Group, reviews the corporate risk register and the top red departmental level risks as well as make recommendations to the Summit Group for new risks to be added to the corporate risk register. This is done on a quarterly basis.

The Audit and Risk Management Committee oversees the City's internal audit process, regularly reviewing the City Corporation's Audit Plan. Internal audit work includes the systematic follow-up of significant audit recommendations; reporting on the effectiveness and timeliness of their implementation, in order to mitigate risks identified through internal audit reports.

6. Activities of City's Cash

Investment funds 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.

- 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 Freemen's School); Academies across London; and the Guildhall School of Music & Drama (GSMD).

Education

Expenditure £100.5m, income £80.1m, net expenditure £20.4m (2018/19: expenditure £92.4m, income £77.3m, net expenditure £15.1m)

City's Cash 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 Freemen's School (in Surrey). They regularly feature among the UK's top performing schools. In each of these institutions, City's Cash 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 and managed by the City of London Corporation with funding from City's Cash. 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 Office for Students (OfS), 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

Expenditure £17.3m, income £11.6m, net expenditure £5.7m (2018/19: expenditure £11.9m, income £11.6m, net expenditure £0.3m)

The City Corporation runs three wholesale food markets, two of which – Billingsgate and Smithfield – are funded by City's Cash, with New Spitalfields Market being 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 22,000 tonnes. Meat has been bought and sold at Smithfield for over 800 years with around 150,000 tonnes of meat passing through its magnificent Grade II* listed surroundings each year. Following a Strategic Review of the City's three wholesale markets, in 2018 the City Corporation approved in principle the proposal to explore moving the three wholesale markets from their current locations to a single new site. Work to appraise various site options is currently being carried out in consultation with market traders and other stakeholders.

Open Spaces

Expenditure £23.7m, income £4.3m, net expenditure £19.4m (2018/19: expenditure £23.2m, income £4.8m, net expenditure £18.4m)

The City Corporation helps shape outstanding environments by managing approximately 11,000 acres of historic, ecologically diverse open space across 11 London Boroughs and four District Councils. Every year approximately 23 million visits are made to the open spaces which include Hampstead Heath, Epping Forest, Highgate Wood, West Ham Park and Burnham Beeches. Some of the sites have been owned and managed since as far back as 1870 and the City Corporation continues to enhance, protect and conserve these assets.

These Open Spaces contribute to a sustainable London, providing environmental benefits through their effects on negating urban heat, offsetting greenhouse gas emissions and mitigating storm water. Run as charitable trusts the City Corporation's Open Spaces include internationally recognised Sites of Special Scientific Interest, Special Areas of Conservation and National Nature Reserves. They provide important ecosystems and wildlife habitats including rare and endangered species. The City's Open Spaces help people to enjoy good health and well-being enabling people to access nature, interact socially, relax or take part in a wide range of physical activities from swimming to football, golf to horse riding.

The City Corporation, with funding from City's Cash, manages outstanding heritage spaces and buildings for people to experience and enjoy. The Monument, Keats House, Kenley Airfield and the Pergola on Hampstead Heath showcase the nation's history and culture. Ancient woodlands, ponds and historic landscapes enable visitors to learn, discover and understand the value of our heritage and the natural environment.

City Representation

Expenditure £15.3m, income £1.0m, net expenditure £14.3m (2018/19: expenditure £14.0m, income £0.9m, net expenditure £13.1m)

This expenditure supports the City Corporation's core objective to promote UK-based financial services and related professional services, at home and abroad. The Rt Hon Lord Mayor heads the City of London Corporation and is also an international ambassador for the UK's financial and professional services sector. Together with other leading members of the City Corporation he makes sure that the City's interests are reflected in local and national policy. 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 responsible business and charitable organisations.

The Lord Mayor is supported by two Sheriffs who are elected each year by the City Livery Companies. They advise him on matters important to the City, help with hosting visiting dignitaries and travel with him on his business visits. They also look after the Judges at the Old Bailey and make sure that the court's business runs smoothly.

The Remembrancer is one of the City Corporation's four Law Officers and is responsible for the maintenance and protection of the City's constitution. He is the City's Parliamentary Agent, 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.

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 the Guildhall.

Innovation and Growth

Expenditure £7.4m, income £0.7m, net expenditure £6.7m (2018/19: expenditure £6.4m, income £0.7m, net expenditure £5.7m)

Our Innovation and Growth team focusses on supporting a thriving economy. It works to strengthen the City's competitiveness and status as a world-class innovative place to do business, while enhancing the economic potential of London and the financial and professional services sector more widely.

Supported by overseas offices in Brussels, China and India paid for by City's Cash, it engages with decision-makers in the UK and abroad to ensure that City firms have the best legal and regulatory framework, as well as access to global markets. The Innovation and Growth team forms coalitions to drive the development of the innovative products and services which serve the needs of businesses and citizens.

The Lord Mayor and Chair of the Policy and Resources Committee lead international business delegations and host high-level visits from international partners in politics and business to promote export opportunities for UK financial and professional services firms and attract inward investment from global partners.

To further maximise its impact, the Innovation and Growth team helps City firms access talent and skills and promote an environment where new businesses and approaches can flourish. It also makes the case for responsible business among City firms and spreads best practice as good business benefits the whole UK economy.

Management and Administration

Expenditure £8.0m, income £nil, Net Expenditure £8.0m (2018/19: expenditure £8.0m, income £nil, net expenditure £8.0m)

These costs primarily relate to support provided to Members and 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

Expenditure £8.2m, income £1.1m, net expenditure £7.1m (2018/19: expenditure £12.1m, income £0.7m, net expenditure £11.4m)

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

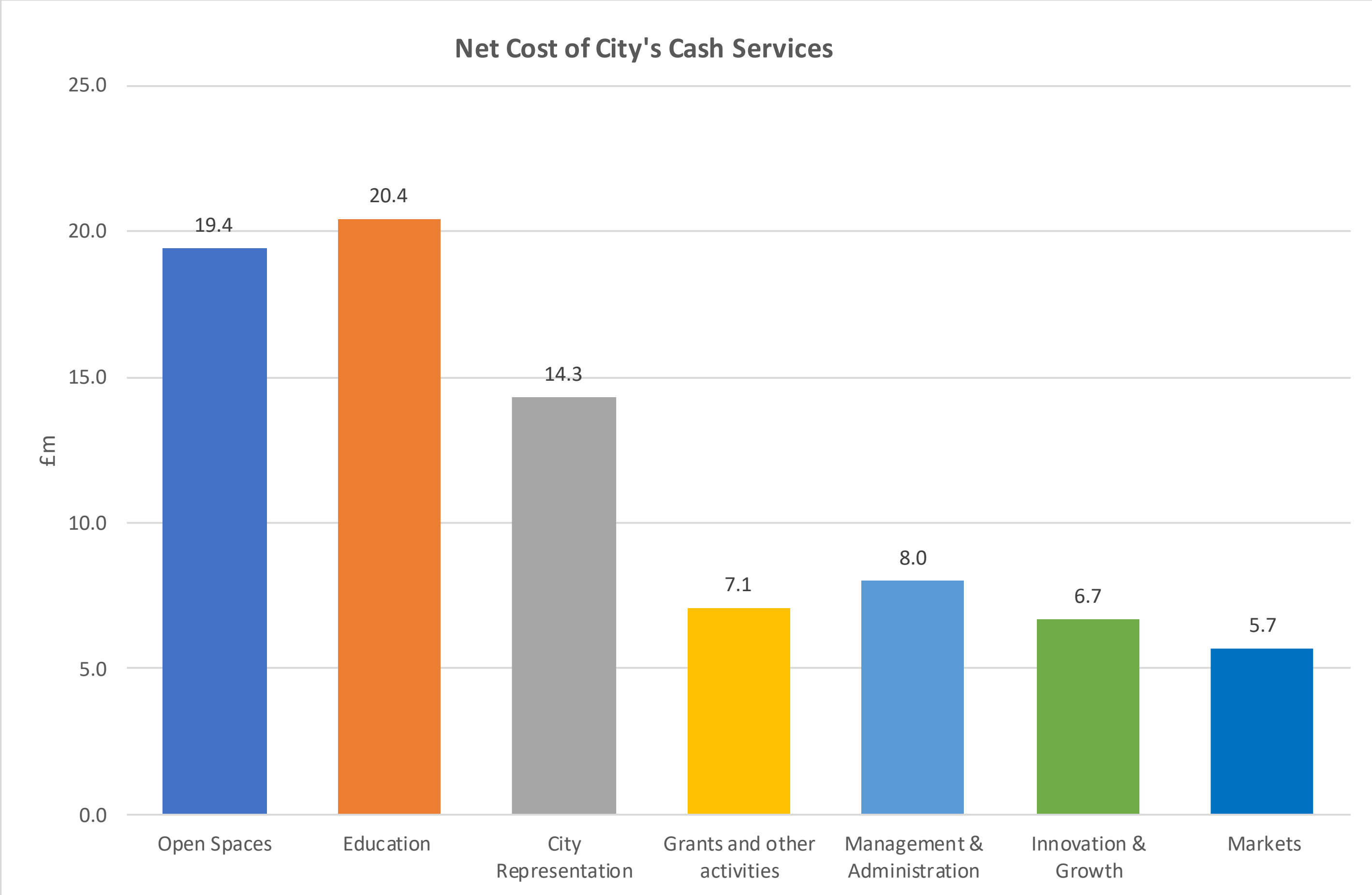
- Enjoying Green Spaces and the Natural Environment
- Inspiring London through Culture
- Education and Employment Support

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 through City's Cash. This 202ft high building attracts over 200,000 visitors a year, braving its 311 steps to enjoy breath-taking views of the City and beyond. It was built between 1671 to 1677 and was designed by Sir Christopher Wren and Robert Hooke to commemorate the Great Fire of London in 1666.

7. Financial Review

The net cost of the services and activities funded by City's Cash in 2019/20 is shown opposite. These are largely funded from rental income from property investments and drawdown from the cumulative gains in fair value of non-property investments. The Consolidated Statement of Comprehensive Income shown on page 18 is summarised below. This records an operating deficit of £2.6m (2018/19: there was an operating surplus of £56.5m), which is £58.9m lower than the prior year comprising a number of movements which are explained on page 10. After the operating deficit, the Statement records profit from the sale of fixed assets of £2.6m (2018/19: £3.4m), loan financing costs of £3.7m (2018/19: £0.2m), a loss of £9.3m on the revaluation of listed investments (2018/19: a loss of £0.2m) and an actuarial gain of £18.7m on defined benefit pension schemes (2018/19: an actuarial loss of £1.2m), resulting in a total comprehensive income for the year of £5.7m (2018/19: £58.3m).



	2020 Income £m	**2020 Expenditure £m**	**2020 Net income / (expenditure) £m**	2019 Income £m	2019 Expenditure £m	2019 Net income / (expenditure) £m
Service / activity						
Education	**80.1**	**100.5**	**(20.4)**	77.3	92.4	(15.1)
Property Investment Estate	**72.6**	**32.9**	**39.7**	67.8	20.6	47.2
Non-Property Investments	**3.7**	**4.8**	**(1.1)**	3.1	4.9	(1.8)
Markets	**11.6**	**17.3**	**(5.7)**	11.6	11.9	(0.3)
Open Spaces	**4.3**	**23.7**	**(19.4)**	4.8	23.2	(18.4)
City Representation	**1.0**	**15.3**	**(14.3)**	0.9	14.0	(13.1)
Innovation & Growth	**0.7**	**7.4**	**(6.7)**	0.7	6.4	(5.7)
Grants and other activities	**1.1**	**8.2**	**(7.1)**	0.7	12.1	(11.4)
Management & Administration	**-**	**8.0**	**(8.0)**	-	8.0	(8.0)
Net Pension Scheme Costs	**-**	**17.1**	**(17.1)**	-	20.5	(20.5)
Operating deficit before gain / (loss) in fair value of investments*	**175.1**	**235.2**	**(60.1)**	166.9	214.0	(47.1)
Gain / (loss) in fair value of:						
property investments			**86.9**			50.1
non-property investments			**(29.4)**			53.5
Operating (deficit) / surplus*			**(2.6)**			56.5
Profit on sale of fixed assets			**2.6**			3.4
Loan financing costs			**(3.7)**			(0.2)
(Deficit) / surplus before taxation			**(3.7)**			59.7
Taxation			**-**			-
(Deficit) / surplus for the year			**(3.7)**			59.7
Other comprehensive income						
Loss on revaluation of listed investments			**(9.3)**			(0.2)
Actuarial gain / (loss) on defined benefit pension schemes			**18.7**			(1.2)
Total comprehensive income for the year			**5.7**			58.3

* 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 18). This means that even relatively small movements in the markets from one year to the next could produce large volatility in the operating surplus or deficit in the Consolidated Statement of Comprehensive Income.

The adverse movement in the operating position of £59.1m, from a surplus of £56.5m in 2018/19 to a deficit of £2.6m in 2019/20, is largely due to:

- A loss in the fair value of non-property investments of £29.4m, a movement of £82.9m compared to the gain of £53.5m in 2018/19. This arose as January to March 2020 was a period of exceptional volatility for financial markets as the emergence of the Coronavirus (COVID-19) pandemic led to widespread economic and social disruption. In particular, financial markets undertook a large fall over this time which impacted on the fair value of non-property investments held by City's Cash. These investments have recovered significantly in value since the reporting date as financial markets have rallied. As at 30 September 2020, non-property investments are estimated to be valued at £889.1m, an increase of £131.6m compared to the value of £757.6m as at 31 March 2020.

- Net income relating to property investments reducing by £7.5m, from £47.2m in 2018/19 to £39.7m in 2019/20. This was mainly due to the commencement of amortisation of the goodwill held on the purchase of Barking Power Ltd with £3.9m charged in 2019/20, along with the increased cost of works in 2019/20 to facilitate the Markets Consolidation Programme.

- Net expenditure on Markets increasing by £5.4m from £0.3m in 2018/19 to £5.7m in 2019/20, largely due to the cost of works to facilitate the Markets Consolidation Programme.

- Net expenditure on education increasing by £5.3m from £15.1m in 2018/19 to £20.4m in 2019/20 largely due to spend of £2.0m on the business case for the Centre for Music, an increase of £1.9m at GSMD, mostly due to filling various staff vacancies and appointments to undertake fundraising and marketing, and a Culture Mile Learning Grant of £0.3m.

Partly offset by:

- The gain in fair value from property investments increasing by £36.8m, from a gain of £50.1m in 2018/19 to £86.9m, largely due to the inclusion of two new developments in 2019/20 totalling £36.9m. These developments were the Grafton Street Hotel Scheme (£36m) and Crowndean House (£0.9m).

- Net expenditure on grants and other activities reducing by £4.3m due to non-recurrent landlord works for the Museum of London Relocation Programme that were undertaken in 2018/19.

- Net pension scheme costs reducing by £3.4m, from £20.5m in 2018/19 to £17.1m in 2019/20. In 2018/19 there was a non-recurrent increase in losses on settlements and curtailments of £5.8m following the ruling of the Court of Appeal in December 2018 that transitional protections put in place under reforms to both the Judges' and Firefighters' Pension Schemes discriminated against a group of members on the grounds of age. The ruling was applicable to all public sector pension schemes in which City's Cash employees participate including the LGPS and the Teachers' Pension Scheme and resulted in an increase in the City's Cash pensions liability of £5.8m being recognised in 2018/19. This reduction is partly offset by an increase in pension service costs, which have increased by £2.9m from £20.9m in 2018/19 to £23.8m in 2019/20.

After the operating deficit of £2.6m (2018/19: surplus of £56.5m) it can be seen that there was a profit on disposal of fixed assets of £2.6m (2018/19: profit of £3.4m) and loan financing costs of £3.7m (2018/19: £0.2m). This increase is due to loan interest being payable for the whole of 2019/20, whereas it was only payable for part of the prior year from when the bridging loan finance was taken out in March 2019.

Overall, City's Cash reserves have increased by £5.7m from £2,669.8m to £2,674.7m (2018/19: increase in reserves of £58.3m).

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 46% (2018/19: 47%) which equates to £292.4m at 31 March 2020 (£291.8m at 31 March 2019).

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 18 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 three private schools and the conservatoire of 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 £18.7m (2018/19: £20.9m) 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.

In making this assessment, the City has considered the potential impact of the Covid-19 pandemic on the value of investment assets held, future income levels and liquidity over the next 12-month period. The restrictions put in place in response to Covid-19 has disrupted the property market, which has made the valuation process more challenging. To reflect these circumstances our valuers have placed a "material valuation uncertainty" caveat to their valuations, which states that their valuation carries a greater degree of judgement than would previously be the case due to the unprecedented circumstances being faced.

Financial projections have been considered over the short-term with the assumption that income levels will be below former expectations and that investments held are unlikely to generate a similar level of gains in line with previous financial years. However, the City of London Corporation is satisfied that City's Cash will have the necessary resources to meet its needs and for this reason it continues to adopt a going concern basis for the preparation of the financial statements.

Financial Commitments

The City of London Corporation has agreed a £50.0m contribution to Crossrail from City's Cash subject to the completion of the works. Due to the delays to the Crossrail programme the revised timing of the payment has yet to be agreed. The agreement with Crossrail is an executory contract and therefore outside the scope of FRS102.

In addition, there are contractual commitments of £2.5m relating to a works contract for the refurbishment of an investment property and £0.5m for tunnel lids at Smithfield Market.

