



Audit and Risk Management Committee

Date: TUESDAY, 22 NOVEMBER 2022
Time: 2.00 pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

6. **2020-21 CITY FUND AND PENSION FUND STATEMENT OF ACCOUNTS
APPROVAL**

For Decision
(Pages 3 - 218)

Item received too late for circulation in conjunction with the Agenda.

John Barradell
Town Clerk and Chief Executive

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Agenda Item 6

Committee(s): Audit and Risk Management Committee – For decision	Dated: 22/11/2022
Subject: 2020-21 City Fund and Pension Fund Statement of Accounts Approval	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	6/7
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: The Chamberlain	For Decision
Report author: Neilesh Kakad, Chief Accountant	

Summary

Following the delay in approving the 2020-21 City Fund and Pension Fund Statement of Accounts we are now in a position to present the accounts for final review and approval. Whilst approval of the accounts was received by your Committee in November 2021, a late query regarding disclosures supporting the cashflow statement prevented final audit sign off. This was then further delayed by a national issue on the accounting of infrastructure assets arising, which meant all audit firms stopped issuing audit opinions until further guidance was issued by CIPFA/Govt.

This latter issue remains pending, with Govt consulting on a possible remedy at the time of writing. Due to this impending change, a final audit opinion has not been issued as audit firms await the outcome of the consultation to guide their opinion. However, the accounts are being presented for approval as our auditors, BDO, have completed their work aside from assessing the impact of this potential regulatory change, and therefore can provide their opinion on all but this one matter. Their audit completion reports can be found in appendix 2 and 3 of this report. The auditors annual report, which sets out the value for money conclusion, can be found in appendix 5.

An unqualified opinion will be issued on the accounts except for infrastructure assets. Subject to the current consultation this opinion would be extended to the whole accounts should a suitable regulatory change be agreed. If this isn’t agreed, we would expect an “except for” opinion to be issued, which would qualify this element of the accounts.

The key changes to the accounts from the previous circulation are:

1. Revision to note 32 supporting the cashflow statement, where the gross movements in investments i.e. sales and purchase amounts, are disclosed

rather than the net movement. This did not change the overall position on City Fund.

2. Incorporation of the Great Arthur House legal judgement where the City Corporation is no longer able to recover certain costs from leaseholders. This was previously disclosed as a contingent liability. This change reduced debtors by £3.4m, with the shortfall in historic capital funding being met from capital receipts.
3. The final version of the 2020-21 Annual Governance Statement has been incorporated.

Recommendation(s)

The Audit and Risk Management Committee are asked to:

- Consider the content of BDO's audit completion reports;
- Recommend approval of the 2020-21 City Fund and Pension Fund Statement of Accounts to Finance Committee, acknowledging the outstanding issue regarding infrastructure assets is still to be resolved; and
- Delegate authority to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, approval of any material changes to the financial statements required before the signing including agreement of the final audit opinion to be issued linked to the resolution of the accounting of infrastructure assets.

Main Report

Background

1. The 2020-21 City Fund and Pension Fund Statement of Accounts were previously presented to your November 2021 Committee for approval with the expectation that final sign-off would be achieved in December 2021.
2. This process was delayed due to a late audit issue arising with respect to a disclosure note supporting the cashflow statement and a national technical accounting issue on the accounting of infrastructure assets. This latter issue meant all outstanding audits were prevented from being signed off until a resolution has been agreed, which is being led by the Chartered Institute of Public Finance and Accountancy (CIPFA) along with Govt.
3. The 2020-21 City Fund and Pension Fund audits have therefore remained open until these issues have been resolved.

Current Position

4. Whilst there have been several timelines in which resolution of the infrastructure assets issue was to be resolved, agreement has yet to be reached on a way forward, with Govt currently consulting on a proposed solution which seeks to limit the need for disclosure changes and avoid mass qualification of local authority accounts (a copy of the consultation, which set out the issue and the proposed solution, can be found in appendix 4). As has been the case since this issue arose, audit firms are withholding audit opinions until clarity is reached on this issue.
5. Whilst awaiting this guidance, all other areas of audit work have been completed. A revised copy of the accounts can be found in appendix 1, with copies of BDO's audit completion reports for City Fund and the Pension Fund found in appendix 2 and 3 respectively. The auditors annual report, which set out in more detail the value for money conclusion for the year, is found in appendix 5. Colleagues from BDO will talk through these documents at the committee meeting.
6. From the version of the accounts previously presented to you in November 2021, 3 changes have been incorporated which are:
 - Revision to note 32 supporting the cashflow statement, where gross movements in investments i.e. sales and purchase amounts, are disclosed rather than the net movement. This did not change the overall position on City Fund.
 - Incorporating the impact of Great Arthur House judgement where the City Corporation is no longer able to recover certain costs from leaseholders. This was previously accounted for as a contingent liability. This change reduced debtors by £3.5m, with the shortfall in historic capital funding being met from capital receipts.

- The final version of the 2020-21 Annual Governance Statement has been incorporated into the document.
7. In all other respects the accounts are substantively as per those presented to you previously. The report submitted in November 2021 is included in the background papers which sets out the key movements within the accounts.
 8. The accounts are being presented to your Committee at this time to enable a quick resolution once we are clear on the approach to infrastructure assets. Whilst we await this guidance, review and approval at this stage will allow for:
 - Comment and queries on the accounts from the Committee to be addressed and any agreed amendments to be incorporated.
 - Comment and challenge on the work of BDO, which is largely complete.
 - Provide the required assurance to Finance Committee supporting sign off of the accounts, where delegate authority is in place to complete this process.
 - Enable the full engagement of our new City Fund and Pension Fund auditors, Grant Thornton, who are dependent on the 2020-21 audit being completed before starting their work on 2021-22.
 9. With respect to the audit work completed to date, an unqualified opinion is to be issued. However, this opinion may alter subject to the outcome of the current discussions regarding infrastructure assets. Should the current proposal be agreed as set out in appendix 4, the unqualified opinion would be extended to the whole of the accounts, with a minor presentational change required of the infrastructure asset numbers.
 10. Should this change not be agreed, continuing the delay in concluding the audit, the option of an “except for” audit opinion would be explored where an unqualified opinion on the accounts would be given except for the area of infrastructure assets, where a qualified opinion would be reached.
 11. Whilst not ideal, this would allow us to move on from the current stalemate and enable Grant Thornton to fully take on their role as our new auditor, allowing this issue to be managed through the engagement of one auditor across the medium term.

Conclusion

12. It is proposed that approval of the 2020-21 City Fund and Pension Fund Statement of Accounts be recommended to Finance Committee, acknowledging the pending resolution of the infrastructure asset issue, with delegation to the Chairman and Deputy Chairman to agree the final position on this issue once guidance is published.

Corporate & Strategic Implications

Strategic implications – none

Financial implications - none

Resource implications - none

Legal implications - none

Risk implications - none

Equalities implications – none

Climate implications - none

Security implications - none

Appendices

- Appendix 1 – 2020-21 City Fund and Pension Fund Statement of Accounts A&RM 2022.
- Appendix 2 – City Fund audit completion report (*to follow*)
- Appendix 3 – Pension Fund audit completion report
- Appendix 4 – DLUHC consultation on infrastructure accounting remedy
- Appendix 5 – 2020-21 Auditors Annual Report (*to follow*)

Background Papers

City Fund and Pension Fund Statement of Accounts 2020-21 (A&RM paper November 2021)

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THE CITY OF LONDON CORPORATION
Audited Statement of Annual Accounts for
the City Fund Year Ended 31 March 2021

Contents

Contents.....	2
Preface.....	3
The City of London Corporation's Responsibilities	18
Independent Auditor’s Report to the Members of the City of London Corporation	20
Core Financial Statements	21
Comprehensive Income and Expenditure Statement.....	22
Movement in Reserves Statement	23
Balance Sheet	24
Cash Flow Statement	25
Notes to the Core Financial Statements.....	26
Notes to the Comprehensive Income and Expenditure Statement.....	32
Notes to the Movement in Reserves Statement	44
Notes to the Balance Sheet.....	49
Notes to the Cash Flow Statement	82
Other Notes to the Accounts	85
Supplementary Accounts and Notes.....	91
Housing Revenue Account	92
Collection Fund Account	98
Police Pension Fund	102
Independent Auditors report to the Members of City of London Pension Fund	103
City of London Pension Fund Account	104
Accounting Policies	129
Annual Governance Statement	147
Further Information	159