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 with financial forecasts being refreshed if and when the picture becomes clearer.

The City has considered the potential impact of the Covid-19 pandemic on the value of investment assets held, future income levels and liquidity. As noted above with regard to going concern, the City of London Corporation considers that it has sufficient resources to meet its needs and it will continue to monitor impact as the pandemic continues. Further details as to how the effects of the pandemic have been managed are provided in the subsequent events note, number 23, on page 54.

8. 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 income 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:
  - Ashtead 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
  - Sir Thomas Gresham Charity
  - Keats House
- 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 https://www.cityoflondon.gov.uk/about-the-city/budgets-and-spending/Pages/default.aspx. The company allows the City to share in underwriting profits with a known capped downside financial risk of £250,000 per claim.

- Barking Power Limited (company registration number 02354681) and Thames Power Services Limited (company registration number 02624730) – the Court of Common Council approved the purchase of these companies and the associated Barking Reach Power Station site, which was completed on 14 December 2018. The power station is not operational and the City of London Corporation intends to remediate and decontaminate the site for future redevelopment.

Disclosure of Information to the Auditor

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 the Auditor 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 the Auditor is aware of that information.

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 organisation'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 11 November 2020, 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
Deputy Chairman of Finance Committee

Guildhall, London
11 November 2020

INDEPENDENT AUDITOR'S REPORT TO THE CITY OF LONDON CORPORATION

Opinion

We have audited the financial statements of the fund of the City of London Corporation (the 'Corporation') called City's Cash for the year ended 31 March 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of City Cash's affairs as at 31 March 2020 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions related to going concern

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

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

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Corporation

As explained more fully in the Corporation's responsibilities statement, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Fiona Condron (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
Date

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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 26 June 2017, 25 June 2018 and 24 June 2019 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 BDO LLP for the audit of City's Cash for the period from 1 April 2019 to 31 March 2020.

In our view the audit of the financial statements has been conducted in accordance with auditing procedures as stated on pages 15 to 16.

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.

The BDO City Corporation Engagement Lead, Leigh Lloyd-Thomas, 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 BDO LLP have been conducted in accordance with auditing procedures, it is not appropriate for Leigh Lloyd-Thomas to sign the report.

P. Dossett ………………………………………………………………… Dated: …………………………………………………………………

A. Francis ………………………………………………………………… Dated: …………………………………………………………………

P. Watts ………………………………………………………………… Dated: …………………………………………………………………

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income for the year ended 31 March 2020

	Notes	2020 £m	2019 £m
Income			
Education		**80.1**	77.3
Investments - property and managed funds	1	**76.3**	70.9
Markets		**11.6**	11.6
Open Spaces		**4.3**	4.8
City Representation		**1.0**	0.9
Innovation and Growth		**0.7**	0.7
Other activities		**1.1**	0.7
Total Income	1	**175.1**	166.9
Expenditure			
Education		**100.5**	92.4
Investments - management costs & property operating expenditure	2	**37.7**	25.5
Markets		**17.3**	11.9
Open Spaces		**23.7**	23.2
City Representation		**15.3**	14.0
Innovation and Growth		**7.4**	6.4
Grants and other activities		**8.2**	12.1
Management and Administration		**8.0**	8.0
Net pension scheme costs	18c	**17.1**	20.5
Total expenditure	2 to 4	**235.2**	214.0
Operating deficit before gain / (loss) in fair value of investments		**(60.1)**	(47.1)
Gain in fair value of property investments		**86.9**	50.1
Gain in fair value of non-property investments	8	**(29.4)**	53.5
Operating (deficit) / surplus		**(2.6)**	56.5
Profit on Sale of Fixed Assets		**2.6**	3.4
Loan financing costs	16	**(3.7)**	(0.2)
(Deficit) / surplus before taxation		**(3.7)**	59.7
Taxation	5	-	-
(Deficit) / surplus for the year		**(3.7)**	59.7
Other comprehensive income			
Loss on revaluation of listed investments	8	**(9.3)**	(0.2)
Actuarial gain / (loss) on defined benefit pension schemes	18c	**18.7**	(1.2)
Total comprehensive income for the year		**5.7**	58.3

All amounts relate to continuing operations. The notes on pages 29 to 55 form part of these financial statements.

Consolidated Statement of Financial Position at 31 March 2020

	Notes	2020 £m	2019 £m
Fixed Assets			
Investment properties	6	**2,062.3**	1,974.6
Tangible assets	6	**249.1**	246.0
Heritage assets	7	**181.7**	181.5
Non-property investments	8	**697.1**	753.1
Intangible assets	9	**35.5**	39.5
Total Fixed Assets		**3,225.7**	3,194.7
Current Assets			
Stocks – finished goods	12	**0.5**	0.5
Debtors	10	**42.2**	35.5
Non-property investments	8	**133.5**	53.7
Cash at bank and in hand		**27.5**	14.4
Total Current Assets		**203.7**	104.1
Creditors: amounts falling due within one year	13	**(70.5)**	(69.5)
Net Current Assets		**133.2**	34.6
Total Assets less Current Liabilities		**3,358.9**	3,229.3
Deferred income	14	**(83.2)**	(83.5)
Finance leases	15	**(2.4)**	(2.4)
Long-term loans	16	**(248.9)**	(125.0)
Provisions for liabilities	17	**(37.8)**	(35.9)
Net Assets excluding pension liability		**2,986.6**	2,982.5
Defined benefit pension scheme liability	18,19	**(311.1)**	(312.7)
Net Assets		**2,675.5**	2,669.8
Capital and Reserves			
Operational Capital Reserve		**249.4**	246.2
Heritage Assets Reserve		**181.7**	181.5
Income Generating Fund		**2,794.6**	2,767.0
Working Capital Fund		**9.8**	(87.2)
Loan Fund		**(248.9)**	(125.0)
Pension Reserve		**(311.1)**	(312.7)
Total Capital Employed	19	**2,675.5**	2,669.8

Approved for issue XX November 2020

Dr Peter Kane, Chamberlain of London

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Consolidated Statement of Changes in Equity for the year ended 31 March 2020

	2020 £m	2019 £m
Capital Employed brought forward 1 April	**2,669.8**	2,611.5
Total comprehensive income	**5.7**	58.3
Capital Employed carried forward 31 March	**2,675.5**	2,669.8

Consolidated Statement of Cash Flows for the year ended 31 March 2020

	Notes	**2020 £m**	2019 £m
Cash flows from operating activities:			
Net cash used in operating activities	20a	**(38.5)**	(10.7)
Cash flows from investing activities:			
Dividends, interest and rents from investments		**3.7**	3.1
Cash taken from / (invested in) short term deposits		**(79.8)**	4.0
Proceeds from the sale of property, plant and equipment		**6.9**	24.2
Purchase of property, plant and equipment		**(11.3)**	(29.4)
Proceeds from sale of investments		**84.8**	170.0
Purchase of investment properties and other investments		**(72.9)**	(173.4)
Purchase of other businesses		**-**	(130.5)
Receipt of capital contributions - deferred to later years		**-**	18.5
Net cash used in investing activities		**(68.6)**	(113.5)
Cash flows from financing activities:	20b	**120.2**	124.8
Increase in cash in the year		**13.1**	0.6
Change in cash and cash equivalents in the reporting period		**13.1**	0.6
Cash and cash equivalents at the beginning of the reporting period		**14.4**	13.8
Cash and cash equivalents at end of year	20c	**27.5**	14.4

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 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) as issued by the Financial Reporting Council.

b) **Going Concern**

In the opinion of the City 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.

In making this assessment, the City has considered the potential impact of the Covid-19 pandemic on the value of investment assets held, future income levels and liquidity over the next 12-month period. The restrictions put in place in response to Covid-19 has disrupted the property market, which has made the valuation process more challenging. To reflect these circumstances our valuers have placed a "material valuation uncertainty" caveat to their valuations, which states that their valuation carries a greater degree of judgement than would previously be the case due to the unprecedented circumstances being faced.

Financial projections have been considered over the short-term with the assumption that income levels will be below former expectations and that investments held are unlikely to generate a similar level of gains in line with previous financial years. However, the City of London Corporation is satisfied that City's Cash will have the necessary resources to meet its needs and for this reason it continues to adopt a going concern basis for the preparation of the financial statements.

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, the Sir Thomas Gresham Charity, Keats House; and Barking Power Limited and Thames Power Services Limited. These companies represent a power station that is located on a site which the City Corporation intends to remediate and decontaminate for future redevelopment. In the case of charities and trusts, the rationale for consolidation is that the City of London Corporation is the Trustee and thereby exercises operational control over their activities, but specifically through its City's Cash fund due to this fund providing the majority of each charity's funding.

d) **Income and Expenditure**

The accounts of City's Cash are maintained on an accrual 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.
- 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 1.e) 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. 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.

Finance costs consist of the interest payable on borrowings, as well as the portion of directly attributable transaction costs to be amortised in the reporting period.

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) **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 (*this only includes assets acquired since 2000 as earlier historic cost information is not available). Depreciation is charged from the year following that of acquisition. Where the effects of major additions and disposals in the year are material, depreciation charges will be adjusted accordingly. Land is not depreciated.

Typical asset lives are as follows:

Buildings and any other component elements within those buildings	10 to 50 years
Plant and machinery (including the following):	
Plant	10 to 20 years
Furniture and equipment	3 to 15 years
Vehicles	3 to 10 years

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.

g) **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. City's Cash Investment Property valuation of £2,062.3m as 31 March included £61.5m lease adjustments and a £8.4m rent smoothing adjustment. Gains or losses arising from changes in the fair value of investment property are included in the Consolidated Statement of Comprehensive Income. 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.

The outbreak of Covid-19, declared by the World Health Organisation as a global pandemic on 11 March 2020, has impacted global financial markets. Whilst real estate markets have continued to function, activity levels have been reduced. Less weight can therefore be attached to previous market evidence for comparison purposes to inform opinions of the value of our property portfolio. Valuers are required to take into account the conditions that existed as at the balance sheet date, and therefore valuations have been reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global, which contains mandatory rules, best practice guidance and related commentary for all RICS members undertaking asset valuations.

In considering the specific portfolio of 161 assets which City's Cash holds, the valuers have not identified any assumptions impacting on a single or sub-group of those assets which were specifically sensitive to the impacts of the pandemic and which were relevant to the judgments applied as at 31 March 2020. However, the absence of sufficient transactional evidence and the macro-economic effect of the Covid-19 at that time was a cause for uncertainty. Since a 0.33% decrease in the valuations of the assets in the City's Cash portfolio would have given rise to a material change in the valuations presented on the balance sheet as at 31 March 2020 the Trustee considers that this matter should be drawn to the attention of the users of the financial statements.

It is however noted that, subsequent to the valuation date transactional evidence did become available in respect of Central London properties (which make up the majority of the City's Cash investment property portfolio). Accordingly, on 10 July 2020 RICS encouraged its members to relax the use of a material uncertainty clause in respect of this sector.

h) **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.

i) **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, a significant adverse change in the statutory or other regulatory environment or restitution of heritage assets if found to have been previously stolen. 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 is 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.

j) **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.

k) **Heritage Assets**

City's Cash heritage assets largely comprise art and sculpture treasures valued, in accordance with FRS102, at cost less impairments, 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.

l) **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.

m) 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 of the relevant year. 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.

n) Intangible Assets

Intangible assets comprise:

- Goodwill on the purchase of Barking Power Limited and Thames Power Services Limited, which is recognised as the excess of the cost of their acquisition over the net amount of its the identified assets and liabilities. This is amortised over 10 years, which is the maximum useful economic life of these assets under FRS102.
- 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.

o) Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Finance Leases

<u>City's Cash as Lessee</u>

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

<u>City's Cash as Lessor</u>

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

Operating leases

<u>City's Cash as lessee</u>

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.

p) **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.

q) **Loans**

Loans to City's Cash are recognised in the Statement of Financial Position less loan transaction costs which are capitalised to the loan account. Using the amortised cost and effective interest method, loan transaction costs and interest are allocated to the Consolidated Statement of Comprehensive Income over the life of the loan.

r) **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.

s) **Cash**

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

t) **Stocks of Finished Goods**

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

u) **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 expenditure are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the 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 City Corporation. 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 LLP, an independent actuary, carried out the latest triennial actuarial assessment of the scheme as at 31 March 2019 using the projected unit method and this set contributions for the period from 1 April 2019 to 31 March 2022. The next actuarial valuation of the Scheme will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026.

As an employer participating in the Scheme, the City Corporation's estimated share of the net deficit is the responsibility of the City Corporation as a whole. The Corporation and its three funds have a policy in place to share the net defined benefit cost of the pension fund across the three funds. As such City's Cash recognises the net defined benefit cost along with a share of scheme assets and scheme liabilities. The total net defined benefit cost is apportioned across the Corporation's three funds based on the proportion of pensionable payroll of each fund.

<u>Pension Costs – Teachers</u>

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 LLP, an independent actuary, based upon pensionable pay at 31 March 2020, the Scheme's deficit contribution rate at 31 March 2020 and an actuarial factor based on the deficit recovery period and the adopted assumptions.

v) **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.

w) **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.

x) **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.

Barking Power Limited and Thames Power Limited are both subject to corporation tax, which comprises current and deferred tax. Corporation tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax, with the exception of deferred tax assets that are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

y) **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.

z) **Reserves**

A number of reserves are held as endowment funds or restricted funds received by the City Corporation for specified purposes. These are held in the Working Capital Fund, which is shown in note 19.

aa) **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, 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.

bb) **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 £14.5m. 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 18 on pages 42 to 46.

(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 £20.6m 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.

The outbreak of Covid-19 has impacted global financial markets. Whilst real estate markets have continued to function, activity levels have been reduced. Less weight can therefore be attached to previous market evidence for comparison purposes to inform opinions of the value of our property portfolio. Valuers are required to take into account the conditions that existed as at the balance sheet date, and therefore valuations have been reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global, which contains mandatory rules, best practice guidance and related commentary for all RICS members undertaking asset valuations. Further details are provided at accounting policy g.

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1. Income

Investment Income

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

	2020 £m	2019 £m
Rentals, service charges and dilapidations income	**72.6**	67.8
Dividends from non-property investments and interest on fund balances	**3.7**	3.1
Total investment income	**76.3**	70.9

Note: rent receivable in 2019/20 in respect of operating leases was £61.3m (2018/19: £59.1m).

Education Income

It 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:

	2020 £m	2019 £m
Property investment expenses	**32.9**	20.6
Non-property investments - management fees paid to fund managers	**4.8**	4.9
Total Investment Management Costs	**37.7**	25.5

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 £7.9m (2018/19: £8.2m).

Operating Lease Rentals

During the year of account City's Cash spent £0.8m on operating lease rentals in respect of premises (2018/19: £0.8m).

Auditor's remuneration

Remuneration to the external auditor, BDO LLP, for audit services relating to the year of account amounted to £146,000 (2018/19: £100,000 was payable to the auditors BDO LLP). No other fees were payable to BDO LLP for non-audit services during the year (2018/19: no other fees were payable to the auditors BDO LLP).

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 £3,187 (2018/19: £5,528) 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 services and their remuneration costs. In addition, the table below includes an apportionment of time spent and costs of support service staff attributable to City's Cash services.

Number of employee full time equivalents	2020 FTE	2019 FTE
Investment properties	**18.7**	18.7
Education	**692.7**	692.7
Markets	**86.4**	86.4
Open spaces	**282.8**	282.8
City representation	**69.2**	69.2
Grants and other activities	**9.3**	9.3
Support Services	**214.8**	214.8
Total	**1,373.9**	1,373.9

Employee remuneration	Gross Pay £m	National Insurance £m	Pensions £m	2020 £m	2019 £m
Investment Management	**0.7**	**0.1**	**0.1**	**0.9**	0.6
Education	**42.1**	**4.1**	**7.9**	**54.1**	50.5
Markets	**3.3**	**0.3**	**0.6**	**4.2**	4.2
Open spaces	**10.7**	**1.0**	**2.1**	**13.8**	13.7
City representation	**3.5**	**0.4**	**0.7**	**4.6**	4.2
Grants and other activities	**0.6**	**0.1**	**-**	**0.7**	0.7
Support Services	**9.3**	**1.0**	**1.7**	**12.0**	13.3
Total	**70.2**	**7.0**	**13.1**	**90.3**	87.2

Workforce

The City of London Corporation employs approximately 4,100 people in full and part-time positions across all its services. The make-up of the workforce is summarised below:

Gender:

Male: 51.39%
Female: 48.61%

Declared disability:

Yes: 3.31%

Age:
Under 20: 1.01%
21-30: 15.87%
31-40: 24.68%
41-50: 23.40%
51-60: 26.52%
61 and over: 8.52%

Ethnicity:
White: 67.72%
BAME: 16.65%
Not Known: 15.63%

Equality and inclusion

The City Corporation is committed to delivering excellent customer service. We recognise the different needs of our customers and actively work to minimise potential issues of exclusion and discrimination. We aspire to be a leader in equality and inclusion, serving a wide range of communities including our staff, residents, businesses and the workforce of the Square Mile. The City Corporation also aims to provide an inclusive, respectful and discrimination-free work environment for staff. We will use best practice in employment in accordance with legislation to ensure that employees feel respected and able to give their best. As far as possible, we would like our workforce to be broadly representative of all sections of society.

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 links below.

Establishment Committee – https://democracy.cityoflondon.gov.uk/mgCommitteeDetails.aspx?ID=253

Equality and Inclusion – https://www.cityoflondon.gov.uk/about-us/plans-policies/equality-inclusion

4. Remuneration of senior employees

The number of staff earning more than £60,000 in aggregate 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	
	2019/20	2018/19	**2019/20**	2018/19
60,000 - 69,999	**97**	95	**98**	85
70,000 - 79,999	**30**	17	**43**	47
80,000 - 89,999	**11**	10	**23**	15
90,000 - 99,999	**6**	2	**6**	10
100,000 - 109,999	**1**	0	**3**	3
110,000 - 119,999	**2**	2	**12**	8
120,000 - 129,999	**1**	1	**4**	4
130,000 - 139,999	**3**	3	**1**	0
140,000 - 149,999	**1**	2	**1**	1
150,000 - 159,999	**1**	0	**1**	1
160,000 - 169,999	**1**	1	**0**	1
170,000 - 179,999	**1**	2	**2**	2
180,000 - 189,999	**0**	0	**1**	2
190,000 - 189,999	**0**	0	**1**	0
200,000 - 209,999	**0**	0	**1**	0
230,000 - 239,999	**0**	0	**1**	0
260,000 - 269,999	**0**	0	**0**	1
270,000 - 279,999	**0**	0	**1**	1

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 2019/20 and 2018/19 respectively in accordance with the Accounts and Audit Regulations 2015.

Table 2 - 2019/20 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 chargeable to City's Cash (including fees and allowances)	Bonus	Expenses	Benefits in kind	Compensation for loss of office	Total Remuneration excluding pension contributions 2019/20	Pension Contributions	National Insurance Contributions	Total Remuneration including Pension Contributions 2019/20
			%	£000	£000	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year												
Town Clerk and Chief Executive	J. Barradell	*	40	103	5	-	42	-	150	23	14	187
Chamberlain	P. Kane	*	35	66	1	-	-	-	67	14	9	90
Executive Director Mansion House and Old Bailey	V. Annells	*	70	124	4	-	-	-	128	27	17	172
Principal of the Guildhall School of Music & Drama	L. Williams			179	-	-	-	-	179	38	24	241
Comptroller & City Solicitor	M. Cogher	*	25	42	2	-	-	-	44	9	6	59
City Surveyor	P. Wilkinson	*	45	69	11	-	-	-	80	17	10	107
Salary is between £50,000 and £150,000									-			-
Head City of London School	-			131	-	-	110	-	241	31	17	289
Headmaster City of London Freemen's School	-			140	-	-	-	-	140	33	18	191
Headmistress City of London School for Girls (left 31/07/19)	-			44	-	-	31	-	75	8	6	89
Headmistress City of London School for Girls (started 01/09/19)	-			82	-	-	56	-	138	20	11	169
Remembrancer	-			146	-	-	-	-	146	31	19	196
Director of Markets & Consumer Protection	-	*	45	49	2	-	-	-	51	11	6	68
Director of Open Spaces	-	*	70	78	-	-	-	-	78	16	10	104
Total				1,253	25	-	239	-	1,517	278	167	1,962

Table 3 - 2018/19 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 chargeable to City's Cash (including fees and allowances)	Bonus	Expenses	Benefits in kind	Compensation for loss of office	Total Remuneration excluding pension contributions 2018/19	Pension Contributions	National Insurance Contributions	Total Remuneration including Pension Contributions 2018/19
			%	£000	£000	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year												
Town Clerk and Chief Executive	J. Barradell	*	40	101	5	-	49	-	155	22	14	191
Chamberlain	P. Kane	*	35	63	-	-	-	-	63	13	8	84
Executive Director Mansion House and Old Bailey	V. Annells	*	70	122	2	-	-	-	124	26	16	166
Principal of the Guildhall School of Music & Drama	L. Williams			171	-	-	-	-	171	36	22	229
Comptroller & City Solicitor	M. Cogher	*	25	39	2	-	-	-	41	8	5	54
City Surveyor	P. Wilkinson	*	45	68	11	-	-	-	79	17	10	106
Salary is between £50,000 and £150,000												
Head City of London School	-			125	-	-	92	-	217	24	16	257
Headmaster City of London Freemen's School	-			138	-	-	-	-	138	25	17	180
Headmistress City of London School for Girls	-			132	-	-	116	-	248	25	17	290
Remembrancer	-			144	-	-	-	-	144	30	19	193
Director of Markets & Consumer Protection (left 31/12/18)	-	*	45	40	1	-	-	-	41	9	5	55
Interim Director of Markets & Consumer Protection (started 01/01/19)	-	*	45	12	-	-	-	-	12	3	1	16
Director of Open Spaces	-	*	70	74	-	-	-	-	74	16	9	99
Total				1,229	21	-	257	-	1,507	254	159	1,920

* 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.

Table 4 - Annualised Salaries

Post Title	Annualised Salary 2019/20 £000	Annualised Salary 2018/19 £000
Town Clerk and Chief Executive	**258**	253
Chamberlain	**190**	181
Executive Director of Mansion House & Old Bailey	**178**	174
Comptroller & City Solicitor	**168**	155
City Surveyor	**154**	151
Director of Open Spaces	**110**	106
Director of Markets & Consumer Protection	**110**	90

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. Barking Power Limited and Thames Power Limited are both subject to Corporation Tax although no tax was payable on activities for the year ended 31 March 2020.

6. Investment properties and other tangible fixed assets

	Land and Buildings				
	Investment Properties (a) £m	**Freehold (b) £m**	**Plant & Machinery £m**	**Assets Under Const'n £m**	**Total £m**
Cost / Valuation					
At 1 April 2019	1,974.6	249.0	59.6	8.4	2,291.6
Additions	8.6	1.0	2.3	7.8	19.7
Revaluations	83.4	-	-	-	83.4
Disposals	(4.3)	-	-	-	(4.3)
Transfers	-	1.6	-	(1.7)	(0.1)
At 31 March 2020	**2,062.3**	**251.6**	**61.9**	**14.5**	**2,390.3**
Depreciation					
At 1 April 2019	-	(45.8)	(25.2)	-	(71.0)
Charge for the year		(5.4)	(2.5)	-	(7.9)
At 31 March 2020	**-**	**(51.2)**	**(27.7)**	**-**	**(78.9)**
Net book value					
At 31 March 2019	1,974.6	203.2	34.4	8.4	2,220.6
At 31 March 2020	**2,062.3**	**200.4**	**34.2**	**14.5**	**2,311.4**
Leased assets included above:					
Net book value					
At 31 March 2019	17.9	-	-	-	17.9
At 31 March 2020	**17.9**	**-**	**-**	**-**	**17.9**

Notes:

a) External valuers value investment properties annually as at 31 March at market values determined in accordance with the RICS Valuation – Professional Standards (The Red Book). The outbreak of Covid-19 has impacted global financial markets. Whilst real estate markets have continued to function, activity levels have been reduced. Less weight can therefore be attached to previous market evidence for comparison purposes to inform opinions of the value of our property portfolio. Valuers are required to take into account the conditions that existed as at the balance sheet date, and therefore valuations have been reported on the basis of 'material valuation uncertainty'. Further details are provided at accounting policies note g.

b) 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. Freehold land and buildings includes items acquired since April 2000 based on 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.

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 manages 11,000 acres of historic and natural green 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 ancient 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 £181.7m (2018/19: £181.5m) 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.

	2020 £m	2019 £m
Cost or valuation (a)		
At 1 April	**181.5**	181.4
Additions (b)	**0.2**	0.1
Closing cost or valuation	**181.7**	181.5
Comprising:		
Art and sculptures	**180.9**	180.7
Open spaces	**0.8**	0.8
Total heritage assets	**181.7**	181.5

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. Sculptures were valued at replacement cost by independent experts Gurr Johns. Recent additions to forest land were recognised at cost.

b) Additions during the year comprised the purchase of sculptures and paintings for Guildhall Art Gallery.

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:

	2020 £m	2019 £m
Long-term non-property investments		
Total investments at 1 April	**753.1**	700.1
Add: additions to investments at cost	**64.5**	169.7
Less disposals at market value	**(81.4)**	(166.6)
Less loss on revaluation	**(6.3)**	(0.2)
Less realised investments	**(3.4)**	(3.4)
(Loss) / gain in fair value	**(29.4)**	53.5
Investments at 31 March	**697.1**	753.1
Short-term non-property investments		
Total investments at 1 April	**53.7**	57.7
Change in short-term deposits and money market funds*	**84.1**	-
Change in long term deposits	**(4.3)**	(4.0)
Investments at 31 March	**133.5**	53.7
Total investments as at 31 March are analysed between long-term and short-term investments as follows:		
Long-term	**697.1**	753.1
Short-term	**133.5**	53.7
Total investments at 31 March	**830.6**	806.8

* The £84.1m change in short-term deposits and money market funds in 2019/20 resulted largely from the issuance of new debt that took place during the year (see note 16 on page 41).

9. Intangible assets

	Technology systems £m	Goodwill £m	Total £m
Cost / Valuation			
At 1 April 2019	1.6	39.3	40.9
Additions / (disposals)	-	(0.2)	(0.2)
Transfers	0.1	-	0.1
At 31 March 2020	**1.7**	**39.1**	**40.8**
Depreciation			
At 1 April 2019	(1.4)	-	(1.4)
Charge for the year	-	-	-
At 31 March 2020	**(1.4)**	**-**	**(1.4)**
Amortisation			
At 1 April 2019	-	-	-
Charge for the year	-	(3.9)	(3.9)
At 31 March 2020	**-**	**(3.9)**	**(3.9)**
Net book value			
At 31 March 2019	0.2	39.3	39.5
At 31 March 2020	**0.3**	**35.2**	**35.5**

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- Technology systems:
  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 £0.1m (2018/19: £0.1m).

- Goodwill:
  On 14 December 2018, Barking Power Limited and Thames Power Services Limited were purchased by The Mayor and Commonalty and Citizens of the City of London for a total sum of £130.3m. Goodwill of £39.1m is recognised as the excess of the cost of the acquisition over the net amount of their identified assets and liabilities. This is amortised over 10 years, which is the maximum useful economic life of these assets under FRS102, at a rate of £3.9m per annum.

10. Debtors

	2020 £m	2019 £m
Amounts falling due within one year		
Sundry debtors	**7.8**	8.2
School fees	**5.5**	4.4
Prepayments and accrued income	**7.3**	4.4
Rental debtors	**7.7**	6.7
VAT	**2.7**	1.1
Accrued interest	**2.3**	1.1
Current debtors	**33.3**	25.9
Amounts falling due after more than one year		
Rental debtors	**7.4**	8.1
Finance lease debtor	**1.5**	1.5
Long-term debtors	**8.9**	9.6
Total debtors	**42.2**	35.5

11. Nature and extent of Risks arising from Financial Instruments

The activities of City's Cash 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 there might not be enough funds available to meet commitments to make payments.
- Market risk – the possibility that financial loss might arise as a result of changes in factors that affect the overall performance of financial markets such as interest rates, stock market movements and foreign exchange rates.

The City of London Corporation has adopted CIPFA's Treasury Management in the Public Service: Code of Practice. City Cash'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. Risks to our financial strategy are managed by our 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 customers. Deposits are only made with banks with a minimum Fitch (a leading credit rate agency) rating 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). City's Cash also invests in Money Market Funds, which are subject to a minimum credit rating of AAA/mmf (Fitch) or equivalent. City's Cash also holds investments in two Short Dated Bond Funds. These financial instruments typically do not obtain their own standalone credit rating. Instead, the funds will invest in a wide variety of investment grade instruments, which the City Corporation actively monitors in terms of the fund's composition and credit quality of its underlying assets.

The creditworthiness of the counterparties on the City's Cash lending list is carefully monitored. 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. Security of the investments is the prime criteria when selecting investments with liquidity and yield being secondary and tertiary considerations. The lending limits attributable to HSBC, Barclays, Goldman Sachs International Bank, Royal Bank of Scotland and Santander UK were maintained at maximum lending limits of £100m each during 2019/20, and Lloyds Bank was fixed at £150m (Lloyds being the City of London Corporation's banker). The lending limit for the Nationwide Building Society was maintained at £120m. The maximum duration for such loans is 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 is fixed at 1 year. The list also contains three foreign banks with individual limits of £100m, being National Australia Bank, Australia and New Zealand Banking Group and Svenska Handelsbanken. The lending list also includes five highly rated money market funds (Aberdeen Sterling Liquidity Fund, CCLA, Deutsche Liquidity Fund, Federated Liquidity Fund, Invesco); three highly rated Ultra-Short Dated Bond Funds (Federated Sterling Cash Plus Fund, Aberdeen Standard Investments Short Duration Managed Liquidity Fund and Payden Sterling Reserve Fund); and two Short Dated Bond Funds (Legal & General Short Dated Sterling Corporate Bond Index Fund and Royal London Investment Grade Short Dated Credit Fund). The City Corporation will also lend to other UK local authorities with a limit of £25m to any individual authority.

The maximum exposure of City's Cash to credit risk in relation to its investments in banks, building societies, local authorities 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 amount borrowed would be specific to each individual institution. No credit limits were exceeded during the reporting period and City's Cash does not expect any losses from non-performance by any counterparty in relation to outstanding deposits. As at 31 March 2020, City's Cash had £133.5m in money market funds and short-term cash investments with a maturity of less than 365 days (31 March 2019: £53.7m).

Outstanding debtors excluding those covered by the Bad Debt Provision	**31 March 2020 £m**	31 March 2019 £m
Less than three months	**3.4**	2.9
Three to six months	**0.1**	0.5
Six months to one year	**0**	0.1
Total	**3.5**	3.5

Liquidity risk

Liquidity risk represents the risk that City's Cash 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 commitments.

Market risk (Interest rate risk)

City's Cash 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 City's Cash. 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.

Interest rate risk is managed within the parameters of the City of London Corporation's 2019/20 Treasury Management Strategy Statement. Officers have due regard for the prospects for interest rates and the Treasury Management Strategy draws together a number of forecasts for both short term (Bank Rate) and longer-term interest rates. The Treasury Management Strategy also places an upper limit for total principal sums invested for over 364 days.

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. City's Cash 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 2020 and uses data provided by the fund's custodian bank BNY Mellon.

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Currency	Value £m	Change %	Value on increase £m	Value on decrease £m
GBP	403.4	0.00%	403.4	403.4
EUR	257.9	2.29%	263.8	252.0
USD	62.7	2.41%	64.2	61.2
Other	106.6	0.00%	106.6	106.6
Total non-property investments	**830.6**	-	**838.0**	**823.2**

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

These investments are actively managed by twelve 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 to ensure cash flow requirements are met as and when they fall due.

All 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 City of London Corporation's investment consultant Mercer, 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 2019/20 reporting period.

The potential price changes disclosed below are consistent with a multi-year one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Potential Market Movements

The potential movements for price risk based on the different asset classes are provided below.

Asset type	Change %
Global equities - developed markets (including UK)	17.4
Global equities - emerging markets	29.1
Global bonds	4.0
Multi-asset	7.3
Private equity	25.8
Total non-property investments	**12.9**

These percentages have been used to calculate the following potential increases / (decreases) in the value of investments.

Asset type	Value £m	Change %	Value on increase £m	Value on decrease £m
Global equities - developed markets (including UK)	475.9	17.4	558.7	393.1
Global equities - emerging markets	19.0	29.1	24.5	13.5
Global bonds	34.0	4.0	35.4	32.6
Multi-asset	142.7	7.3	153.1	132.3
Private equity	26.8	25.8	33.7	19.9
Short-term UK deposit and money market funds	132.2	0.0	132.2	132.2
Total non-property investments	**830.6**	**12.9**	**937.6**	**723.6**

12. Stocks of Finished Goods

A variety of purchased items are held in stock amounting to £0.5m (2018/19: £0.5m) to ensure responsive delivery of services, mainly relating to those provided at the City's open spaces, schools and ceremonial functions.

13. Creditors – amounts falling due within one year

	2020 £m	2019 £m
Sundry creditors	**42.2**	38.5
Rental income received in advance	**18.1**	17.3
Other receipts received in advance	**8.3**	10.3
VAT	**1.9**	3.4
Total current creditors	**70.5**	69.5

14. Deferred income

	2020 £m	2019 £m
Amounts falling due within one year	**0.4**	0.4
Amounts falling due after more than one year		
Due within two to five years	**1.5**	1.5
Due in more than five years	**81.7**	82.0
Long-term deferred income	**83.2**	83.5
Total deferred income	**83.6**	83.9

Premiums of £84.9m relating to eight operating leases were received between 2014/15 and 2018/19. No operating lease premiums were received in 2019/20. These premiums have been deferred in accordance with accounting policies note e) and are to be released over their lease terms.

15. Finance leases

City's Cash as Lessee

One investment property agreement has been classified as a finance lease. Payments will be made over the term of the lease to meet the costs of the long-term liability and the finance costs payable. The minimum lease payments in relation to the lease are:

Net Present Value of Minimum Lease Payments	2020 £m	2019 £m
Not later than one year	-	-
Later than one year and not later than five years	**0.1**	0.1
Later than five years	**2.3**	2.3
Total	**2.4**	2.4

City's Cash as Lessor

City's Cash has a gross investment in one finance lease relating to the minimum lease payment expected to be received over the remaining term of the lease. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessees and finance income that will be earned by City's Cash in future years whilst the debt remains outstanding. The gross investment is made up of the following amounts:

	2020 £m	2019 £m
Finance lease debtor (net present value of minimum lease payments) - non-current	**1.5**	1.5
Unearned finance income	**2.2**	2.2
Gross investment in lease	**3.7**	3.7

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

	Gross Investment in Lease		Net Present Value of Minimum Lease	
	2020 £m	2019 £m	2020 £m	2019 £m
Later than one year and not later than five years	**0.1**	0.1	**-**	-
Later than five years	**3.6**	3.6	**1.5**	1.5
Total	**3.7**	3.7	**1.5**	1.5

The minimum lease payments receivable are calculated at the inception of the lease and do not take account of future events taking place after the lease was entered into, such as adjustments following rent reviews.