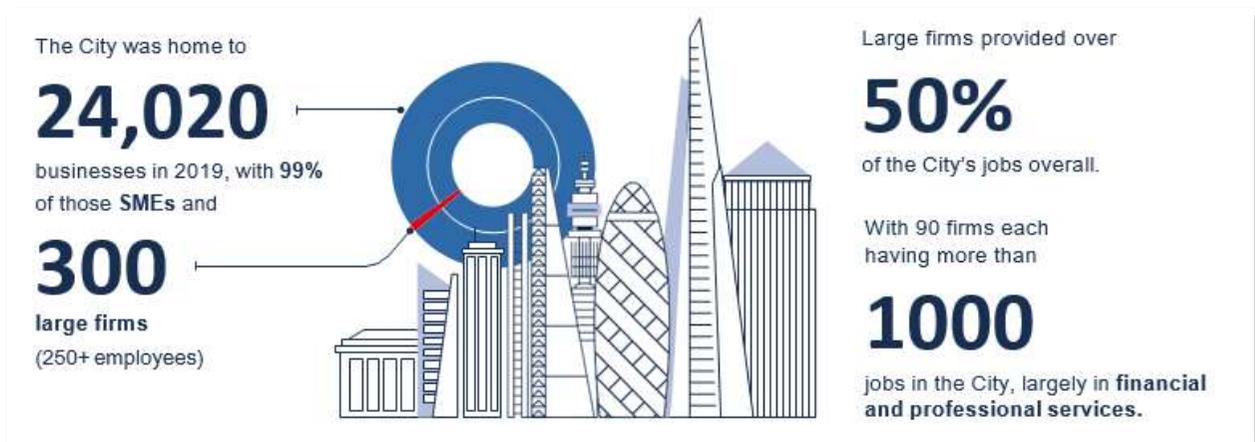
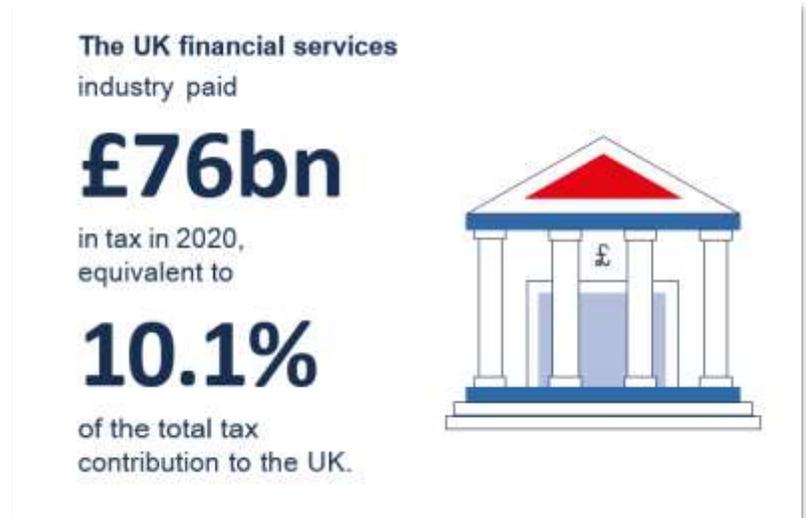
Preface

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 manages two funds, City Fund and City’s Cash, and is the sole trustee of Bridge House Estates, a long-standing charity which maintains Tower, London, Southwark, Millennium and Blackfriars Bridges. The funding arm of Bridge House Estates, City Bridge Trust, distributes funds surplus to bridge requirements and is London’s largest independent charitable funder. 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 deliver 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, in normal times 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 its 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 terrorism and cyber-crime as well as mitigating the impacts of climate change, 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.
- **Climate Action Strategy 2020-2027:** commits the City Corporation to net zero emissions in its operations by 2027 and net zero by 2040 on its full value chain and across the square mile.

OUR FUNDING STRUCTURE

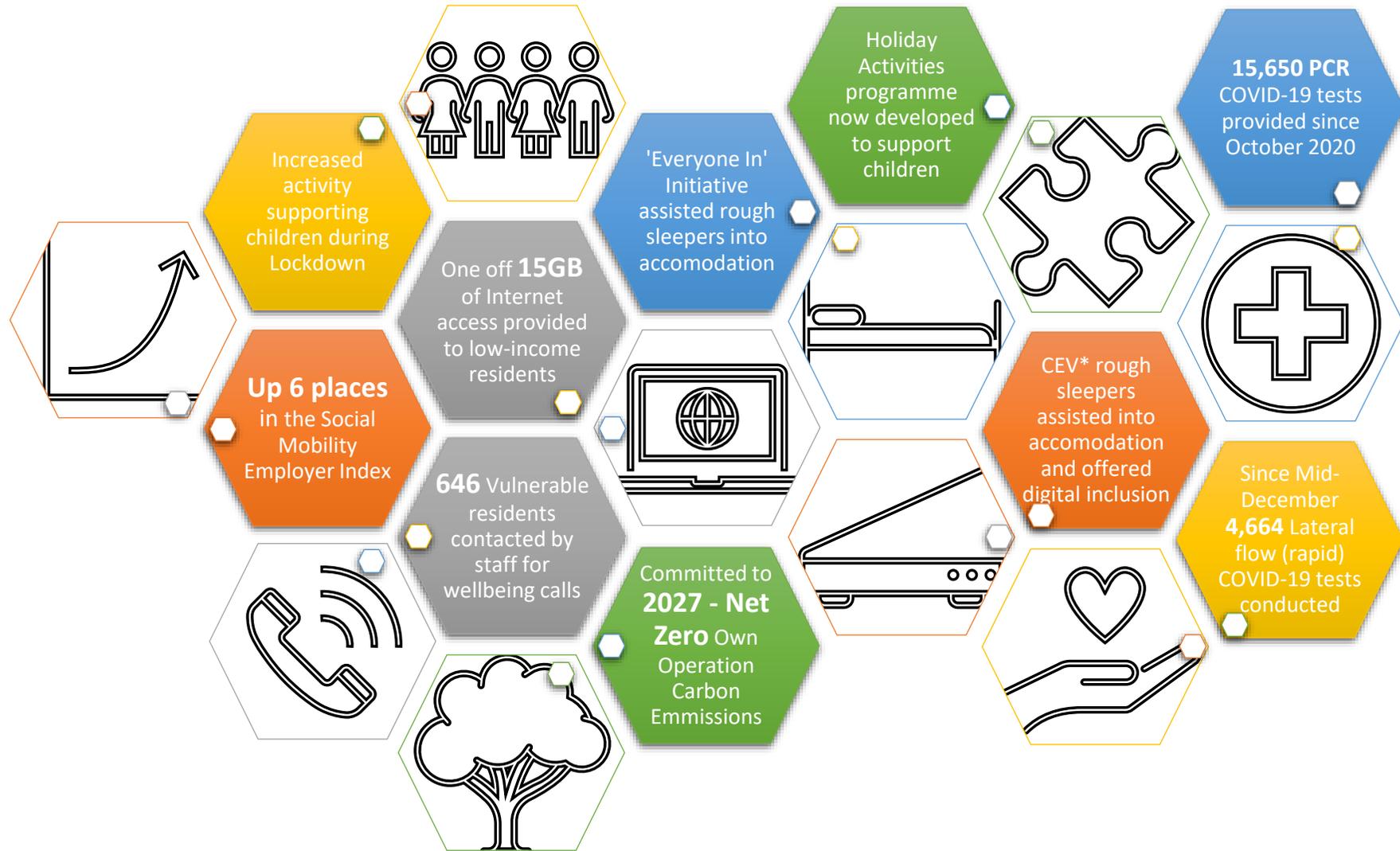
In common with other local authorities, City Fund receives funding via grants from central government, a share of business rates income and the proceeds of the local council tax. City Fund also generates rental and interest income to help finance its activities. A breakdown of these amounts for 2020-21 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.uk¹

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

Over the past year, our activities have been shaped by the impact of COVID-19 but we have also sort to further the aim and objectives we have set out in our corporate plan. The below highlight some of our achievement during this year.



Page 15

*Clinically Extremely Vulnerable

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 (A&RMC) 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 year, 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)	24
FTE trade union representative	23.6

Total pay bill and facility time costs 2020-21	£m
Total City of London pay bill	224.2
Total cost of facility time	0.1
Percentage of pay spend on facility time	0.03%

Percentage of working hours spend on facility time by union representative	No. of People
0% of working hours	19
1% to 50% of working hours	3
51% to 99% of working hours	2
100% of working hours	0
Total	24

FINANCIAL OUTLOOK

The City Corporation has 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, study and enjoy. City Fund is supporting the Combined Courts project, which will relocate the Magistrates court to a new world class facility. It is also jointly supporting the relocation of the Museum of London with the GLA in our capacity as joint funders of the organisation. 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:

- **COVID-19** – The consequences of global pandemic are yet to fully unfold, but during 2020-21 City Fund incurred £5.7m of additional costs and lost £29.8m of service-related income due to the pandemic. These impacts were in part offset by additional financial support from Government and limiting expenditure where possible. Some of these impacts will continue into 2021-22 and beyond, where restrictions are on-going and may have longer term effects through for example, new working practices reducing the flow of people in and out of the City and a continued need for social distancing in enclosed spaces. These changes have the potential to alter the financial make up of City Funds key income streams such as commercial rents, business rates and from tickets sales in areas like the Barbican Centre.
- **Spending Review** – With the Government providing significant financial support to the UK economy during the pandemic, it is likely that a level of public spending restrictions will be in place to manage the fiscal deficit, limiting any additional funding for Local Authorities.
- The **Fair Funding Review** of local government funding could shift resources away from London. Its implementation had been delayed due to COVID-19 and we are awaiting confirmation from Government their implementation plans.
- **Business Rates** – The expected changes to the Business Rate Retention System have been delayed due to COVID-19, but still present a significant risk to the City Corporation as this is a major source of funding for City Fund activity.

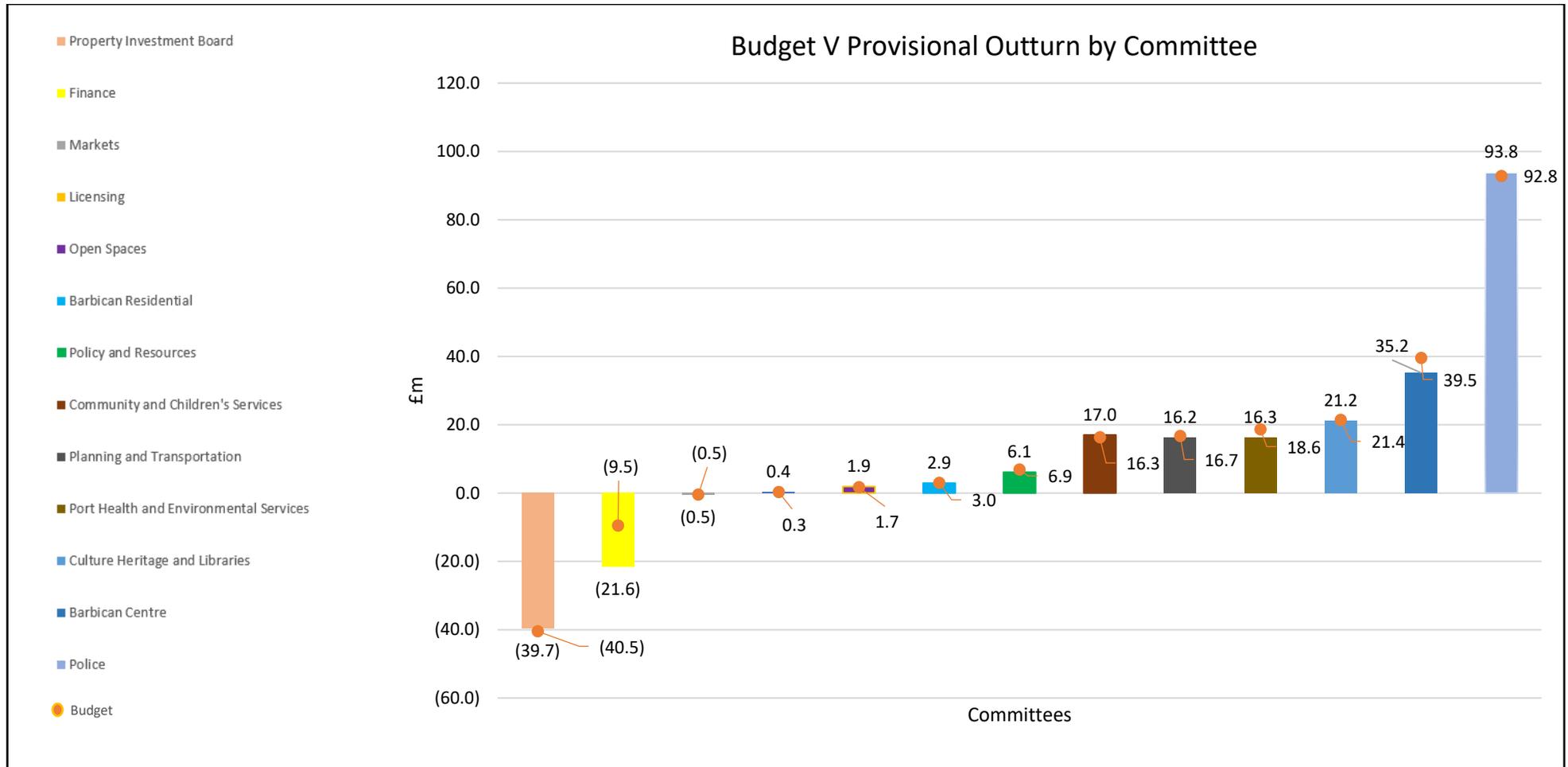
The below table sets out the current financial projections for City Fund across the medium-term planning horizon. City Fund is already committed to making savings due to its cost pressures and commitment to financing its major projects. Delivery of these savings will be essential to ensure City Fund remains in a financially sustainable position to deliver its corporate plan. City Fund maintains adequate levels of both general and earmarked reserves (£254.3m) to support its functions across the short to medium term.

City Fund Medium Term Forecast	21/22	22/23	23/24	24/25
	£'000	£'000	£'000	£'000
City Fund Surplus/(Deficit) before savings	(8.1)	6.1	(20.5)	(18.3)
Saving to be achieved	11.2	15.0	19.6	22.1
Social Care Precept Funding	0.2	0.2	0.2	0.2
City Fund Surplus/(Deficit) after saving and contributions	3.3	21.4	(0.7)	4.0
Deficit Fund from City Fund Reserves	0.0	0.0	0.7	0.0

2020-21 FINANCIAL SUMMARY

Revenue Budget

Our budget for 2020-21 was agreed by the Court of Common Council (the City Corporation's primary decision-making body) in March 2020 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 2020-21 was set at 0.8p. City Fund also benefits from a large property investment portfolio, overseen 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 2020-21. Taking into account service expenditure and funding from taxation and grants, the City Fund recorded a £36.2m underspend for the year. The most material variances and the reason for these are:

- Barbican Centre – Due to COVID restrictions, the Centre has been unable to fully operate throughout 2020-21 and whilst it has incurred substantial income losses, the Centre has also made savings in production costs. It should be noted that an additional £11.4m of funding was added during 2020-21 to assist the Centre in managing the impact of COVID-19. Without this action the outturn variance would be significantly worse.
- Finance – A reduction in the financing requirements for capital projects and repairs and maintenance, both due to COVID-19 related delays, and a delay in drawing down central contingencies has resulted in an underspend.

2019/20		2020/21 Budget v Outturn - City Fund Summary by Committee		
		Budget	Provisional	Variation (Better)/Worse
Outturn	Net Expenditure (Income)	Net	Outturn	Total
£m		£m	£m	£m
27.8	Barbican Centre	39.5	35.2	(4.3)
2.0	Barbican Residential	3.0	2.9	(0.1)
14.0	Community and Children's Services	16.3	17.0	0.7
21.7	Culture Heritage and Libraries	21.4	21.2	(0.2)
(19.7)	Finance	(9.5)	(21.6)	(12.1)
0.2	Licensing	0.3	0.4	0.1
(0.8)	Markets	(0.5)	(0.5)	0.0
1.8	Open Spaces	1.7	1.9	0.2
16.2	Planning and Transportation	16.7	16.2	(0.5)
81.0	Police	92.8	93.8	1.0
6.3	Policy and Resources	6.9	6.1	(0.8)
17.5	Port Health and Environmental Services	18.6	16.3	(2.3)
(42.8)	Property Investment Board	(40.5)	(39.7)	0.8
125.2	City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves.	166.7	149.2	(17.5)
(0.3)	Transfer from City of London Police Reserve		(1.0)	
(167.2)	Funding from Taxation and Grants		(184.4)	
(42.3)	Transfer to City Fund Balance		(36.2)	

The main variances between the previous financial year and 2020-21 which are shown in the table above are explained below:

- Community and Children's Services – There has been an increase in expenditure in relation to COVID-19. This has been spent on areas such as Adult Social Care, children's services and accommodation for the homeless.
- Police – In line with the Government expansion of police numbers, net expenditure has increased from the previous year to reflect the recruitment to these posts and additional cost related to the Combined Criminal Court major project.
- Property Investment Board – During the year there has been a fall in rental income on operational investment property across the City. This is in part due to the rent-free periods offered during the pandemic to support businesses and voids in property rentals.