16. Loans

	2020 £m	2019 £m
Bridging loan	-	125.0
Long-term loan	248.9	-
Loan balance at 31 March	**248.9**	125.0

City's Cash entered into an unsecured bridging loan of £125m during 2018/19. This was acquired as part of an overall borrowing strategy designed to support a sustainable and affordable capital programme and the loan was initially obtained as a bridging facility.

In August 2019, the City Corporation issued debt totalling £450m via private placement, £250m of which was received in September 2019 and City's Cash is contractually committed to receive the remaining £200m in July 2021. Accordingly, the bridging loan was repaid in full on 16 September 2019.

The £250m debt has tenures of 25, 30 and 35 years whilst the deferred debt has tenures of 40 and 45 years. Interest payable is at a fixed rate for each tenure.

Interest paid in 2019/20 amounted to £3.7m. In addition, there were transaction costs of £1.1m which have been capitalised to the loan account and shall be amortised over the life of the loans.

17. Provisions

	City Re £m	Power Station £m	Total £m
Opening balance	2.9	33.0	**35.9**
Movement in year	(0.2)	2.1	**1.9**
Closing balance	**2.7**	**35.1**	**37.8**

City Re Limited has set aside £2.7m (2018/19: £2.9m) 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.

Barking Power Limited has set aside a total provision of £35.1m. This includes:

- £20.9m for decommissioning expenses including the cost of power station demolition and decommissioning of the gas pipeline, cooling water system, overhead lines and other cessation expenses. The provision also includes an amount for further costs, but disclosure of information relating to the nature of the obligation would be expected to seriously prejudice the position of the company, so its nature is not disclosed.
- A deferred taxation liability of £14.2m has been recognised, as required under FRS102, offsetting the revaluation gain on land held by Barking Power Limited. This is calculated using the rate applicable to future profits (17%), and the revaluation amount less the base cost and indexation relevant to the land. The rate of corporation tax applicable to the company's future profits is 17%, in accordance with a tax rate of 17% in the Finance Bill 2016, which was enacted on 15 September 2016.

18. 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 City 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 (TPS)

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 Teachers' Pension Scheme.

The table below shows how the total pension deficit recorded on the Consolidated Statement of Financial Position of £311.1m (2019: £312.7m) is split between The City of London Pension Fund and the Teachers' Pension Scheme.

Pension scheme liabilities	2020 £m	2019 £m
The City of London Pension Fund	**292.4**	291.8
The Teachers' Pension Scheme	**18.7**	20.9
Total pension scheme liabilities	**311.1**	312.7

Accounting for The City of London Pension Fund under IAS19

The actuarial valuation of the defined benefit scheme was updated at 31 March 2019, by Barnett Waddingham, an independent qualified actuary in accordance with IAS19. As required by IAS19, the defined benefit liabilities have been measured using the projected unit method. The valuation has been completed under IFRS, in line with 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 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026.

The expected rate of return on the scheme's assets for the financial year ending 31 March 2020 was -4.0% p.a. (2019: 8.0% 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 2019) for the year to 31 March 2020. 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 2020, the actuarial deficit on City's Cash's share of the Scheme was £292.4m (2019: £291.8m). City's Cash's share of the market value of the Schemes' assets was £431.0m (2019: £455.6m).

The estimated amount of total employer contributions expected to be paid to the scheme by City's Cash during the year to 31 March 2021 is £14.3m (actual for year to 31 March 2020: £14.5m). 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 - per annum	2020	2019	2018
RPI increases	**2.7%**	3.4%	3.3%
CPI increases	**1.9%**	2.4%	2.3%
Salary increases	**2.9%**	3.9%	3.8%
Pension increases	**1.9%**	2.4%	2.3%
Discount rate	**2.4%**	2.4%	2.6%

Life expectancy

The following table reflects the change in the mortality tables used for the 31 March 2019 valuation and allowance is made for the expected decline in future life expectancy.

Assumed life expectancy from age 65 years	Sex	2020	2019
Age 65 retiring today	Male	**21.8**	23.2
Age 65 retiring today	Female	**24.4**	24.6
Retiring in 20 years	Male	**23.2**	24.5
Retiring in 20 years	Female	**25.8**	26.1

(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	2020		2019		2018	
	CC £m	CoL £m	CC £m	CoL £m	CC £m	CoL £m
Fair value of fund assets (bid)	**431.0**	**942.1**	455.6	969.5	423.3	900.7
Funded liability present value	**(721.3)**	**(1,568.0)**	(745.0)	(1,585.1)	(699.2)	(1,487.6)
Net liability	**(290.3)**	**(625.9)**	(289.4)	(615.6)	(275.9)	(586.9)
Unfunded liability present value	**(2.1)**	**(4.5)**	(2.4)	(5.3)	(2.6)	(5.7)
Net liability on CSoFP	**(292.4)**	**(630.4)**	(291.8)	(620.9)	(278.5)	(592.6)

Note: CC – City's Cash (consolidated), CoL – City of London (Corporation)

The total net pension fund liability shown on the Consolidated Statement of Financial Position is £311.1m (2018/19: £312.7m), which comprises the liability relating to the City of London Pension Fund of £292.4m as shown in the table above (2018/19: £291.8m) and a liability of £18.7m (2018/19: £20.9m) relating to the Teachers' Pension Scheme.

The net the City of London Pension Fund liability of £292.4m in the Consolidated Statement of Financial Position (2019: £291.8m) represents 46% (2019: 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

	2020 £m	2019 £m
Current service cost	**(23.8)**	(20.9)
Administration cost	**(0.4)**	(0.5)
Losses on settlements and curtailments	**-**	(5.9)
Employer contributions	**14.0**	13.7
Unfunded pension payments	**0.2**	0.2
Return on pension scheme assets	**10.7**	10.8
Interest on pension scheme liabilities	**(17.4)**	(17.7)
Net pension scheme costs *	**(16.7)**	(20.3)
Actual return less expected return on pension scheme assets	**(24.0)**	21.4
Experience losses	**(37.3)**	-
Changes in assumptions underlying the present value of liabilities	**77.5**	(14.4)
Actuarial gains recognised in the Consolidated Statement of Comprehensive Income **	**16.2**	7.0
Net charge to the Consolidated Statement of Comprehensive Income	**(0.5)**	(13.3)

* The total value shown in the Consolidated Statement of Comprehensive Income for net financing expenses attributable to pension schemes amounts is £17.0m (2018/19: net expenses of £20.5m), which comprises expenses relating to the City of London Pension Fund of £16.7m (2018/19: £20.3m), as shown in the table above, and expenses of £0.3m relating to the TPS (2018/19: £0.2m).

** The total value shown in the Consolidated Statement of Comprehensive Income for actuarial gains is £18.7m (2018/19: losses of £1.2m), which comprises the actuarial gain relating to the City of London Pension Fund of £16.2m (2018/19: gain of £7.0m), as shown in the table above, and an actuarial gain of £2.5m (2018/19: loss of £8.2m) relating to the Teachers' Pension Scheme.

(d) Asset allocation

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

Employer asset share - bid value	2020 £m	2020 Per annum	2019 £m	2019 Per annum
Equities	**255.9**	**59%**	304.5	67%
Cash	**7.2**	**2%**	5.2	1%
Infrastructure	**53.8**	**13%**	25.3	6%
Absolute Return Portfolio	**114.1**	**26%**	120.6	26%
Total assets	**431.0**	**100%**	455.6	100%

(e) 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	2020 £m	2019 £m
Opening defined benefit liability	**(747.4)**	(701.9)
Current service cost	**(23.8)**	(20.9)
Interest cost	**(17.4)**	(17.7)
Actuarial gains / (losses)	**52.4**	(14.4)
Losses on curtailments	**(0.5)**	(5.9)
Liabilities extinguished on settlements	**1.0**	-
Estimated benefits paid net of transfers in	**17.0**	18.0
Contributions by scheme participants	**(4.9)**	(4.8)
Unfunded pension payments	**0.2**	0.2
Closing defined benefit liability	**(723.4)**	(747.4)

(f) Movement in the scheme net liability

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

	2020 £m	2019 £m
Deficit at the beginning of the year	**(291.8)**	(278.5)
Current service cost	**(23.8)**	(20.9)
Net interest	**(6.7)**	(6.9)
Settlements and curtailments	**(0.1)**	(5.9)
Other finance expenses	**(0.4)**	(0.5)
Employers contributions	**14.0**	13.7
Unfunded pension payments	**0.2**	0.2
Actuarial gains	**16.2**	7.0
(Deficit) at the end of the year	**(292.4)**	(291.8)

(g) Movement in the present value of scheme assets

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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	2020 £m	2019 £m
Opening fair value of scheme assets	**455.6**	423.3
Interest on assets	**10.7**	10.8
Return on assets less interest	**(26.4)**	21.4
Actuarial losses	**(9.8)**	-
Administration expenses	**(0.4)**	(0.5)
Contributions by employer including unfunded	**14.2**	13.9
Contributions by scheme participants	**4.9**	4.8
Estimated benefits paid net of transfers in and including unfunded	**(17.2)**	(18.1)
Settlement prices paid	**(0.6)**	-
Closing value of scheme assets at end of period	**431.0**	455.6

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

The following amounts for 2016-2020 have been recognised under the "Actuarial gains and losses on defined benefit pension scheme" heading within the Consolidated Statement of Changes in Equity:

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Present value of defined benefit liability	**(723.4)**	(747.4)	(701.8)	(694.1)	(581.4)
Fair value of scheme assets	**431.0**	455.6	423.3	413.1	349.7
Deficit in the scheme	**(292.4)**	(291.8)	(278.5)	(281.0)	(231.7)
Experience adjustments on scheme liabilities	**(37.3)**	-	-	11.4	0.2
Percentage of scheme liabilities	**5.2%**	0.0%	0.0%	1.6%	0.0%
Experience adjustments on scheme assets	**(26.4)**	21.4	(2.0)	57.5	(21.6)
Percentage of scheme assets	**(6.1%)**	4.7%	(0.5%)	13.9%	(5.7%)
Cumulative actuarial gains and losses	**(56.8)**	(73.0)	(80.0)	(98.0)	(53.4)

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

(i) Sensitivity analysis

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

		£m	£m	£m
		0.1%	**0.0%**	**(0.1%)**
Adjustment to discount rate	PV of total liability	708.9	723.4	738.1
	Projected service cost	22.1	22.6	23.2
Adjustment to long-term salary increase	PV of total liability	724.6	723.4	722
	Projected service cost	22.7	22.6	22.6
Adjustment to pension increases and deferred	PV of total liability	736.8	723.4	710.1
	Projected service cost	23.2	22.6	22.1
		+ 1 year	**None**	**- 1 year**
Adjustment to mortality age rating assumption	PV of total liability	752.7	723.4	695.2
	Projected service cost	23.3	22.6	22.0

Note: PV – present value

(j) Projected pension expense for the year to 31 March 2021

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 2021 £m	Projected Year to 31 March 2020 £m
Service cost	**22.6**	24.4
Net interest on the defined liability	**6.7**	6.8
Administration expenses	**0.4**	0.4
Total expense	**29.7**	31.6
Employer contributions	**14.3**	14.5

19. Capital and Reserves

	Balance at 1 April 2019 £m	Additions / income £m	Disposals / expenditure £m	Depreciation £m	Unrealised Gains / (Losses) £m	Balance at 31 March 2020 £m
Operational Capital	246.2	11.1	-	(7.9)	-	**249.4**
Heritage Assets Reserve	181.5	0.2	-	-	-	**181.7**
Income Generating Fund						
Investment Properties	297.8	8.4	(4.3)	(3.9)	-	**298.0**
Non-Property Investments	753.1	64.5	(84.8)	-	(35.7)	**697.1**
Revaluation Reserve - Investment Properties	1,716.1	-	-	-	83.4	**1,799.5**
Income Generating Fund	2,767.0	72.9	(89.1)	(3.9)	47.7	**2,794.6**
Working Capital Fund	(87.2)	97.0	-	-	-	**9.8**
Loan Fund	(125.0)	(250.0)	126.1	-	-	**(248.9)**
Pension Reserve	(312.7)	-	(17.1)	-	18.7	**(311.1)**
Total Capital and Reserves	**2,669.8**	**(68.8)**	**19.9**	**(11.8)**	**66.4**	**2,675.5**

Notes to capital and reserves:

- Operational Capital – reflects the operational assets from the Statement of Financial Position.
- Heritage Asset Reserve – reflects the heritage assets from the Statement of Financial Position.
- 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.
- Working Capital Fund – reflects the net current assets, long-term debtors and provisions for liabilities and finance leases from the Statement of Financial Position.
- Loan Fund – reflects the long-term loans from the Statement of Financial Position.
- The City of London Corporation manages and funds ten registered charities (listed on page 12) which are consolidated within City's Cash accounts. Total funds of the charities amounts to £54.4m (2018/19: £61.5m), comprising unrestricted funds of £28.0m (2018/19: £28.8m), restricted funds of £0.1m (2018/19: £0.1m) and endowment funds of £26.3m (2018/19: £32.6m). 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.

20. Notes to the consolidated statement of cash flows

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

	2019/20 £m	2018/19 £m
Operating surplus for the reporting period	**(2.6)**	56.5
Adjustments for:		
Depreciation and amortisation charges	**11.8**	8.2
Net pension scheme costs	**17.1**	20.5
Losses on property investments	**(86.9)**	(50.1)
Losses / (gains) on non-property investments	**29.4**	(53.5)
Dividends, interest and rents from investments	**(3.7)**	(3.1)
Increase in debtors	**(6.7)**	(0.3)
(Decrease) / Increase in creditors falling due within one year	**1.0**	10.5
Release of deferred income	**(0.3)**	(0.4)
Increase in provision	**2.4**	1.0
Net cash used in operating activities	**(38.5)**	(10.7)

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(b) Cash flows from financing activities

	2020 £m	2019 £m
New loans	**248.9**	125.0
Repayment of loans	**(125.0)**	-
Loan interest and transaction costs	**(3.7)**	(0.2)
Total	**120.2**	124.8

(c) Analysis of changes in net debt activities

	At 1 Apr 2019 £m	Cash flows £m	At 31 Mar 2020 £m
Cash and cash equivalents	14.4	13.1	**27.5**
Borrowings			
Debts due within one year	(125.0)	125.0	**-**
Debts due after one year	-	(248.9)	**(248.9)**
Finance Leases	(2.4)	-	**(2.4)**
Total net debt	(113.0)	(110.8)	**(223.8)**

21. Financial commitments

Material contractual capital commitments are as follows:

	Consolidated 2020 £m	2019 £m
Contracted for but not provided for contract commitments (a)	**3.0**	7.5
Total	**3.0**	7.5

Notes:

a) The contract commitment of £3.0m relates to the refurbishment of an investment property and tunnel lids for Smithfield Market (2018/19: the £7.5m related to the refurbishment of an investment property).

b) City's Cash has no material commitments under operating leases.

c) The City of London Corporation has agreed a £50.0m contribution to Crossrail from City's Cash subject to the completion of the works. Due to the delays to the Crossrail programme the revised timing of the payment has yet to be agreed. The agreement with Crossrail is an executory contract and therefore outside the scope of FRS102.

22. 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 by email:
CHB-Secretariat@cityoflondon.gov.uk.

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.

Disclosures relate to both 2019/20 and 2018/19 unless otherwise stated.