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

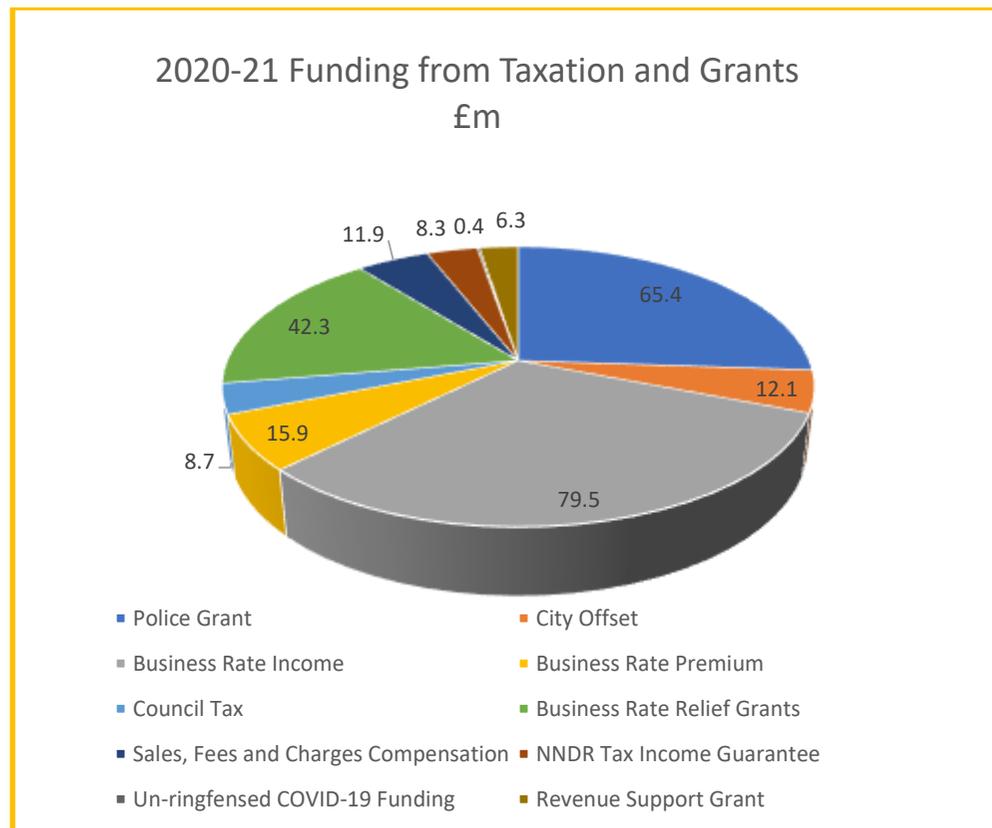
As part of the Government response to COVID-19, several new grants and a compensation scheme were introduced during 2020-21 to support local authorities to deliver existing and new services to support communities through the pandemic. Where this funding relates to a specific service or activity, this is shown under the relevant committee heading. Where funding is non-specific, it is shown under the funding from taxation and grants heading. The key new non-specific areas of funding received during the year include:

- £42.3m Business Rate Relief grant, £39.6m of which was granted due to the decision by Government to grant 100% business rate relief to the Retail, Leisure and Hospitality sectors due to the restrictions on their ability to trade during the year. This decision represented a loss of income from business rates for which this grant is compensation. It should be noted that due to the structure of the business rates system, shortfalls in income collection are recovered over the following 2 financial years. Therefore, £39.6m of this grant will be used to make good deficits to be accounted for between 2021-2023 and has been transferred to the Business Rate Equalisation reserve for this purpose. More details about Collection Fund losses can be found on pages 98-101.
- £8.3m from the NNDR Tax Income Guarantee Scheme, which compensated local authorities for tax losses against their pre-pandemic estimates. Compensation was 75p in the £ but was subject to a complex formula to calculate losses. As above, these funds will be used to offset NNDR deficits which will be accounted for during 2021-23 and has been transferred to the Business Rate Equalisation reserve.
- £11.9m from the Sale, Fees and Charges compensation scheme, which compensated local authorities for income losses incurred due to COVID. Compensation was 75p in the £ after a deduction of 5% of the annual budget for that income stream.

- £0.4m of un-ringfenced COVID-19 grant. This grant recognised the increased expenditure local authorities would incur in supporting communities through the pandemic.

Please note the figures shown here do not take account of statutory accounting adjustments and reserve movements. These may differ to those presented in the main accounts.

Page 21



Balance Sheet

The City Corporation maintains a strong balance sheet position with net assets totalling £1,178.6m at year end, however, this was significantly impacted by an increase in pension liabilities stemming from changes in the financial assumption made by the City Corporation’s independent actuary, Barnett Waddingham LLP, increasing the overall liability by £349.2m. These changes include a reduction in the discount rate applied with valuing pension liabilities, which is derived from the yield on corporate bonds, which has fallen from 2.35% to 2.00%, increasing the value of the liability by £108.4m. An increase in inflation expectations largely based on Bank of England expectations, has increased liabilities by £345.9m. Notes 23-26 (pages 64-74) provide more detail on these adjustments including an analysis of the sensitivity of these estimates to changes in assumptions which highlights how small changes can result in a material financial movement.

It should be noted that whilst these movements are significant, this change does not pose an immediate issue to City Fund as this assessment does not determine the contributions the City Corporation makes into these pension schemes. These are determined by the periodic valuations of the pension schemes which are due to be carried out in 2022 for the LGPS, to set contribution rates from 2023-2026, and is currently being carried out for the Police Pension Scheme which will set contribution rates for 2023-2027.

This has contributed to the overall balance sheet value reducing by £409.1m compared to the previous year. All other key movements are shown below.

Page 22



2020-21 STATEMENT OF ACCOUNTS

This Statement of Accounts is prepared for the City of London Corporation (“the City Corporation”) only to the extent that it exercises functions in relation to the collection fund of the Common Council, the City Fund administered by the Common Council (collectively referred to as “the City Fund”), as required by the Local Audit and Accountability Act 2014. Accordingly, the reporting entity, for the purpose of these accounts, is the City Fund which is a portion of the City Corporation but is not in itself a legal entity. This means the legal party to transactions and balances allocated to the City Fund is the City Corporation.

Assets, liabilities and transactions of the City Corporation are allocated to the City Fund where they relate to the economic activity of the City Corporation’s local authority function, for example where they relate to education, housing, social care; policing; and port health authority functions. Similarly, transactions and balances that relate to the City Corporation’s other economic activities are excluded from these accounts. Note 1 (page 27-29) to the accounts provides further details on the critical judgments in preparing and apply accounting policies for these statements.

The City Fund 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 2020-21. The accounts have been structured to support the reader in understanding the local authority accounting 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 restrictions being put in place on the movement of people. Throughout 2020-21, restrictions of varying degrees have been in place as the pandemic has evolved, impacting on our ability to deliver some services whilst also placing additional demand on area such as support for the homeless and vulnerable. It has also made 2020-21 a unique year financially. The Government has made significant interventions in the economy through areas like the furlough scheme, direct financial support to businesses through grants and loans and additional resources to public bodies like local authorities and the NHS to support the battle with the virus. For City Fund this has led to several areas of note within the 2020-21 statement of accounts, which are described below:

- **Grants to businesses** – as part of the Government’s response to the pandemic it has made available grants to businesses which have been affected by the restrictions in place. These have been distributed via local authorities and during 2020-21, City Fund has distributed £40.8m in grants to local businesses funded via grant income from Government. Much of this has been through the national schemes determined by Government so £38.1m of this income and expenditure has been treated as agency transactions i.e. where City Fund has acted as an intermediary in the transaction. Where the City Corporation has played a part in determining the distribution of grants, these have been accounted for within the Comprehensive Income and Expenditure Statement (CI&ES) under the Finance Committee heading. This grant expenditure and income totalled £2.7m.
- **CI&ES Comparative Analysis** - City Fund usually operates within a relatively stable environment with significant movements between years being usually being down to a limited number of factors affecting a few areas. However, the impact of COVID-19 has had wide ranging impacts across a

number of areas, which can be seen when comparing the 2020-21 CI&ES amounts to the prior year. The outturn analysis on pages 12-13 highlights these key changes.

- **Pension Liabilities** – Each year City Fund is required to update its assessment of the assets and liabilities it has accumulated through its staff and officer’s membership of the Local Government Pension Scheme (LGPS), Police Pension Scheme and Judges’ Pension Scheme. This assessment is carried out by our independent actuary, Barnett Waddingham LLP, based on the principles set out in International Accounting Standard 19 – Employee Benefits. This year, this assessment has resulted in a substantial increase in the net liability (£349.2m) driven by changes in the assumptions on inflation and the discount rate applied to liabilities. Note 23-26 (page 64-74) provides more detail on this change but it should be noted that this change does not pose an immediate issue to City Fund as this assessment does not determine the contributions the City Corporation makes into these pension schemes. These are determined by the periodic valuations of the pension schemes which are due to be carried out in 2022 for the LGPS to set contribution rates from 2023-2026, and is currently being carried out for the Police Pension Scheme which will set contribution rates for 2023-2027.
- **Collection Fund Deficit** – In line with all other billing authorities, City Fund maintains a Collection Fund which accounts for the difference between estimated and actual collection of business rates and council tax. These differences are then spread over the following 2 financial years in order to smooth the impact of any material change in resources derived from these sources. The Collection Fund has ordinarily been in surplus, but, for 2020-21, a deficit of £191.3m has arisen for business rates. Pages 98-101 provide more details on the collection fund position, but this deficit has stemmed largely from the expansion of business rate relief for the retail, leisure, and hospitality sector, where 100% relief was awarded during 2020-21. This decision was taken after the forecast for 2020-21 had been submitted, hence creating a deficit position, but is funded by Government. In addition, a fall in business rate collection has led to an increase in the bad debt provision which has also contributed to the deficit. A breakdown of the variance against the original estimate is provided below. The City Fund share of this deficit is £54.1m. The majority of this deficit will be offset by funds transferred to the business rate equalisation reserve (£47.9m), which contains the funding received for the additional reliefs awarded during 2020-21 and funding to be received from the tax income guarantee scheme, which applies to council tax and business rates, created by Government in recognition of the impact COVID-19 has had on these core funding streams for local authorities. The Government has also allowed Local Authorities to spread any deficits over 3 years rather than the normal 2, acknowledging the impact COVID-19 has had on the collection of business rates and council tax.

Collection Fund Deficit	£m
Additional Govt Compensated Reliefs	125.9
Other unfunded reliefs	11.7
Additional Bad Debt Provision	19.5
Other	34.2
Total	191.3

- **Valuation of property assets** – City Fund maintains a substantial portfolio of investment property and operational assets which are subject to valuation on an annual basis. For the 2019-20 statement of accounts, our valuers had placed a “material valuation uncertainty” caveat to their valuations, which stated that their valuation carried a greater degree of judgement than previously due to the unprecedented circumstance brought about by COVID-19. For 2020-21, barring two investment property valuations with year end values of £3.0m and the Public Car Parks with total year end values of £16.4m, this material valuation uncertainty caveat has been lifted meaning there is a return to the level of confidence in these estimates previously seen. The social housing discount factor applied to HRA Dwelling properties, which reflects the economic cost of providing social housing at less than open market rents, reduced from 30% to 25% following the annual review. This has resulted in an impairment of £14.5m in the HRA reflecting the lower estimated value of properties following this change.
- **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 by £1.4m, especially for outstanding rental income and parking enforcement fines.

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 2020-21 ("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 2021.



Caroline Al-Beyerty

Chamberlain and Chief Financial Officer

Date: XX November 2022

Page held pending formal approval by Finance Committee.

Page held for Independent Auditor's Report to the Members of the City of London Corporation



Core Financial Statements

Comprehensive Income and Expenditure Statement

2019-2020				Notes	2020-2021		
Gross Expenditure	Gross Income	Net Expenditure/ (Income)			Gross Expenditure	Gross Income	Net Expenditure/ (Income)
£m	£m	£m			£m	£m	£m
			Services				
143.3	(66.2)	77.1	Police		158.1	(66.0)	92.1
58.4	(28.6)	29.8	Barbican Centre		46.5	(7.0)	39.5
29.4	(14.1)	15.3	Community & Children's Services		36.2	(16.9)	19.3
21.2	(15.8)	5.4	Housing Revenue Account (HRA)		29.9	(14.4)	15.5
37.3	(30.7)	6.6	Planning & Transportation		41.7	(28.9)	12.8
31.1	(15.0)	16.1	Port Health & Environmental Services		32.6	(17.4)	15.2
25.2	(2.9)	22.3	Culture, Heritage and Libraries		24.8	(2.0)	22.8
25.1	(14.5)	10.6	Finance		31.3	(16.8)	14.5
14.2	(15.8)	(1.6)	Barbican Residential		15.2	(15.3)	(0.1)
18.9	(7.5)	11.4	Policy & Resources		21.5	(13.2)	8.3
2.6	(0.5)	2.1	Open Spaces and City Gardens		2.9	(0.5)	2.4
1.5	(0.5)	1.0	Property Investment Board		1.4	(0.5)	0.9
1.0	(0.8)	0.2	Licensing		1.1	(0.6)	0.5
10.9	0.0	10.9	London NNDR Pool Strategic Investment Pot		26.1	0.0	26.1
0.6	0.0	0.6	Pension Past Service Cost		5.4	0.0	5.4
12.0	0.0	12.0	Major Project Cost		9.0	0.0	9.0
432.7	(212.9)	219.8	Cost of Services		483.7	(199.5)	284.2
		(41.3)	Other Operating Income	7			(0.1)
		(43.7)	Financing & Investment Income & Expenditure	7			(0.3)
		(217.1)	Taxation & Non-Specific Grant Income	7			(182.8)
		(82.3)	(Surplus)/Deficit on the Provision of Services				101.0
		(22.4)	Surplus on the Revaluation of Property, Plant & Equipment	13			8.5
		(87.9)	Remeasurements of the Pensions Liability	26			299.6
		(110.3)	Other Comprehensive (Income) & Expenditure				308.1
		(192.6)	TOTAL COMPREHENSIVE (INCOME) & EXPENDITURE				409.1

Major project costs in relation to the Museum of London relocation have been separately identified in the CI&ES to reflect the material items of spend that have occurred. Pension past service costs have also been separately identified due to the increase in 2020-21. This is due to amendments in the IAS19 standard which now requires net defined benefit liability to be remeasured using current assumptions and the fair value of plan assets at the time of the event, of which the City of London Corporation has 87 'special' events. These 'special' events are in relation to early retirements.

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 2020 carried forward*		(177.0)	(0.1)	(73.7)	(39.0)	(3.4)	(293.2)	(1,294.5)	(1,587.7)
Movement in reserves during 2020-21									
Total Comprehensive Income & Expenditure		86.5	14.5	0.0	0.0	0.0	101.0	308.1	409.1
Adjustments between accounting basis & funding basis under regulations	11	(163.8)	(14.6)	17.3	(0.5)	1.4	(160.2)	160.2	0.0
(Increase) or decrease in 2020-21		(77.3)	(0.1)	17.3	(0.5)	1.4	(59.2)	468.3	409.1
Balance at 31 March 2021 carried forward*		(254.3)	(0.2)	(56.4)	(39.5)	(2.0)	(352.4)	(826.2)	(1,178.6)

*The City Fund balance of £254.3m comprises unallocated revenue funds of £56.3m and earmarked revenue reserves of £198.0m (see note 12, page 48).

	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		(87.9)	5.6	0.0	0.0	0.0	(82.3)	(110.3)	(192.6)
Adjustments between accounting basis & funding basis under regulations	11	33.0	(1.9)	(52.1)	(5.1)	(0.2)	(26.3)	(26.3)	0.0
(Increase) or decrease in 2019-20		(54.9)	3.7	(52.1)	(5.1)	(0.2)	(108.6)	(84.0)	(192.6)
Balance at 31 March 2020 carried forward**		(177.0)	(0.1)	(73.7)	(39.0)	(3.4)	(293.2)	(1,294.5)	(1,587.7)

** The City Fund balance of £177.0m comprises unallocated revenue funds of £62.3m and earmarked revenue reserves of £114.7m (see note 12, page 48).

Balance Sheet

The Statement of Accounts was authorised for issue by the Chamberlain on 30 July 2021. Events after the balance sheet date and up to **XX November 2022** have been considered in respect of material impact on the financial statements. A post balance sheet adjustment has been made with respect to a legal case, details of which are disclosed in note 37.