Related party	Connected party	2019/20 £000	2018/19 £000	Detail of transaction
Aberdeen Standard Investment	A Member of the City Corporation was an employee of Aberdeen Standard Investment	-	142	Management fees were paid to Aberdeen Standard Investment in 2018/19 for managing various long-term investment mandates on behalf of the City Corporation. No funds were managed on behalf of the City Corporation in 2019/20 and no fees were payable
Bridge House Estates	2018/19: City's Cash and Bridge House Estates (BHE) agreed the rent review in for the rental of the Southwark Bridge Arches at market rates. This was disclosed as the BHE charity was transacting with its trustee, the City Corporation.	N/A	N/A	
Centre for London	A Member was a trustee of the Centre for London (2018/19: a Member and a former Member were trustees of the Centre for London)	45	25	Sponsorship and funding received from City's Cash
Christ's Hospital	Three Members were nominated by the City Corporation to the Council of Christ's Hospital (2018/19: Five Members were Governors or Almoners of Christ's Hospital)	80	80	Payments made by City's Cash for a presentation place to secure the right to present one child to enter the school
City & Guilds London Institute	The City Corporation nominated four Members to the City & Guilds London Institute, which leases premises for which rent and service charges were receive	(194)	(87)	Rent and service charges received by City's Cash
City of London Academy Hackney	The City Corporation nominated three Members to the Board of Governors of the City of London Academy Hackney	268	289	Grant funding received from City's Cash
City of London Academy Highbury Grove	2018/19: A Member was a Governor at City of London Academy Highbury Grove	N/A	309	Grant funding received from City's Cash
City of London Academy Islington	The City Corporation nominated two Members to the Board of Governors of the City of London Academy Islington.	256	303	Grant funding received from City's Cash

Related party (continued)	Connected party (continued)	2019/20 £000	2018/19 £000	Detail of transaction (continued)
City of London Academy Shoreditch Park	2018/19: A Member was a Governor at City of London Academy Shoreditch Park	N/A	96	Grant funding received from City's Cash
City of London Academies Trust	The City Corporation nominated five Members to the Board of Governors of the City of London Academies Trust (2018/19: The City Corporation nominated five Members to the Board of Governors of the City of London Academies Trust and one other member declared membership)	365	733	Grant funding received from City's Cash
City of London Reserve Forces & Cadets Association	The City Corporation nominated three Members to the City of London Reserve Forces & Cadets Association	42	42	Grant funding received from City's Cash
City Re Limited and JLT Insurance Management (Guernsey) Limited	2018/19: Mr S Le Prevost served as a director of City Re Limited and of the insurance manager JLT Insurance Management (Guernsey) Limited during the period	N/A	52	Management fees paid by City's Cash
City Re Limited and JLT Insurance Management (Guernsey) Limited	2018/19: Mr S Le Prevost served as a director of City Re Limited and of the insurance manager JLT Insurance Management (Guernsey) Limited during the period	N/A	-	There was a profit commission arrangement from City Re Limited to JLT Insurance Management (Guernsey) Limited. However, no payment was made in 2018/19 as a profit was not made
City University	Four Members were on the Court of the City University	11	-	Fees paid by City's Cash
City University	Four Members were on the Court of the City University	(78)	-	Rent and charges received by City's Cash
Co-Exist House	The City Corporation nominated one Member to the charity Co-Exist House	-	40	Grant funding received from City's Cash in 2018/19
Commonwealth Investment and Enterprise Council	2018/19: A Member was on the Commonwealth Investment and Enterprise Council	N/A	10	Received from City's Cash for work on strategic partnerships
Companies leasing market premises	A Member was a shareholder and / or managing director of companies leasing market premises for which rent and service charges were received	(287)	(776)	Rent and service charges received by City's Cash

Related party (continued)	Connected party (continued)	2019/20 £000	2018/19 £000	Detail of transaction (continued)
Companies leasing market premises	Another Member was a director of a company leasing market premises for which rent and service charges were received	(440)	(458)	Rent and service charges received by City's Cash
Companies leasing market premises	Another Member was a director of a company leasing market premises for which rent and service charges were received	(141)	(136)	Rent and service charges received by City's Cash
Companies leasing premises	A Member's spouse was a shareholder of a company which leases premises for which rent and service charges were received	(650)	(518)	Rent and service charges received by City's Cash
Cripplegate Foundation	A Member was a trustee of this organisation and another was a governor	48	-	Grant funding received from City's Cash
Crossrail Limited	A Member was a director of Crossrail Limited. The City of London Corporation has agreed a £50m contribution to Crossrail from City's Cash subject to the completion of the works. Due to the delays to the Crossrail programme the revised timing of the payment has yet to be agreed. The agreement with Crossrail is an executory contract and therefore outside the scope of FRS102.	N/A	N/A	Contribution to Crossrail from City's Cash subject to the completion of the works
Gresham College Council	The City Corporation nominated four Members to the Gresham College Council. Another Member was a director of Gresham College Council in 2019/20	503	495	Grant funding received from City's Cash
Guild Church Council of St. Lawrence Jewry	The City Corporation nominated three Members to the Guild Church Council of St. Lawrence Jewry and three other Members declared places on the Council	99	85	Grant funding received from City's Cash
The Honourable The Irish Society	15 Members were part of the governance structure of The Honourable The Irish Society	11	25	Grant funding received from City's Cash

Related party (continued)	Connected party (continued)	2019/20 £000	2018/19 £000	Detail of transaction (continued)
London Councils	The City Corporation nominated four Members to the various committees of London Councils and another Member declared that he had an independent place on a number of Committees	(1,403)	(780)	Payments received by City's Cash for the provision of premises and services
London Ltd	2018/19: A Member of the City Corporation was the director of London Ltd	N/A	25	Sponsorship received from City's Cash
Lord Mayor's Appeal Limited	Five Members were directors of the Lord Mayor's Appeal Limited	(34)	(29)	Payments received by City's Cash for services provided
Lord Mayor's Show Limited	Seven Members and a Chief Officer were directors of the Lord Mayor's Show Ltd (2018/19: five Members and two Chief Officers were directors of the Lord Mayor's Show Ltd)	25	19	Payments from City's Cash for participation fees
Lord Mayor's Show Limited	Seven Members and a Chief Officer were directors of the Lord Mayor's Show Ltd (2018/19: five Members and two Chief Officers were directors of the Lord Mayor's Show Ltd)	(136)	(10)	Payments received by City's Cash for services provided
Museum of London	Seven Members were appointed as Governors of the Museum of London (2018/19: six Members were appointed as Governors of the Museum of London)	221	149	Payments made by City's Cash
Nationwide Building Society	A Member of the City Corporation was employed by Nationwide Building Society, which leases premises for which rent and service charges were received	(374)	(117)	Rent and service charges received by City's Cash
Royal Humane Society	2018/19: An officer was a liaison officer to the Royal Humane Society, which leases premises for which rent and service charges were received	N/A	(13)	Rent and service charges received by City's Cash
TheCityUK	Two Members were also members of this organisation (2018/19: A Member was Director of TheCityUK and a further two Members were also members of this organisation)	500	500	Grant funding received from City's Cash

23. Subsequent events

Vote to leave the European Union

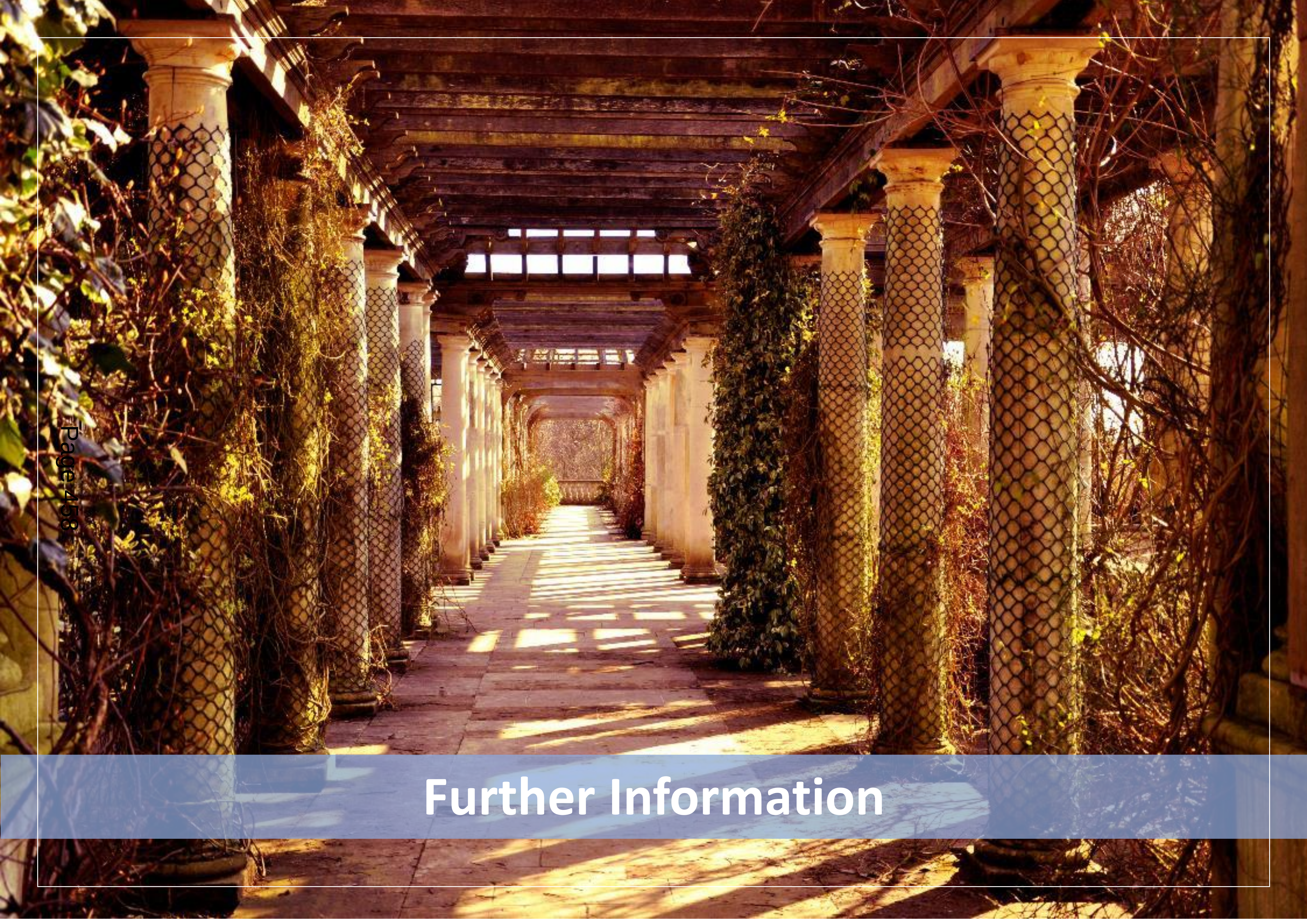
There are risks to City's Cash from the vote to leave the European Union. In particular, the future levels of demand for office accommodation in the City and surrounding areas and the consequential impacts on rent incomes. A close watching brief will be kept on this and other implications as events unfold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

COVID-19 Pandemic

- On 23 March 2020, the Prime Minister of the United Kingdom announced a period of lockdown restrictions for the country to limit the spread of COVID-19. As a result of restrictions on travel and other measures which have been implemented, all staff in the City of London Corporation who were able to work at home were asked to do so, and many of our sites were shut to all but essential workers. The main exceptions were the Central Criminal Court, Markets and Port Health and Open Spaces including Cemetery and Crematorium functions, which continued to be staffed in person in the main. The restrictions also meant that the City Corporation was initially unable to undertake its decision-making processes in the usual fashion for approximately five weeks. During this period, some committees were consulted electronically or met virtually on an informal basis to consider items that required decisions, prior to formal decisions being taken under the urgency procedures.
- To allow for greater transparency and public scrutiny during this period, steps were taken to utilise the existing committee management software to allow for weekly reporting of urgent decisions taken, together with relevant background information.
- The introduction of the *Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020* resolved some of the more pressing issues by permitting formal decision-making meetings to be undertaken virtually and facilitating public scrutiny.
- From the end of April 2020, formal committee meetings have been carried out virtually. Formal decisions are taken by Members, and the public is able to observe these meetings through a livestream on YouTube, which is also recorded and accessible to view for approximately one year.
- Initially a decision was taken to postpone the appointment of committees at the beginning of municipal year and for all appointments to continue until April 2021. However, the first annual meeting of the Court of Common Council was conducted virtually on 16 July 2020, at which time the Court appointed its committees. Committee elections took place in the subsequent months to elect Chairmen, Deputy Chairmen and to appoint Members to the relevant sub-committees, consultative committees and working parties.
- In line with Government guidance, committee meetings continue to be held virtually.
- The COVID-19 outbreak has also led to legislation being passed to suspend all local government elections until May 2021. Whilst the provisions do not apply to the City elections, given the national position and the uncertainty about the length of time during which the restrictions and effects on normal activities might be in place, the date of next ordinary Common Council elections has been postponed from 18 March 2021 until 23 March 2022. Successful candidates will then serve a three-year term.
- An in-year re-budgeting exercise has been carried out to assist in repairing the damage to the City's budgets arising from the COVID-19 pandemic. This was seen as a vital step in ensuring that we put our finances on a sustainable footing for the medium term.
- Other areas affected in the 2020/21 financial year include the annual City-wide residents' meetings. The meetings scheduled for May were postponed and a single meeting will be held virtually in December 2020. Other activities have also been carried out by different means due to the continued social distancing requirements.

24. Approval of the financial statements

The City's Cash Accounts were approved for issue by the Chamberlain on XX November 2020. Events after the balance sheet date and up to XX November 2020 have been considered in respect of a material effect on the financial statements. Events taking place after this date are not reflected in the financial statements or notes.



Further Information

Bridge House Estates – The City of London is the sole trustee of Bridge House Estates, which reaches out across London in many important and diverse ways. This includes its grant-making operation, City Bridge Trust, but the core business of the Estates, for many centuries, has been looking after its bridges. Bridge House Estates in some cases built, and now maintains, five of the bridges that cross the Thames into the City of London – London Bridge, Blackfriars Bridge, Southwark Bridge, Tower Bridge and the Millennium Footbridge. The maintenance and replacement of these bridges remains the prime objective of this ancient charity.

City Fund – This Fund meets the cost of the City of London's local authority, police authority and port health authority activities. The Fund generates rental and interest income to help finance these activities. In addition, in common with other local authorities, it receives grants from central government, a share of business rates income and the proceeds of the local council tax.

Creditors – Individuals or organisations to which City's Cash owes money at the end of the financial year.

Current asset – An asset which will be consumed or cease to have value within the next accounting period; examples are stock and debtors.

Current liability – An amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.
Current service cost (pensions) The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment (pensions) – For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Curtailments include:

a) Termination of employees' services earlier than expected, for example as a result of discontinuing an activity.
b) Termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors – Individuals or organisations that owe City's Cash money at the end of the financial year.

Deferred income – Money received for goods / services which have not yet been delivered.

Defined benefit scheme – A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Defined contribution scheme – A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and has no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation – The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Expected rate of return on pensions assets – For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Experience gains or losses – In pensions accounting, the element of actuarial gains and losses that relates to differences between the actual events as they have turned out and the assumptions that were made as at the date of the earlier actuarial valuation.

Fair value – Fair value is generally defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Finance lease – A contract or part of a contract that conveys the right to control the use of an asset for a period of time in exchange for consideration.

Goodwill – The excess of the cost of an acquisition of a company over the net amount of its the identified assets and liabilities.

Heritage assets – A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Impairment – A reduction in the value of an asset below its carrying amount on the balance sheet.

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.

Intangible assets – A non-physical item where access to future economic benefits is controlled by the local authority. An example is computer software.

Pensions interest cost – For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment properties – Interest in land or buildings that are held for investment potential.

Local Government Pension Scheme (LGPS) – this is one of the largest pension schemes in the UK. The City of London Corporation's defined benefit pension scheme for non-teaching staff is part of the LGPS.

Net current replacement cost – The cost of replacing a particular asset in its existing condition and in its existing use.

Net realisable value – The open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Operational Capital Fund – Reflects the Statement of financial position for operational assets.

Past service cost (pensions) – For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Projected unit method – An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

a) The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases.
b) The accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Provision – An amount set aside in the accounts for liabilities of uncertain timing or amount that have been incurred. Provisions are made when:

a) The City of London has a present obligation (legal or constructive) as a result of a past event.
b) It is probable that a transfer of economic benefits will be required to settle the obligation.
c) A reliable estimate can be made of the amount of the obligation.

Revaluation Reserve – Represents increases in valuations of assets since 1 April less amounts written off due to the 'additional depreciation' (including impairment due to consumption of economic benefit) arising because property, plant and equipment are carried at a revalued amount rather than historic cost. It can also include reductions in values to investment properties where the reductions are not considered to be permanent.

Revenue expenditure – The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, repairs, maintenance and supplies.

Scheme liabilities – The liabilities of a defined benefits pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Working Capital Fund – Reflects the Statement of Financial Position for net current assets, long-term debtors and provisions for liabilities and finance leases.

Report to the Audit and Risk Management Committee

CITY'S CASH

Audit Completion: year ended 31 March 2020

IDEAS | PEOPLE | TRUST

CONTENTS

WELCOME

Contents

We have pleasure in presenting our Audit Completion Report to the Audit Committee and Risk Management Committee (the "Committee"). This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

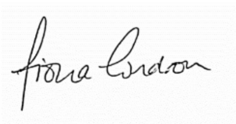
It summarises the results of completing the planned audit approach for the year ended 31 March 2020, specific audit findings and areas requiring further discussion and/or the attention of the Committee. At the completion stage of the audit it is essential that we engage with the Committee on the results of audit work on key risk areas, including significant estimates and judgements made by Management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit Committee meeting on 3 November 2020, and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by the Members as a whole. We expect that the Committee will refer such matters to the Members, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the Management and staff for the co-operation and assistance provided during the audit.



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27 October 2020

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Audit Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

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This summary provides an overview of the audit matters that we believe are important to the Committee in reviewing the results of the audit of the financial statements for City's Cash and the individual Sundry Trusts for the year ended 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Overview

Our audit work is substantially complete in respect of City's Cash and is well advanced in respect of the Sundry Trusts and, subject to the successful resolution of outstanding matters (page 37), we anticipate issuing an unmodified audit opinion on all financial statements for the year ended 31 March 2020 in line with the agreed timetable.

Emphasis of Matter

We expect to issue two audit opinions with an emphasis of matter paragraph;

- City's Cash - the enhanced disclosures relating to areas of estimation and uncertainty pertaining to the valuation of investment properties
- The City of London Education Trust – as this charity is due to be wound up, the financial statements are prepared on a basis other than going concern.

These opinions are not qualified, the enhanced disclosures within the respective financial statements detailed above have resulted in a reference in our audit opinion as an "Emphasis of Matter" given the potential impact on the financial statements.

Outstanding matters are listed on page 37 in the appendices.

There were no significant changes to the planned audit approach however due to the impact of COVID-19, we have raised an additional risk over going concern. No other additional significant audit risks have been identified.

No restrictions were placed on our work.

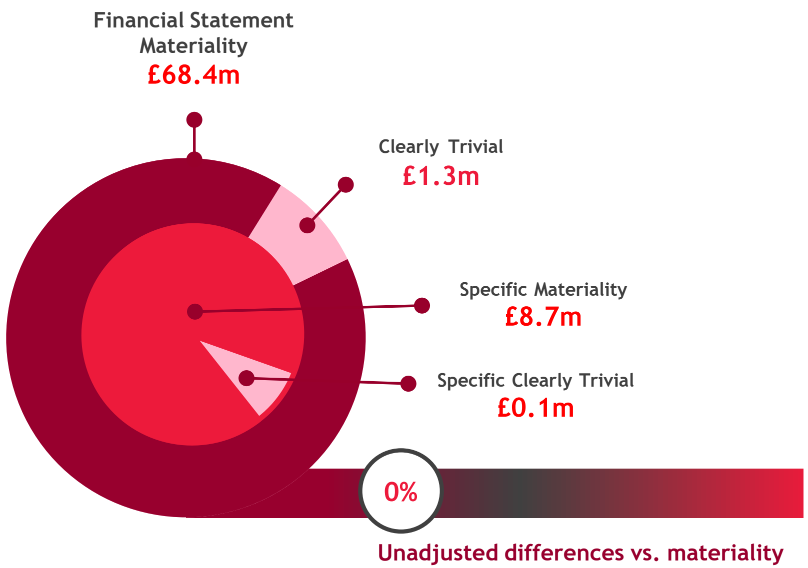
THE NUMBERS
Executive summary

Contents

Final Materiality

Financial Statement Materiality was determined based upon 2% of total assets and Specific Materiality was determined based upon 5% of total income.

There were no changes to final materiality and triviality from that reported in our planning report other than being updated for the actual results for the year ended 31 March 2020.



Unadjusted audit differences

We have not identified any unadjusted audit differences for City's Cash. Details of adjusted differences can be found on page 24.

We have identified a small number of audit differences within the Sundry Trust entities. Details of can be found on page 24.

OTHER MATTERS

Executive summary

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Financial reporting

- We have not identified any non-compliance with accounting policies or applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- The draft Annual Report for City's Cash and Trustees' Reports for the Sundry Trusts has been reviewed and the resulting comments have been considered by the management team and incorporated into subsequent drafts. Comments on significant disclosures are considered on page 22 of this report.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation (see page 47).
- Completion of post balance sheet event review up to point of signing the financial statements.

Independence

- We confirm that the firm and it's partners and staff involved in the audit remain independent of City's Cash and the Sundry Trusts in accordance with the FRC's Ethical Standard.

OVERVIEW - SIGNIFICANT RISKS

Contents

Page 469

As identified in our audit planning report dated 17 March 2020, we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the directing of the efforts of the engagement team.

Significant Audit Risk	Entities covered	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported in Completion report	Specific Letter of Representation Point	Discussion points for Audit Committee
1. Management Override of Controls	All	Yes	No	No	No	No	No
2. Fraud in Income Recognition	All	Yes	No	No	No	Yes	No
3. Investment Property Valuation	CC	Yes	Yes	No	No	Yes	Yes - Material Uncertainty
4. Pension Liability Valuation	CC	Yes	Yes	No	No	Yes	No

Areas requiring your attention

MANAGEMENT OVERRIDE OF CONTROLS

Contents

Page 470

ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

- Significant management judgement
- Use of experts
- Unadjusted error
- Adjusted error
- Additional disclosure required
- Control Finding
- Letter of Representation point

Risk description

ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Details

- We have worked closely with our IT team to gain an understanding of the financial systems in place and assess controls for potential scope for management override including the use of automated journals and administrator access accounts.
- We have used data analytics tools to inspect journals processed throughout the year and as part of the financial reporting closing process for any unusual transactions.
- We have also conducted a specific review of journals posted during the work from home period at the end of March, as well as journals posted by admin users.
- We have assessed and corroborated significant management estimates and judgements in following key areas:
  - Allocation of costs
  - Valuation of investment properties and financial investments - see pages 11 and 16 for further detail
  - Estimation and allocation of the pension scheme liability
  - Going concern assumptions - see page 21 for further detail

Details (continued)

- We have performed a detail review of the cost allocation model including understanding the methods used to allocate costs between funds within the Corporation and testing of this allocation to ensure accuracy of the expenditure charged to City's Cash.

Results and conclusion

- Our audit work on journals at this stage remains ongoing however our work so far has not identified any instances of inappropriate management override.
- We have not noted any management bias in accounting estimates. Our detailed conclusions on significant estimates are set out within this report.
- We have identified no significant or unusual transactions that may be indicative of fraud in relation to management override of controls.
- We have not identified any issues with the allocation of costs.

FRAUD IN INCOME RECOGNITION

ISA (UK) 240 presumes that income recognition presents a fraud risk.

Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Control Finding	
Letter of Representation point	

Risk description

- Under auditing standards there is a presumption that there is a risk of fraud in income recognition.
- For City's Cash, we consider there to be a significant risk in respect of the completeness of investment property income and education income (including tuition fees, grants, donations and charges for the use of facilities), due to the cut off risk around the year end. Together these account for approximately 89% of total income.
- The Sundry Trusts we consider there to be a significant risk in respect of the completeness of the contribution from City's Cash, grants, donations and legacies, fees and charges (including admissions), rental income and investment income. For grants, donations and legacies we also consider there to be a risk that any relevant restrictions are not correctly identified.

Details

We have carried out audit procedures to gain an understanding of the internal control environment for the significant income streams, including how this operates to prevent loss of income and have ensured that income is recognised in the correct accounting period.

Our audit procedures included substantive testing on the material income streams and cut off testing to ensure income is recognised in the correct period and appropriately classified as restricted (charity entities only) such as;

Details (continued)

- Tested a sample of fees and charges to ensure that income has been recorded in the correct period and that all income that should have been recorded has been;
- We have agreed a sample of rental income to invoice and lease agreements. Where rental periods cross year-end, we have checked the split between years is correct.
- Rental information from the property management system has been reconciled to total rental revenue recognised.
- We selected a sample of properties from the property management system and agreed these to the general ledger and supporting leases to ensure completeness.
- We have performed cut-off testing for all revenue streams by reviewing transactions around the year-end date.

FRAUD IN INCOME RECOGNITION (CONTINUED)

Page 472

ISA (UK) 240 presumes that income recognition presents a fraud risk.

Significant management judgement	■
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Control Finding	
Letter of Representation point	■

Results and conclusion cont.

Investment Property Income

- We traced a sample of rental income amounts through to lease agreements. We also obtained a report from the tenant system and developed an expectation of the rental income for the year and compared this to the general ledger.
- Our testing was completed satisfactorily.

Education income (including tuition fees, grants, donations and charges for the use of facilities)

- We obtained details of student fees and pupil numbers and performed substantive analytical procedures to develop an expectation of education income which was then compared to actual results.
- We also traced a sample of individual pupil fees to supporting documentation.
- No issues noted from our work on education income.

Market income

- We traced a sample of market income through to supporting documentation. No issues were noted.

Other Income

- We traced a sample of other income through to supporting documentation. No issues were noted.

Results and conclusion (continued)

Grants, donations and legacies (including contributions from City's Cash)

- No issues noted from our sample testing performed

Fees and charges (including admissions)

- No issues noted from our sample testing performed

INVESTMENT PROPERTY VALUATION

Contents

There is a risk over the valuation of investment properties where valuations are based on significant assumptions.

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Control Finding
Letter of Representation point

Risk description

- City's Cash holds an extensive portfolio of investment properties, which are reported at fair value at the balance sheet date.
- The Corporation has appointed two valuers relevant to City's Cash, who perform a year-end valuation based on data provided by the Surveyors Team at the Corporation.
- Due to the significant value of the investment properties and the high degree of estimation uncertainty, there is a risk over the valuation of these assets where valuations are based on assumptions, or where updated valuations have not been provided at the year-end.
- It is also noted that the impact of Covid-19 increased the level of uncertainty around property valuations around the year end.

Details

As part of our audit work, we have performed procedures including the following:

- Assessed the qualifications and competence of the valuers used
- Reviewed the instructions provided to the valuers and reviewed the valuers; skills to determine whether we can rely on management's expert
- Verified a sample of data provided to the valuers (such as rental income) to use as inputs within the valuation process
- Confirmed that the basis of valuation for each asset is appropriate based on their usage
- Reviewed assumptions used by the valuers and movements in values relative to market indices, and challenged valuations lying outside our expectations with the corresponding valuer.
- Consulted extensively with both our Real Estate and BDO Valuation teams regarding the reasonableness of the assumptions and benchmarks used for specific properties where a higher degree of judgement has been applied (for example more unique properties or developments
- Held meetings with the Surveyors Team and Valuers during the valuation process
- Compared movements in the valuation of assets year-on-year and investigated unusual movements.

Results and conclusion

- Our review of the instructions to the valuers and the valuers' skills and expertise did not identify any issues. We agreed that the basis of valuation for each property valued is appropriate.
- No issues were identified as a result of our work around the accuracy and completeness of the data provided by the Corporation to the valuers.
- Investment properties are valued by reference to highest and best use market value using an income based approach. Investment properties increased in value by £87.4m to £2,052.3m (4%) in 2019/20 driven primarily by the revaluation increment of £83.4m.

INVESTMENT PROPERTY VALUATION (CONTINUED)

Page 474

There is a risk over the valuation of investment properties where valuations are based on significant assumptions.

Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	■
Control Finding	
Letter of Representation point	■

Results and conclusion cont.

- We set yield expectations for the portfolio based on year-end market trends and property type (such as office, retail or industrial). These expectations also included consideration of a property's location and security of future income. We then compared the yields to our expectations, discussing properties outside of these further with the valuers.
- We consulted extensively with our Real Estate and Valuation teams, who confirmed that our base expectations and methodology were suitable for the portfolio of City's Cash.
- We note that due to the ongoing impact of Covid-19 as at the 31 March 2020, the valuers have included within their valuation reports, a "Material Valuation Uncertainty" clause in line with the guidance set out in the RICS Red Book Global. Due to a lack of comparable transactions around the year end they note that *"less certainty, and a higher degree of caution, should be attached to the valuations that would normally be the case."*
- Management are reviewing our suggestion to include reference to this uncertainty within the notes to the financial statements. We recommended some enhanced disclosure relating to the more specific considerations regarding the uncertainty in the context of the portfolio. Furthermore, given the potential significance of this uncertainty in the context of the assets of City's Cash, our audit opinion draws reference to this uncertainty by way of an "Emphasis of Matter".
- We have noted no other issues during the course of our testing.

PENSION LIABILITY VALUATION

Contents

Page 475

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	■
Control Finding	
Letter of Representation point	■

Risk description

The LGPS pension fund is required to report the pension liability for estimated promised future benefits for the whole fund.

The Corporation's share of the net liability, including its share of the assets held in the pension fund, is allocated across the funds in proportion to the payroll cost for each fund. The City Fund also reports the pension liability for the City Police pension scheme. This is an unfunded scheme.

An actuarial estimate of the liability is calculated by an independent firm of actuaries.

The estimate will be based on the submission of membership data from the 2019 triennial valuation exercise for the LGPS and the 2017 triennial valuation for the police pension, updated at 31 March 2020 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability

The proportion of the Pension Fund that relates to City's Cash is not separately identifiable and therefore 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 Corporation contributors to the scheme. The risk is therefore also focussed on the accuracy of this calculation.

Details

Our audit procedures undertaken as part of the Pension Fund audit and reviewed for the purposes of the City's Cash audit included the following:

- Assessed the qualifications and competence of the actuary through the use of PwC consulting actuary (auditor's expert);
- Reviewed the reasonableness of the assumptions used by Barnett Waddingham (management's expert) for the calculation of the liability against other local government and police pension actuaries' assumptions and other observable data using the benchmark range of acceptable assumptions provided by PwC consulting actuary (auditor's expert);
- Reviewed the controls for providing accurate membership data to the actuary;
- Checked the accuracy and completeness of the data set submitted to the actuary for the 2019 triennial valuation of the LGPS;
- Checked whether any significant changes in membership data had been communicated to the actuary;
- Discussed with the actuary the continuing impact of GMP equalisation and the McCloud judgement regarding age discrimination on the pension fund liability and impact on employer fund;
- Checked the accuracy of the calculations relating to the allocation of the share of the net assets across the funds in proportion to the employer's contribution's paid to the scheme; and
- Reviewed the reasonableness of the relevant disclosures in City's Cash relating to the basis of apportioning the net pension liability of the Corporation.

PENSION LIABILITY VALUATION (CONTINUED)

Contents

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	■
Control Finding	
Letter of Representation point	■

Results and conclusion

- We have agreed the disclosures to the information provided by the actuary
- We have taken assurance from the work undertaken on the Pension Fund audit regarding the review of the controls to ensure data provided to the actuary is complete and accurate.
- The allocation of the Corporation’s share of LGPS assets and liabilities as 46% in City’s Cash is reasonable based on the proportion of payroll costs for each Fund.
- A full assessment of the pension scheme assumptions is set out in the BDO report to the Committee on the City Fund. These are also set out in the representation letter.

OVERVIEW - OTHER RISKS

Other audit risks

Contents

Page 477

As either identified in our audit planning report dated 17 March 2020 or reflecting the subsequent Covid-19 pandemic, we assessed the following matters as being normal risks of material misstatement in the financial statements but areas of audit focus.

Audit Risk	Entities covered	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported in Completion report	Specific Letter of Representation Point	Discussion points for Audit Committee
4. Investment Valuations	CC	No	Yes	Yes	No	Yes	No
5. Related Party Transactions	All	No	No	Yes	Yes	Yes	No
6. Decommissioning Provision	CC	Yes	Yes	No	No	No	No
7. Going Concern Impact of Covid-19	All	No	No	No	No	Yes	No

Areas requiring your attention

INVESTMENT VALUATIONS

Page 478

There is a risk that investment valuations may not be corrected reported at year end.

Significant management judgement	
Use of experts	■
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Control Finding	
Letter of Representation point	■

Risk description

- The investment portfolio within City's Cash includes unquoted infrastructure, private equity holdings and pooled investment vehicles (held through unit trusts). The unquoted infrastructure funds and private equity funds are valued by the General Partner or fund manager using valuations obtained from the underlying partnerships and investments. The valuation of other funds are provided by individual fund managers and reported on a monthly basis.
- Valuations for private equity are provided at dates that are not coterminous with the year end for City's Cash and need to be updated to reflect cash transactions (additional contributions or distributions received) up to 31 March. There is a risk that private equity investments valuations may not be appropriately adjusted to include additional contributions or distributions at the year end.
- There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements

Details

Our audit procedures included the following:

- For unquoted infrastructure and private equity investments, we obtained direct confirmation of investment valuations from the General Partner or fund manager and obtained copies, where applicable, of the audited report on internal controls / audited financial statements of the underlying partnerships (and member allocations). We also considered if appropriate adjustments had been made to the valuations in respect of additional contributions to and distributions from the funds;
- For pooled investments, we obtained direct confirmation of investment valuations from the fund managers and agreed independent valuations, where available, provided by the custodian;
- Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds; and
- Agreed the allocation of amounts for each fund where there is pooling of investments across the funds.

INVESTMENT VALUATIONS (CONTINUED)

Page 479

There is a risk that investment valuations may not be corrected reported at year end.

Significant management judgement	
Use of experts	■
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Control Finding	
Letter of Representation point	■

Results and conclusion

We have agreed investments to confirmations received from investment managers.

We have confirmed a sample of listed investment balances to external published sources. We have also performed testing over purchases and sales of Investments.

Our testing of the private equity and other non listed elements of the portfolio identified that some investments were included in the initial workings provided to us based on the 31 December 2019 valuation, rather than as at 31 March 2020. This has subsequently been corrected by management in the final accounts (decreasing the value of investments by £2.9 million).

Our review of the control environment of the investment managers noted that 3 fund managers received qualified audit reports on internal controls (Lindsell Train, Majedie and Aviva). The value of investments held by these fund managers across the City of London Corporation at the year end was £205 million.

We recommend that the Financial Investment Board takes this into account when reviewing the performance of the individual fund managers.

Results and conclusion

We are satisfied that the overall valuation of financial investments is materially correct.

RELATED PARTY TRANSACTIONS

There is a risk that related party disclosures are not complete and accurate.

Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Control Finding	■
Letter of Representation point	■

Risk description

- Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit and Risk Management Committee.
- There is a risk that related party disclosures are not complete and accurate, and disclosed in accordance with FRS102 as required for City's Cash.

Details

As part of our audit work, we have completed the following:

- Gained an understanding of the controls and processes around the identification and disclosure of related party transactions.
- Obtained and reviewed related party declarations for all members, and cross-referenced these to Companies House and Charity Commission searches for completeness.
- Performed a search of the complete payables and receivables listings for City's Cash for identified potential related parties.