31 March 2020		Notes	31 March 2021
£m			£m
940.0	Property, Plant and Equipment	13	925.6
9.0	Heritage Assets	14	9.0
1,621.5	Investment Property	17	1,601.0
0.4	Intangible Assets		0.4
16.9	Long-Term Debtors	16	15.8
2,587.8	Long-Term Assets		2,551.8
815.9	Short-Term Investments		873.6
1.0	Assets Held for Sale		1.6
0.6	Inventories		0.6
0.0	Intangible Current Assets		0.0
158.4	Short-Term Debtors	20	139.5
74.1	Cash and Cash Equivalents		26.9
1,050.0	Current Assets		1,042.2
(382.0)	Short-Term Creditors	21	(378.1)
(49.2)	Provisions	22	(45.8)
(431.2)	Current Liabilities		(423.9)
(1,261.8)	Pensions Liability	26	(1,611.0)
(108.6)	Capital Grants and Contributions Received in Advance	27	(115.5)
(196.5)	Rents Received in Advance	28	(197.6)
(52.0)	Other Long-Term Liabilities	29	(67.4)
(1,618.9)	Long-Term Liabilities		(1,991.5)
1,587.7	NET ASSETS		1,178.6
(293.2)	Usable Reserves		(352.4)
(1,294.5)	Unusable Reserves	31	(826.2)
(1,587.7)	TOTAL RESERVES		(1,178.6)

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 (page 83-84) of the accounts. The cash and cash equivalent balance is held in bank current accounts held by the City Corporation.

2019-20		Notes	2020-21
£m			£m
(82.3)	Net (surplus)/deficit on the provision of services		101.0
(78.1)	Adjustments for non-cash movements	32	(262.2)
92.4	Adjustments for items that are investing and financing activities	32	24.9
(68.0)	Net cash (inflows)/outflows from operating activities		(136.3)
77.5	Investing activities	33	65.8
(45.1)	Financing activities	34	117.7
(35.6)	Net (increase)/decrease in cash and cash equivalents		47.2
(38.5)	Cash and cash equivalents at the beginning of the reporting period		(74.1)
(74.1)	Cash and cash equivalents at the end of the reporting period		(26.9)



Notes to the Core Financial Statements

1. Critical Judgements in the Basis of Preparation and Applying Accounting Policies

a) The Basis of Preparation

This Statement of Accounts is prepared for the City of London Corporation (“the City Corporation”) only to the extent that it exercises functions in relation to the collection fund of the Common Council, the City Fund administered by the Common Council (collectively referred to as “the City Fund”), as required by the Local Audit and Accountability Act 2014. Accordingly, the reporting entity, for the purpose of these accounts, is the City Fund which is a portion of the City Corporation but is not in itself a legal entity. This means the legal party to transactions and balances allocated to the City Fund is the City Corporation.

Assets, liabilities and transactions of the City Corporation are allocated to the City Fund where they relate to the economic activity of the City Corporation’s local authority function, for example where they relate to education, housing, social care; policing; and port health authority functions. Similarly, transactions and balances that relate to the City Corporation’s other economic activities are excluded from these accounts.

The basis of allocation has been made on a consistent basis for a number of years and are reported in more detail in the section below - Applying Accounting Policies.

The Statement of Accounts is prepared for the City Fund in respect of the 2020-21 financial year and its position at the year end of 31 March 2021. The accounts are prepared in accordance with proper accounting practices as required by the Accounts and Audit Regulations 2015. This comprises the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 (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.

This Statement of Accounts has been prepared on a going-concern basis.

b) Applying Accounting Policies

In applying accounting policies, the City Corporation has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements that management considers will have a material effect on the amounts recognised in the accounts include the basis of allocating income and expenditure incurred by the City Corporation as a whole and the appropriate allocation of City Corporation’s assets and liabilities to the City Fund.

General

The City Fund financial statements include only those activities of the City Corporation relating to its services as a local authority, police authority and port health authority services and other functions enacted through legislation such as Spitalfields Markets.

Income and expenditure transactions

The majority of the City Fund income and expenditure relates specifically to City Fund defined activities and is not subject to material judgement or estimation. Although the City Corporation also incurs central running costs for staff and overheads for all Funds and an appropriate allocation of these costs is charged to each fund.

The principal basis of allocating these costs include an estimation of time spent by staff on the activities of each fund. Other apportionment bases, such as floor space and full time equivalents (FTE) employed for Fund specific activities, are used allocated other overheads supporting the activities of each Fund.

Assets and liabilities

The City Corporation is generally able to separately identify the majority of the assets and liabilities used to support and provide the activities of the City Fund. Some City Corporation central service assets are allocated to the City Fund on the basis of its relevant share of the assets involved in providing services. These allocations are periodically reviewed to confirm that this basis of allocating shared expenditure and assets remains appropriate.

The method of allocation applied to major classes of assets and liabilities is explained below:

City of London Pension Scheme

The Local Government Pension Scheme (LGPS) 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 requires judgement. An allocation is made based on a three year average of employer's salary costs allocated to each of the City Corporation Funds. Management consider that allocation on this basis is non-arbitrary and ensures the Statement of Accounts provides a complete set of transactions and balances relating to the economic activities of the City Fund. As at 31 March 2021, the City Fund recognised a 51% share of the net pension liability relating to the City Corporation (31 March 2020 – 51%).

The Police Pension Scheme

The Police Pension Scheme is the responsibility of the City Corporation as a whole. As the functions of the Police Authority are exclusively the responsibility of the City Fund the liabilities are allocated entirely to the City Fund. The Police Pension liability represents the pension benefits Officers have accrued as at 31 March 2021 as assessed via actuarial calculation. These benefits, however, will not be payable until Officers have retired. As an unfunded scheme, the liabilities will be met through employee and employer contributions with any deficit being met by the Home Office.

Freehold properties and investment properties

Investment property assets and the majority of land and building assets recorded in the City Fund financial statements have been allocated to the City Fund on the basis that they were acquired using funds that had been allocated to the City Fund and are used exclusively in the provision of City Fund activities. For properties that are shared across the activities of the Corporation, the City Fund's share of the asset is recorded in the financial statements on the basis of the initial contribution (from funds that have been allocated to the City Fund and other funds) towards the acquisition costs and transactions relating to those assets are allocated on the same basis.

Short term investments and cash

Whilst each fund maintains a cash book for its own cash transactions and balances, the cash balances are pooled across the City Corporation for treasury management purposes. Cash balances either held in the City Corporation's bank accounts or invested are allocated to the City Fund in proportion to its cash book share of cash balances and short term investments. Investment income on cash balances and investments are allocated to the City Fund based on the share of the City Fund cash book of the total cash balances and investments.

Other assets and liabilities

Where the City Corporation incurs central running costs for staff and overheads for all Funds and an appropriate allocation of these costs is charged to each fund, a corresponding asset or liability is recognised on the same basis by the City Fund.

Impairment

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 2021 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.

Related Parties

The City Corporation makes an assessment of the relationships it has with other entities, establishing where control and influence lay and adopting the appropriate accounting practice to reflect the relationship. In making these assessments, the City Corporation maintains that it does not exert control over the Museum of London (MoL) in its capacity as co-funder of MoL with the Greater London Authority (GLA). We therefore disclose this relationship as a related party in the relevant disclosure (note 35, page 86).

Going concern

We would continue to regard ourselves as a going concern given the level of reserves held, a history of prudent financial management and that the majority of our activities are Government funded.

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 Management 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 2021. 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 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 have been submitted and trends seen on the rating list.

The total value of the appeals provision is £148.1m, of which the City Corporation holds £45.8m (see note 22, page 63, 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 +/- £7.4m change in our provision.

Outstanding business rate debt has risen materially, from £28m last year to £85m at 31 March 2021. An assessment on the collection of outstanding debt has been carried out based on historic trends but, due to the additional uncertainty resulting from the COVID-19 pandemic, an uplift has been included in the bad debt provision set, reflecting the increase in the quantum of debt and the additional uncertainty in business viability moving forward. The provision has been set at £40.3m (2019-20: £10.5m).

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 £45.0m. 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 (page 64-74).

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 Car Park sector, licensed leisure and hospitality sectors ahead of valuations being carried out for the 2020-21 statement of accounts. Due to this disruption, our external valuers have inserted an “material valuation uncertainty” clause into their valuation report which states the following:

In respect of the Car Park, licensed leisure and hospitality sectors as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuation of the Car Park properties (year end value of £16.4m) and two investment properties (total year end value of £3.0m) are therefore reported as being subject to ‘material valuation uncertainty’ as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

For the avoidance of doubt this explanatory note, including the ‘material valuation uncertainty’ declaration, does not mean that the valuation(s) cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the CI&ES. For example, a 1% reduction in the value of investment properties would result in a £16.0m debit to “Financing and Investment Income and Expenditure” in the CI&ES. Conversely, an increase in operational property values would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the CI&ES and/or gains being recorded as appropriate in the CI&ES.

Market movements are being monitored to ensure valuations are within reasonable tolerances. Additional information on investment property asset valuations is provided in note 17 (page 55-56).

d) Arrears

At 31 March 2021, the City Fund had a balance for rents, trade and sundry debtors of £66.7m (2019-20: £51.7m). 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 £11.9m (2019-20: £10.5m) 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 (page 59-61). Whilst these debtor balances have increased, the overall debtor balance has reduced. This is linked to lower grant claims to Central Government because of lower balances due from the London Business Rates Pool.



Notes to the Comprehensive Income and Expenditure Statement

3. Expenditure and Funding Analysis

2019-2020			2020-2021			
Net Expenditure Chargeable to City Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CI&ES		Net Expenditure Chargeable to City Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CI&ES
£'m	£'m	£'m		£'m	£'m	£'m
			Committees			
80.4	(3.3)	77.1	Police	90.4	1.7	92.1
27.6	2.2	29.8	Barbican Centre	35.2	4.3	39.5
14.5	0.8	15.3	Community and Children's Services	17.7	1.6	19.3
3.3	2.1	5.4	HRA	(0.1)	15.6	15.5
8.9	(2.3)	6.6	Planning and Transport	10.3	2.5	12.8
17.5	(1.4)	16.1	Port Health and Environmental Services	14.7	0.5	15.2
20.9	1.4	22.3	Culture, Heritage and Libraries	20.7	2.1	22.8
(19.7)	30.3	10.6	Finance	(21.0)	35.5	14.5
2.0	(3.6)	(1.6)	Barbican Residential	2.9	(3.0)	(0.1)
10.9	0.5	11.4	Policy and Resources	6.4	1.9	8.3
2.0	0.1	2.1	Open Spaces and City Gardens	1.9	0.5	2.4
(42.5)	43.5	1.0	Property Investment	(39.7)	40.6	0.9
0.1	0.1	0.2	Licensing	0.4	0.1	0.5
(0.7)	0.7	0.0	Markets	(0.5)	0.5	0.0
(21.3)	32.2	10.9	London NNDR Pool Strategic Investment Pot	25.4	0.7	26.1
0.0	0.6	0.6	Pension Past Service Cost	0.0	5.4	5.4
0.0	12.0	12.0	Major Project Cost	0.0	9.0	9.0
103.9	115.9	219.8	Net Cost of Services	164.7	119.5	284.2
(155.1)	(147.0)	(302.1)	Other Income and Expenditure	(242.1)	58.9	(183.2)
(51.2)	(31.1)	(82.3)	(Surplus) or Deficit on the Provision of Services	(77.4)	178.4	101.0
(125.9)			Opening City Fund and HRA Balances	(177.1)		
(51.2)			Add (Surplus) or Deficit on City Fund and HRA Balance in Year	(77.4)		
(177.1)			Closing City Fund and HRA Balances at 31 March*	(254.5)		

* For a split of this balance between the City Fund and the HRA – see the Movement in Reserves Statement; page 23

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.

2019-20					2020-21					
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
4.5	(7.9)	0.0	0.1	(3.3)	Police	6.2	(5.3)	0.0	0.8	1.7
0.0	1.9	0.0	0.3	2.2	Barbican Centre	0.0	4.0	0.0	0.3	4.3
0.0	0.7	0.0	0.1	0.8	Community and Children's Services	0.0	1.5	0.0	0.1	1.6
1.3	0.5	0.0	0.3	2.1	HRA	14.5	1.1	0.0	0.0	15.6
0.2	1.2	0.0	(3.7)	(2.3)	Planning and Transport	0.1	2.6	0.0	(0.2)	2.5
0.0	1.2	0.0	(2.6)	(1.4)	Port Health and Environmental Services	0.0	2.6	0.0	(2.1)	0.5
12.0	0.8	0.0	(11.4)	1.4	Culture, Heritage and Libraries	9.0	1.8	0.0	(8.7)	2.1
16.8	0.1	0.0	13.4	30.3	Finance	21.7	2.8	0.0	11.0	35.5
0.0	0.4	0.0	(4.0)	(3.6)	Barbican Residential	0.0	0.9	0.0	(3.9)	(3.0)
0.0	0.7	0.0	(0.2)	0.5	Policy and Resources	0.3	1.6	0.0	0.0	1.9
0.0	0.1	0.0	0.0	0.1	Open Spaces and City Gardens	0.2	0.3	0.0	0.0	0.5
0.1	0.0	0.0	43.4	43.5	Property Investment	0.0	0.1	0.0	40.5	40.6
0.0	0.1	0.0	0.0	0.1	Licensing	0.0	0.1	0.0	0.0	0.1
0.0	0.1	0.0	0.6	0.7	Markets	0.0	0.3	0.0	0.2	0.5
0.0	0.0	0.0	32.2	32.2	London NNDR Pool Strategic Investment Pot	0.0	0.0	0.0	0.7	0.7
0.0	0.6	0.0	0.0	0.6	Pension Past Service Cost	0.0	5.4	0.0	0.0	5.4
0.0	0.0	0.0	12.0	12.0	Major Project Cost	0.0	0.0	0.0	9.0	9.0
34.9	0.5	0.0	80.5	115.9	Net Cost of Services	52.0	19.8	0.0	47.7	119.5
(105.8)	31.5	3.4	(76.1)	(147.0)	Other Income and Expenditure	0.5	29.8	82.1	(53.5)	58.9
(70.9)	32.0	3.4	4.4	(31.1)	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	52.5	49.6	82.1	(5.8)	178.4

Adjustments for Capital Purposes

This column adjusts for capital items which need to be included in the CI&ES 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 CI&ES. 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 CI&ES.

The above adjustments are reallocation of figure and therefore have no overall impact on the total amount.

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. This includes £26.1m of expenditure related to the London NNDR SIP, which is included under other service expense. It should be noted that in 2020-21 the proportion of business rate income recognised by City Fund reduced from 48% to 30%. This reduction, which is determined by Government as part of the London Business Rates Pool, reduced the amounts recognised under the business rate tariff and levy payments to Government and the business rate and council tax income lines.

2019-20		2020-21
£'m		£'m
	Expenditure	
189.6	Employee expenses	218.3
200.4	Other service expenses	184.7
36.3	Support service recharges	38.3
42.1	Depreciation, amortisation and impairments	58.2
31.1	Interest payments	29.5
0.5	Precepts and levies	0.5
443.3	Business rates tariff and levy payments to Government	305.4
0.1	Payments to Government's housing capital receipts pool	0.6
(42.4)	Gain on the disposal of assets	(1.6)
901.0	Total expenditure	833.9
	Income	
(184.4)	Fees, charges and other service income	(153.8)
(10.0)	Interest and investment income	(7.6)
(607.7)	Business rates and council tax income	(474.8)
(150.8)	Government grants and other grants, contributions and reimbursements	(121.1)
(30.4)	Unrealised (gains)/loss on revaluation of investment properties	24.4
(983.3)	Total Income	(732.9)
(82.3)	(Surplus) or Deficit on the Provision of Services	101.0

6. Grant Income

2019-20	Credited to Services	2020-21
£m	Revenue Grants (Government)	£m
	Home Office	
(17.1)	Police Pensions	(16.8)
(6.7)	Counter Terrorism	(7.2)
0.0	Covid-19 Surge Funding grant	(0.9)
(6.3)	National Cyber Security Programme	(4.8)
(2.3)	National Enabling Programme	0.0
0.0	National and International Capital City Grant	0.0
(4.3)	National Fraud Intelligence Bureau	(4.4)
(2.3)	National Lead Force for Fraud	(2.3)
(2.1)	Other	(3.0)
(5.2)	Action Fraud Managed Services	(6.6)
(3.2)	Economic Crime Capability	(2.5)
(0.6)	National to Local Fraud & Cyber Data Sharing	0.0
	Department for Work and Pensions	
(4.1)	Housing and Council Tax Benefit	(3.8)
(0.1)	Other	(2.6)
(6.2)	HM Courts and Tribunals Service	(6.2)
	Department for Education	
(3.0)	Dedicated Schools Grant	(3.2)
(0.8)	Other	(0.7)