Results and conclusion

- During our review of declarations, it was noted that a number of declarations have not been completed accurately nor completely, with the member either leaving sections blank, or omitting to sign the forms. In a number of cases, subsequent online searches identified additional potential related parties which had not been declared on the forms. A control point has been raised regarding this matter.
- Four errors were noted during our review of the related parties disclosure, where transactions has either not been disclosed, or disclosed incorrectly. This has been updated in the latest draft accounts.
- No additional issues have been noted, however we await the receipt of the remaining declarations to enable us to complete our testing. If these are not received we will need to complete additional procedures to ensure completeness of related parties.

DECOMMISSIONING PROVISION

Page 481

There is a risk that the site remediation costs will not be calculated on a reasonable basis and not disclosed correctly.

- **Significant management judgement**
- **Use of experts**
- **Unadjusted error**
- **Adjusted error**
- **Additional disclosure required**
- **Control Finding**
- **Letter of Representation point**

Risk description

Barking Power, a subsidiary of City's Cash, is responsible for the rehabilitation of the current site. The decommissioning provision is in place to capture the costs associated with this rehabilitation. There is a risk that the costs of restructuring will not be calculated on a reasonable basis or disclosed correctly.

The provision has increased by £2.9m in the current year (representing an increase in the provision estimate of £5.3m offset by amounts utilised of £2.4m). There are significant estimates and assumptions which are incorporated into the assessment of the quantum of total site remediation costs including contingency costs and contractor risks. The judgmental nature of these estimates is considered to be the main contributor to the risk in relation to these balances.

Management engage third party experts to assist with the assessment of the costs to restore the site however additional top-side adjustments are recorded by management to increase the provision in excess of the figure provided by experts.

Description	Cost (£m)
Gross cost per G&T report	32.8
Less: Items not in compliance with UK GAAP	(17.9)
Net site remediation costs per G&T	**14.9**
Risk contingency	5.0
Other costs	2.4
CoL margin	1.1
Less: Utilised or spent	(2.4)
Provision as at balance sheet date	**20.9**

Details

We have undertaken the following audit procedures in this area:

- Obtained and reviewed the report produced by management's third party experts (Gardiner & Theobald (G&T));
- Evaluated whether management's expert has the necessary competence, capabilities, and objectivity for the purposes of accurately analysing the costs associated with decommissioning.
- Used professional scepticism on each category of cost built into the provision to determine if costs; were a present obligation due to past usage of the facility, were probable (more likely than not), and could be measured reliably;

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DECOMMISSIONING PROVISION (CONTINUED)

There is a risk that the costs of restructuring will not be calculated on a reasonable basis and not disclosed correctly.

Significant management judgement	■
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	■
Control Finding	
Letter of Representation point	■

Details continued

- Reconciled the overall provision balance to the figures within management's expert's report and understood the basis for additional items; and
- Challenged the costs provided for by management, tying figures back to independent expert reports (where applicable), testing reasonability of assumptions by using judgement, and performing recalculation of key calculations.

Results and conclusion

Based on the work performed, we have concluded the following:

- Management have engaged an appropriately competent and objective expert to assist in the calculation of the balance
- Amounts included within the provision for site restoration costs only include those items which have arisen as a result of past events and therefore meet the criteria for provisions under FRS 102
- Management have included additional amounts for risk contingency and other costs. The G&T report only includes 'tangible' costs such as physical demolitions and contractor costs. The other costs represents legal and consultancy costs and are considered appropriate. The risk contingency has increased significantly since the prior year. We have obtained underlying support for this balance (detailed assessment and quantification of risks). It is considered to be appropriate albeit at the prudent end of the range.

We therefore believe that the provision is appropriately stated as at 31 March 2020.

GOING CONCERN - IMPACT OF COVID-19

Page 483

In an uncertain environment where business continuity plans have been activated, forecasting future cash flows with any degree of certainty is challenging.

Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	■
Control Finding	
Letter of Representation point	■

Risk description

It is the Trustee's responsibility to make an assessment of the entities ability to continue as a Going Concern to support the basis of preparation for the financial statements. This is a requirement of both Charities Act 2011 and accounting standards.

This assessment should be supported by detailed cash flow forecasts with clear details of the key underlying assumptions, consideration of available finance throughout the forecast period, and a consideration of the forecast's sensitivity to reasonably possible variations in those assumptions along with any other relevant factors.

The 2019 Novel Coronavirus infection ('coronavirus') or 'COVID-19' outbreak poses a serious public health threat. It has interrupted the movement of people and goods throughout the world, and many levels of government are instituting restrictions on individuals and businesses. The resulting impact on financial reporting will be significant.

Details

For all entities, we have obtained an understanding of the business model, objectives, strategies and related business risk, the measurement and review of the entity's financial performance including forecasting and budgeting processes and the entity's risk assessment process. We have reviewed;

a. The 2021 City of London Corporation budget and medium term plan for City's Cash.

b. The Trustee's plans for future actions in relation to the going concern assessment including whether such plans are feasible in the circumstances.

c. We have considered managements response to Covid-19 and the assumptions that underpin this response.

d. We have considered the impact of financial covenants and headroom on those covenants.

e. The adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment and any material uncertainties that may exist.

Results and conclusion

We concur with management and the Trustee, that while there is uncertainty in relation to the impact of COVID-19 on City's Cash and the Sundry Trusts, this does not pose a material uncertainty and hence there is no impact on our audit opinion. We are content that there is adequate disclosure in the financial statements relating to going concern.

ESTIMATES

Contents

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Key Estimates

Defined Benefit Pension Scheme	See Page 13
The LGPS pension fund is required to report the pension liability for estimated promised future benefits for the whole fund. The Corporation's share of the net liability, including its share of the assets held in the pension fund, is allocated across the funds in proportion to the payroll cost for each fund. As at 31 March 2020 the allocation of the total Corporation's defined benefit pension for City's Cash decreased to 46% (2019, 47%). The fund position at the year end is based on a complex calculation with the assumptions having a significant impact on the value of the reported surplus/deficit.	
Fair Value of investment properties	
The fair value of investment property is determined by the valuers to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction.	See page 11
Going concern	
Management and the Trustee are required to consider at least the 12 month period from date of sign off in assessing the going concern assumption	See page 21
Investment Valuations	
Inappropriate assumptions may be used to value investments	See page 16
Amortisation of Goodwill	
Goodwill of £39.3m was generated as part of the purchase of Barking Power Limited and Thames Power Service Limited in FY 2018/2019. Goodwill is required to be amortised over its useful life. Goodwill is amortised over the maximum allowable period under FRS102, 10 years.	Management have currently been unable to confirm the eventual use of the Barking site due to ongoing planning and other considerations. We noted during review of the Policy and Resources Committee minutes Members demonstrate continued support for consolidating the markets on this site.

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Contents

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Fraud

Whilst the Trustee has ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the audit plan on 17 March 2020.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We identified the following significant matters in connection to related parties

- A number of declarations have been returned by members either incomplete or unsigned. This is likely to hinder management in the preparation of a complete and accurate related party disclosure.

Laws and regulations

The most significant general legislation for your entities are Charities Acts, VAT legislation, Employment Taxes, Health and Safety and the Bribery Act 2010. We made enquiries of management and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

OVERVIEW: AUDIT DIFFERENCES AND DISCLOSURES

Summary for the current year

Contents

Unadjusted audit differences:

We are required to bring to your attention unadjusted differences and we request that you correct them.

No unadjusted audit differences have been identified by our audit work for City's Cash.

A small number of unadjusted differences have been identified in the Sundry Trust entities. See pages 27-30 for more detail.

Unadjusted financial reporting matters

We are required to bring to your attention financial reporting disclosure omissions and improvements that the Audit Committee is required to consider.

At this stage we are working with management to finalise financial reporting matters. We will provide a verbal update at the meeting.

Adjusted audit differences

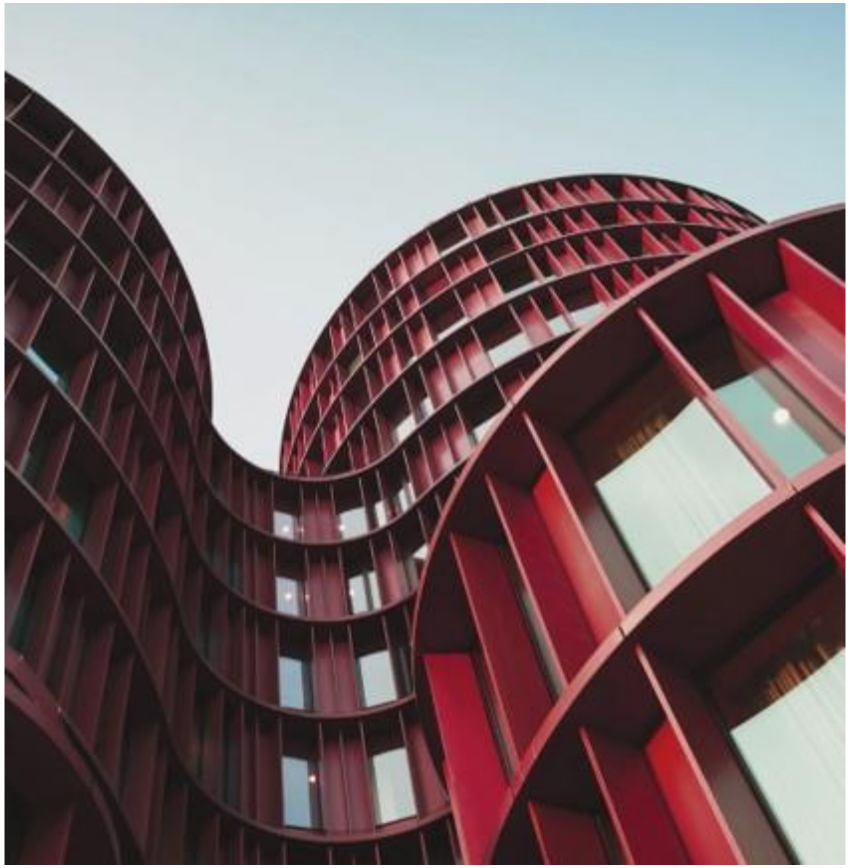
A small number of audit adjustment have been posted through the accounts by the finance team subsequent to the draft accounts presented for audit.

Details of the adjusted audit differences can be found on pages 24-26.

Adjusted financial reporting matters

At this stage we are working with management to finalise financial reporting matters. We will provide a verbal update at the meeting.

See page 31 for more detail.



ADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

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There were 3 differences identified during the audit, 1 by Management and 2 by our audit work that were adjusted by Management after providing us with the first draft accounts. This decreased draft net expenditure by £0.8m and increased draft net assets of by £0.8m. In addition to this, 1 further audit adjustment of £2.9m (see slide 17) was identified by our audit work and corrected by management prior to producing the first draft accounts.

ADJUSTED AUDIT DIFFERENCES: CITY'S CASH

Details for the current year

	Income and expenditure		Balance sheet	
Adjusted audit differences	**£'000**	**£'000**	**£'000**	**£'000**
Adjustment 1: To correctly accrue for loan interest for the last 19 days of the financial year				
DR Interest expense	310			
CR Accruals				(310)
Adjustment 2: To correctly recognise loan arrangement fees and amortise over the life of the loan rather than expense				
DR Borrowings			1,084	
CR Expenditure		(1,084)		
Adjustment 3: To reverse a manual adjustment for insurance premiums paid in advance and recharged to other entities				
DR Prepayments			2,088	
CR Creditors				(2,088)
Total Adjusted audit differences	310	(1,084)	3,172	(2,398)

ADJUSTED AUDIT DIFFERENCES: SIR THOMAS GRESHAM CHARITY

Details for the current year

		Income and expenditure		Balance sheet	
Unadjusted audit differences	£000	£000 Dr	£000 Cr	£000 Dr	£000 Cr
Net expenditure for the year before adjustments	(2)				
Adjustment 1: Council tax incorrectly charged					
Dr Other creditors				0.5	
Cr Expenses			(0.5)		
Net expenditure for the year if adjustments accounted for	(1.5)				

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UNADJUSTED AUDIT DIFFERENCES: WEST HAM PARK

Details for the current year

		Income and expenditure		Balance sheet	
Unadjusted audit differences	£000	£000 Dr	£000 Cr	£000 Dr	£000 Cr
Net expenditure for the year before adjustments	(10)				
Adjustment 1: Incorrect recognition of accrual					
DR Accruals				5	
CR Expenditure			(5)		
Net expenditure for the year if adjustments accounted for	(5)				

UNADJUSTED AUDIT DIFFERENCES: SIR THOMAS GRESHAM CHARITY

Details for the current year

		Income and expenditure		Balance sheet	
Unadjusted audit differences	£000	£000 Dr	£000 Cr	£000 Dr	£000 Cr
Net expenditure for the year before adjustments	(2)				
Adjustment 1: Leased asset amortised over incorrect period					
Dr Reserves				0.6	
Cr Leased Asset					(0.6)
Net expenditure for the year if adjustments accounted for	(2)				

UNADJUSTED AUDIT DIFFERENCES: WEST WICKHAM COMMON AND SPRING PARK COULSDON & OTHER COMMONS

Details for the current year

		Income and expenditure		Balance sheet	
Unadjusted audit differences	£000	£000 Dr	£000 Cr	£000 Dr	£000 Cr
Net expenditure for the year before adjustments	(9)				
Adjustment 1: Debtor no longer deemed recoverable					
DR Bad debt provision		34			
CR Debtors					(34)
Adjustment 2: Incorrect expense recognition					
DR Creditors				1.2	
CR Expenditure			(1.2)		
Net expenditure for the year if adjustments accounted for	(41.8)				

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ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

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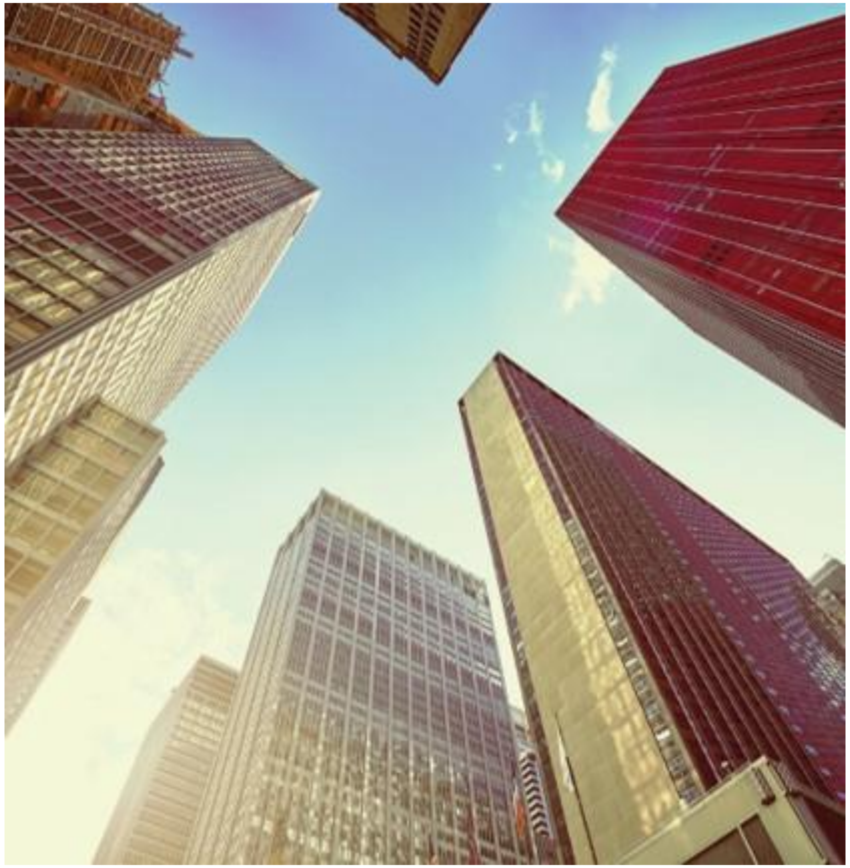
We are required to bring to your attention other financial reporting matters that the Audit & Risk Management Committee is required to consider.

We have made various suggestions to enhance the report and financial statements with the primary focus of these comments relating to additional disclosures relating to Covid-19 and the material uncertainty relating to investment properties.

Our comments have been taken into consideration by management and are being considered for inclusion in subsequent drafts of the annual report.



ADDITIONAL MATTERS

Details for the current year

We have comments on the following additional matters:

	Significant matter	Comment
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Significant matters that arose during the audit that were discussed or were subject to correspondence with management	We encountered some challenges with regards to obtaining hard copy supporting documentation and timeliness in our audit work due to remote working as a result of COVID-19 government lockdown.
3	Serious incident reporting	One Serious Incident Report has been submitted to the Charity Commission in the year in relation to the City of London Almshouses
4	Written representations which we seek.	We enclose a copy of our draft representation letter
5	Any fraud or suspected fraud issues.	No exceptions to note.
6	Any suspected non-compliance with laws or regulations	No exceptions to note.
7	Any misstatements in opening balances that exist in the current period financial statements	No exceptions to note.
8	Significant matters in connection with related parties.	See page 18 for detailed findings regarding related parties.
9	Any other significant matters arising relevant to the oversight of the financial reporting process	No matters noted.

CONTROL ENVIRONMENT: OBSERVATIONS NOTED

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit Committee.

We have not identified any significant deficiencies in internal control. One control observation is noted below.

As the purpose of the audit is for us to express an opinion on the financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Area	Observation	Implication	Recommendation	Management response
Related Party Transactions	During testing, it was noted that a number of related party declarations have been returned by members with sections missing. When performing our own checks, we have noted that these members do have potential related parties that they have not disclosed.	Not receiving complete declarations may lead to management not identifying related party transactions during the accounts preparation process, and may also influence financial decisions during the year if a related party is not included on a register of interest.	We recommend that the importance of the declarations is reinforced to all members, through training if necessary. These declarations should then be reviewed when returned to ensure all information is complete before they are then subject to our review and consideration.	We confirm that we will be reviewing the processes for related party transactions during the year.

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AUDIT REPORT OVERVIEW

Contents

Opinion on financial statements

We anticipate issuing an unmodified opinion on all financial statements.

Emphasis of Matter

We anticipate issuing two audit opinions with an emphasis of matter paragraph;

- City's Cash - the enhanced disclosures relating to areas of estimation and uncertainty pertaining to the valuation of investment properties
- The City of London Education Trust - as this charity is due to be wound up the financial statements are prepared on a basis other than going concern.

These opinions are not qualified, the enhanced disclosures within the respective financial statements detailed above have resulted in a reference in our audit opinion as an "Emphasis of Matter" given the potential impact on the financial statements.

Comments on the Annual Report and statutory other information

We have identified no material misstatements in the statutory other information accompanying the financial statements.

Other information

We have reviewed the other information accompanying the financial statements in the annual report. We have not identified any material misstatements that would need to be referred to in our report.

INDEPENDENCE

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Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2020.

Details of services, other than audit, provided by us to City's Cash and the Sundry Trusts during the period and up to the date of this report were provided in our planning report. We understand that the provision of these services was approved by the Audit Committee in advance in accordance with the Charity's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our planning report.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of City's Cash and the Sundry Trusts.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of City's Cash and the Sundry Trusts.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

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Fees summary for year ended 31 March 2020

	£
City's Cash Financial Statements	146,000
Total non-audit services	-
Total fees	**146,000**

OUTSTANDING MATTERS

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We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2020.

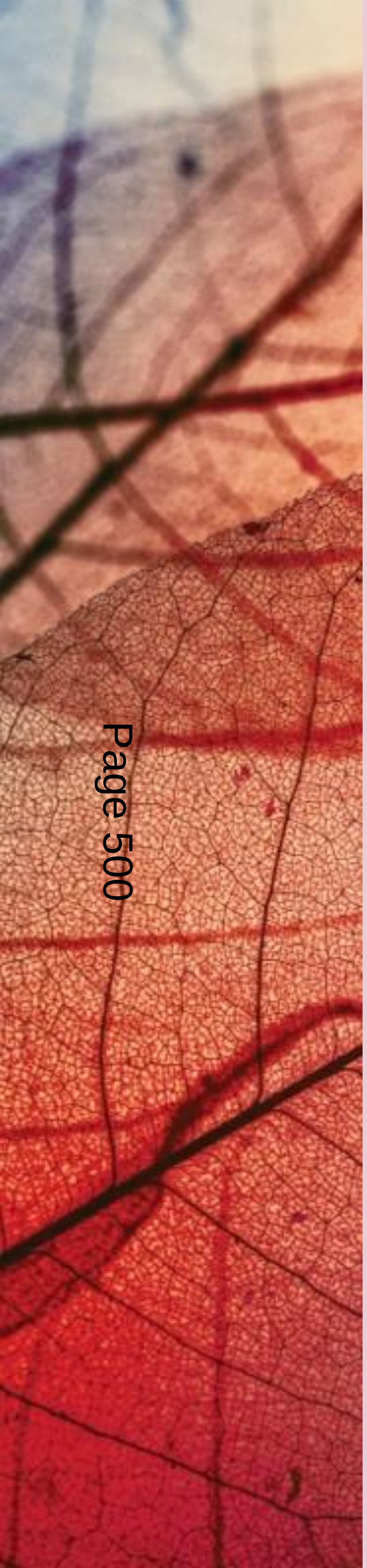
The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Committee meeting at which this report is considered:

City's Cash

- A number of related party declarations are currently outstanding from members.
- Two confirmations remain outstanding for the Private Placement
- CoL legal review of the Private Placement agreement to ensure basic instrument and no embedded derivatives
- A small number of outstanding information requests with management
- Review of amended financial statements
- Subsequent events review to date of signing the financial statements
- Receipt of signed letter of representation for all entities

Sundry Trusts

- Our work on the Trusts is substantially progressed, however, our audit work remains ongoing. There is some information outstanding with management and there is likely to be further information requests and questions from the audit team to order to conclude on all areas of work.
- Review of amended financial statements
- Subsequent events review to date of signing the financial statements
- Receipt of signed letters of representation for all entities



APPENDICES CONTENTS

TRUSTEE'S RESPONSIBILITIES EXPLAINED

The Trustee's Responsibilities and Reporting

The Members are responsible for preparing and filing an Annual Report and financial statements which show a true and fair view, comply with the Charities SORP, prepared in accordance with UK GAAP.

Our audit of the financial statements does not relieve Management nor those charged with governance of their responsibilities for the preparation of the financial statements.

Further information regarding these responsibilities is provided in the engagement letter.

Trustee responsibilities	What this means
• Maintain adequate accounting records and maintain an appropriate system of internal control. • Prepare the annual report and the financial statements which give a true and fair view and which are prepared in accordance with UK Generally Accepted Accounting Practice • Safeguard the assets of the organisation and take reasonable steps for the prevention and detection of fraud and other irregularities.	Further information regarding these responsibilities is provided in the engagement. We are happy to explain these in more detail to you.
To make available to us, as and when required, all accounting records and related financial information. To provide us with Committee papers on key issues including but not limited to: • Review of business risks • Going concern assessments • Impairment reviews • Any key judgments and estimates.	This includes information required from subsidiary entities incorporated in the UK and officers, employees or auditors of those subsidiary entities.
Having made enquiries state in the Trustee's report that: • So far as Members (on behalf of the Trustee) are aware, there is no relevant audit information of which the auditors are unaware • Members have taken all reasonable steps they ought to have taken on behalf of the Trustee in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.	In addition to answering our queries, this requires proactive behaviour in order to make us aware of any relevant information. Relevant information is very broad and includes any information needed in connection with our report.

OUR RESPONSIBILITIES

Responsibilities and reporting

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Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members.

We report only those matters which come to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements.

We are also required to report on the consistency of the Annual report with the Financial Statements and our knowledge of the organisation and their environment obtained in the course of the audit and whether they have been prepared in accordance with the requirements of FRS102 and the Charities SORP.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the board and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

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FRAUD RISK

Respective responsibilities

In accordance with the International Standards on Auditing (UK) we are required to discuss with you the possibility of material misstatement, due to fraud or error. Below is a summary of the respective responsibilities of the Members, management, and the Auditor with regards to fraud:

Trustees' Responsibility

- To evaluate management's identification of fraud risk, and implementation of anti-fraud measures; and
- To investigate any alleged or suspected instances of fraud brought to their attention.

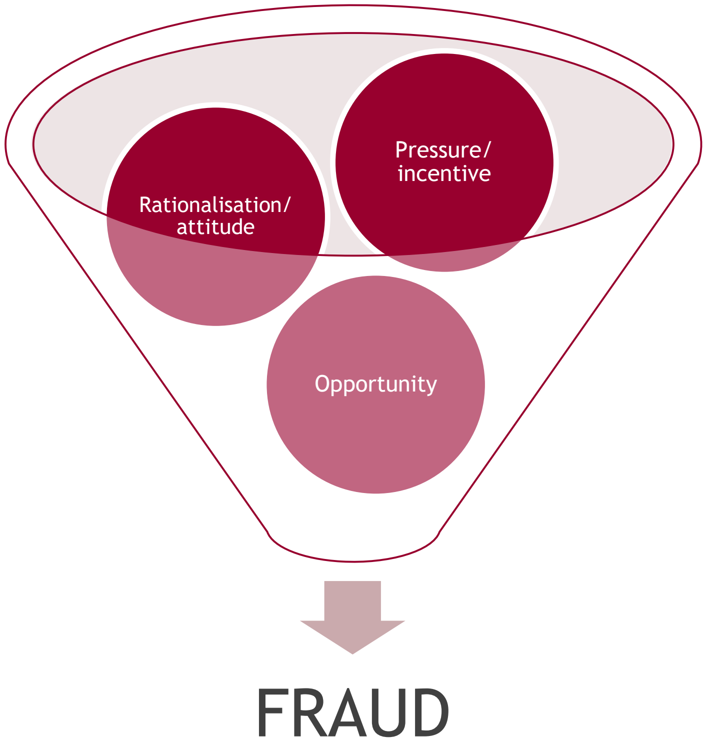
Management's Responsibility

- To design and implement systems and controls that enables the organisation to prevent and detect fraud;
- To ensure that the organisation's culture promotes ethical behaviour; and
- To perform a risk assessment that specifically includes the risk of fraud, and consideration of whether having a whistleblowing policy in place.

Auditor's Responsibility

- To evaluate and obtain sufficient appropriate audit evidence regarding the assessed risk of material misstatement due to fraud;
- To identify and assess the risks of material misstatement of the financial statements due to fraud; and
- To report fraud to an appropriate authority outside the entity where there is a suspected or actual instance suggesting dishonesty or fraud.

The auditor would also report to those charged with governance subject to "tipping-off" provisions under anti-money laundering legislation.



We will continue to consider fraud throughout the audit process and will discuss with the Audit & Risk Management Committee. We will liaise with management to determine any actual, suspected or alleged fraud known to them. We will discuss with management any knowledge they have of suspected or alleged fraud.

We will consider management's process for identifying and responding to the risks of fraud, including the nature, extent and frequency of such assessments. We ask that Members advise us if they do not concur with the assessment made by management in your management representation letter to us.

The key questions we are required to ask the Members are as follows:

- Are you aware of any instances of actual, suspected or alleged fraud?;
- What are your processes for identifying and responding to the risk of fraud?; and
- What communication is made with the Audit & Risk Management Committee with regards to processes for identifying and responding to the risk of fraud?

COMMUNICATION WITH YOU

Contents

Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Audit and Risk Management Committee acting on behalf of the Trustee. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit and Risk Management Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

AUDIT QUALITY

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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Charity Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

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MATERIALITY: ALL ENTITIES

The basis for setting materiality for the funds is set out in the Executive Summary. Overall financial statement materiality has been assessed against a benchmark of assets held by each entity. A lower, specific materiality, has been set with reference to income and expenditure in the performance statement.

	2019/20			
	Materiality	CT	Specific materiality	Specific CT
City's Cash	£68.4m	£1.3m	£8.7m	£0.1m

The basis for setting materiality for the sundry trusts, is expenditure for all Trusts whose deficits are funded by City of London Corporation and gross assets for all other Trusts/entities.

A lower specific materiality has been set for those entities whose items of income and expenditure are significantly lower than the asset base.

The Audit and Risk Committee approved a de-minimis reporting level of £1,000 at the planning stage however our audit procedures have considered any items at the lower levels of clearly trivial (as set out below) both individually and in aggregate.

	2019/20			
	Materiality	CT	Specific materiality	Specific CT
	£	£	£	£
Consolidated Entities				
Ashtead Common Preservation of the common at Ashtead	11,000	1,000	-	-
Burnham Beeches Preservation of the open space known as Burnham Beeches	27,000	1,000	-	-
Epping Forest Preservation of Epping Forest in perpetuity	136,000	2,700	357,000	7,000
Hampstead Heath (consolidated) Preservation of Hampstead Heath for the recreation and enjoyment of the public	938,000	18,750	492,500	30
Hampstead Heath Trust To meet a proportion of the maintenance cost of Hampstead Heath	401,000	8,000	406,500	8,100
Highgate Wood & Queens Park Kilburn Preservation of Hampstead Heath for the recreation and enjoyment of the public	30,500	1,000	-	-

MATERIALITY: ALL ENTITIES

	2019/20			
	Materiality	CT	Specific materiality	Specific CT
	£	£	£	£
West Ham Park To maintain and preserve the Open Space known as West Ham Park	32,500	1,000	-	-
West Wickham Common and Spring Park Coulsdon & Other Commons Preservation of West Wickham Common and Spring Park Coulsdon & Other Commons	25,000	1,000	-	-
Keats House Maintenance of Keats House	7,500	1,000	-	-
Sir Thomas Gresham Charity To provide a programme of public lectures	1,000	1,000	-	-
Sundry Trusts				
Charities Administered ICW the City of London Freemen's School Promotion of education through prizes	3,400	1,000	-	-
City Educational Trust Fund Advancement of education through grants	62,750	1,250	4,350	1,000
City of London Almshouses Almshouses for poor or aged people	62,200	1,200	13,200	1,000
City of London Corporation Combined Education Charity Advancing education by the provision of grants and financial assistance	18,000	1,000	-	-
City of London Corporation Relief of Poverty Charity Relief of poverty for widows, widowers or children of a Freemen of the City of London	9,500	1,000	-	-
City of London Freemen's School Bursary Fund Promotion of education through bursaries	17,000	1,000	-	-

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MATERIALITY: ALL ENTITIES

	2019/20			
	Materiality	CT	Specific materiality	Specific CT
	£	£	£	£
City of London School Bursary Fund Promotion of education through bursaries, scholarships and prizes	64,000	1,250	-	-
City of London School Education Trust Advancing education	1,000	1,000	-	-
City of London School for Girls Bursary Fund Promotion of education through bursaries, scholarships and prizes	77,650	1,550	44,750	1,000
Corporation of London Charities Pool Investments pool for Sundry Trusts	350,000	7,000	69,650	1,350
Emmanuel Hospital Payment of pensions and financial assistance to poor persons	52,350	1,000	-	-
Guildhall Library Centenary Fund Provision of education and training in library, archives, museum, and gallery services	1,000	1,000	-	-
King George's Field Open space for sports, games and recreation	1,000	1,000	-	-
Samuel Wilson's Loan Trust Granting of low interest loans to young people who have or are about to set up in business	44,650	1,000	4,200	1,000
Sir William Coxen Trust Fund Granting of assistance to eligible charitable trusts in the form of donations	43,650	1,000	-	-
Vickers Dunfee Memorial Benevolent Fund Financial assistance to distressed past and present members of the City of London Special Constabulary and their dependents	11,500	1,000	-	-

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LETTER OF REPRESENTATION

TO BE TYPED ON YOUR HEADED NOTEPAPER

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex, RH6 0PA

Dear Sirs

Financial Statements of City's Cash for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of City’s Cash and its subsidiaries (together "the financial statements") for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of the City of London Corporation and officials of City’s Cash and other group entities as appropriate.

We have fulfilled our responsibilities as the City of London Corporation for the preparation and presentation of the group and City’s Cash financial statements as set out in the terms of the audit engagement letter, and in particular that the financial statements give a true and fair view of the financial position of the group and City’s Cash as at 31 March 2020 and of the results of the group's and City’s Cash operations and cash flows for the year then ended in accordance with the applicable financial reporting framework and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the City’s Cash have been made available to you for the purpose of your audit and all the transactions undertaken by City’s Cash have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and trustees’ any other key City of London Corporation committee meetings have been made available to you.

Going concern

We have made an assessment of the group's and City’s Cash's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the group and City’s Cash are able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment, we considered the financial impact of Covid-19. We have appropriately disclosed the inherent uncertainty in our operating environment and its impact on our going concern assessment in our financial statements and narrative reports.

Having performed our assessment we were able to conclude that the charity is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the group's and City’s Cash’s ability to continue as a going concern.

LETTER OF REPRESENTATION

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Laws and regulation

In relation to those laws and regulations which provide the legal framework within which our business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

Other than those disclosed in note 23, there have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below.

In our opinion, the effects of not correcting such identified misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable accounting framework.

Other than as disclosed in note 22 to the financial statements, there were no loans, transactions or arrangements between the group and the members of the corporation or their connected persons at any time in the year which were required to be disclosed.

In the opinion of the City of London Corporation City's Cash has no controlling party.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

LETTER OF REPRESENTATION

Accounting estimates

1. Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of inflation (CPI): 1.9%
- Rate of inflation (RPI): 2.7%
- Rate of increase in salaries: 2.9%
- Rate of increase in pensions: 1.9%
- Rate of discounting scheme liabilities: 2.35%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

2. Valuation of investment properties

The property investment portfolio has been valued by Cushman and Wakefield and Savills in accordance with the RICS Global Standards 2020 as at 31 March 2020, based on tenancy and rental information that was correct at that date. We acknowledge the material uncertainty that accompanied the valuations from Cushman and Savills, and confirm the disclosures given in the financial statements are sufficient to bring a readers attention to this. *(To be confirmed once disclosures are made within the financial statements)*

3. Valuation of private equity investments

We confirm that private equity investments are valued based on the latest available information from the individual private investment fund managers as at 31 March 2020 and therefore represent fair value of the funds as at the balance sheet date.

4. Amortisation of Goodwill

We confirm that goodwill arising from the acquisition of Barking Power Limited and Thames Power Service Limited which is being written off over 10 years, currently represents our best estimate of its useful life, taking into account the ongoing discussions regarding the future of the site.

We confirm that no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

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LETTER OF REPRESENTATION

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each trustee has taken all the steps that they ought to have taken as a member in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Peter Kane

(Signed on behalf of the Trustee)

Date: ……………………..

Contents

FOR MORE INFORMATION:

Fiona Condron

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m: +44(0)7979 706 565
e: fiona.condron@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the Charity and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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