2019-20	Credited to Services	2020-21
£m	Revenue Grants (Government) Continued	£m
	Ministry of Housing, Communities and Local Government	
(2.0)	Cost of Collection Allowance	0.0
0.0	Covid-19 Strategic Co-ordination Group grant	(0.4)
0.0	Covid-19 Contingency Fund Grant	(1.0)
0.0	Covid-19 Mortuary costs grant	(0.9)
0.0	Covid-19 Resilience Forum grant	(0.2)
0.0	Covid-19 Transition Management Board	(1.0)
(2.3)	Other	(5.1)
	Department for Health	
(1.6)	Public Health	(1.6)
(0.3)	Other	(0.7)
(3.2)	Transport for London	(3.7)
(1.9)	Intellectual Property Office	0.0
(1.2)	Greater London Authority	(0.7)
(0.2)	Department for International Development	0.0
	Department for Business, Energy and Industrial Strategy	
0.0	Discretionary grants to Businesses	(2.7)
0.0	Other	(0.3)
0.0	Department for Environment, Food & Rural Affairs	(0.7)
0.0	Her Majesty's Revenue and Customs	(2.0)
(0.5)	Arts Council England	(0.4)
(2.1)	Other revenue grants (Government)	(2.6)
	<u>Non Government revenue grants and contributions</u>	
(3.6)	S106/S278 and other developer contributions	(2.1)
(2.5)	UK Payments Administration Ltd	(2.6)
(3.8)	Association of British Insurers	(3.8)
(7.0)	Other	(8.9)
	<u>Capital Grants and contributions (funding revenue expenditure under statute)</u>	
(1.2)	Other	(1.1)
(97.7)	Total	(107.5)

7. Income and Expenditure below Cost of Services

2019-20		2020-21	
Net Expenditure/ (Income)		Net Expenditure/ (Income)	
£m		£m	
(42.4)	Net Gain on Disposal of Fixed Assets	(1.6)	
0.4	Inner and Middle Temple Precepts	0.4	
0.1	Local levies	0.1	
0.1	Payment to Government Housing Capital Receipts Pool	0.6	
0.5	Pension Fund Administration Expenses	0.4	
(41.3)	Total Other Operating Income and Expenditure	0.1	
	Investment Properties		
(44.5)	Operational	(40.1)	
(30.4)	(Gain)/loss on revaluation	24.4	
(10.0)	Interest receivable and similar income	(7.6)	
31.1	Pension Interest Cost	29.5	
(0.5)	Contribution from Trading Services	(0.2)	
6.5	Impairment (gains)/losses	0.6	
4.1	Financial instrument loss/(gain)	(6.9)	
(43.7)	Total Financing and Investment Income and Expenditure	(0.3)	

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.

Operational Investment Properties is comprised of income of £57.7m and operating expenses of £8.9m. This includes £0.7m of rent free periods granted during 2020-21 as part of the City Corporation's support for businesses during the pandemic. These have been accounted for as in year losses of income.

Contribution from Trading Services comprises a turnover of (£8.1m) and expenditure of £7.9m.

2019-20		2020-21	
Income		Income	
£m		£m	
(62.5)	Retained National Business Rates	1.7	
(14.2)	City Fund Non-Domestic Rates Premium	(15.9)	
(11.9)	City Fund Offset	(12.1)	
(7.7)	Council Tax Income	(7.9)	
	Non Ringfenced Government Revenue Grants		
0.0	Revenue Support Grant	(6.3)	
(60.8)	Police Core Grant	(65.9)	
0.0	Sales, Fees and Charges Compensation	(11.9)	
(6.6)	Non-Domestic Rating Income S.31 Grant	(42.3)	
0.0	Tax Income Guarantee Scheme	(8.3)	
(0.7)	Other	(0.4)	
(31.6)	London NNDR Pool Strategic Investment Pot	(0.2)	
	Capital Grants & Contributions		
(0.4)	Home Office	(0.2)	
(0.3)	Greater London Authority	(0.1)	
(1.6)	Transport for London	(1.5)	
(1.3)	Ministry of Justice	(1.4)	
(11.0)	Section 106/278 Contributions	(10.0)	
(6.4)	Community Infrastructure Levy	(2.6)	
(0.1)	Other Capital Grants and Contributions	2.5	
(217.1)	Total Taxation and Non-Specific Grant Income	(182.8)	
(302.1)	Total Income and Expenditure below Cost of Services	(183.2)	

The retained national business rates amount of £1.7m, which would normally be an income amount, is due to accounting for the City Fund share (30%) of the movement to a deficit in the collection fund as required under the statutory accounting framework. This is due to the expansion in business rate reliefs and losses in collection seen during 20-21 as set out in page 100. Whilst the accounting framework requires City Fund to account for this deficit in 20-21 the Government has enabled Local Authorities to spread these deficits over 3 years and has also provided funding to offset most of this impact.

8. Dedicated Schools Grants

In 2020-21, the City Fund received a specific grant from the Department for Education, the Dedicated Schools Grant (DSG), of £3.3m (2019-20: £3.2m). 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 2020-21 are as follows:

	2019-20 Schools Budget Funded by DSG				2020-21 Schools Budget Funded by DSG		
	Central Expenditure	Individual School Budget	Total		Central Expenditure	Individual School Budget	Total
	£m	£m	£m		£m	£m	£m
Final DSG for 2019-20 before Academy recoupment	1.2	2.0	3.2	Final DSG for 2020-21 before Academy recoupment	1.3	2.0	3.3
Academy Figure recouped for 2019-20	0.0	0.0	0.0	Academy Figure recouped for 2020-21	0.0	0.0	0.0
Total DSG after Academy recoupment for 2019-20	1.2	2.0	3.2	Total DSG after Academy recoupment for 2020-21	1.3	2.0	3.3
Plus: Brought forward from 2018-19	0.7	0.0	0.7	Plus: Brought forward from 2019-20	0.9	0.0	0.9
Less: Carry forward to 2020/21 agreed in advance	0.0	0.0	0.0	Less: Carry forward to 2021/22 agreed in advance	0.0	0.0	0.0
Agreed initial budgeted distribution in 2019-20	1.9	2.0	3.9	Agreed initial budgeted distribution in 2020-21	2.2	2.0	4.2
In year adjustments	0.0	0.0	0.0	In year adjustments	0.0	0.0	0.0
Final budgeted distribution for 2019-20	1.9	2.0	3.9	Final budgeted distribution for 2020-21	2.2	2.0	4.2
Less: Actual central expenditure	(1.0)	0.0	(1.0)	Less: Actual central expenditure	(1.2)	0.0	(1.2)
Less: Actual ISB deployed to schools	0.0	(2.0)	(2.0)	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	Plus: Local authority contribution for 2019-20	0.0	0.0	0.0
Carry forward to 2020-21	0.9	0.0	0.9	Carry forward to 2021-22	1.0	0.0	1.0

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 2020-21 and 2019-20 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 information in Table 1 relates to those officers' full salary and not just the part charged to the City Fund. This excludes senior officer salaries which are included in table 2.

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
2019-2020		Salary Range		2020-2021		
Police Officers	Other		£	Police Officers	Other	
182	68	121	50 - 54,999	183	72	119
96	53	90	55 - 59,999	105	59	88
60	19	50	60 - 64,999	51	25	54
45	20	52	65 - 69,999	57	23	68
13	15	27	70 - 74,999	22	13	23
8	11	16	75 - 79,999	8	12	32
3	2	14	80 - 84,999	6	6	9
7	5	9	85 - 89,999	4	5	15
4	1	4	90 - 94,999	7	2	5
2	1	3	95 - 99,999	1	3	3
0	4	3	100 - 104,999	0	2	6
1	0	0	105 - 109,999	1	1	1
0	1	6	110 - 114,999	0	0	0
0	1	4	115 - 119,999	2	0	7
0	0	2	120 - 124,999	0	1	2
0	0	2	125 - 129,999	0	1	4
0	0	1	130 - 134,999	0	0	3
1	0	0	135 - 139,999	0	0	0
0	0	1	140 - 144,999	0	0	0
0	1	1	145 - 149,999	0	1	1
0	0	0	150 - 154,999	0	0	0
0	0	1	155 - 159,999	1	0	1
0	0	0	160 - 164,999	0	0	0
1	0	0	165 - 169,999	0	0	0
0	0	0	175 - 179,999	0	0	0
0	0	0	180 - 184,999	0	0	0
0	0	0	185 - 189,999	0	0	0
0	0	0	190 - 194,999	0	0	0
0	0	1	200 - 204,999	0	0	0
0	0	0	205 - 209,999	0	0	0
0	0	1	230 - 234,999	0	0	1
0	0	0	375 - 379,999	0	0	0
0	0	0	385 - 389,999	0	0	0
423	202	409	Total	448	226	442

Table 2 - Senior Officer Remuneration

2020-21	Proportion charged to Local or Police Authority Activities	Total Salary	Salary (including fees & allowances)	Bonus	Benefits in Kind	Compensation for Loss of Office	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	£000
Salary is £150,000 or more a year										
Town Clerk & Chief Executive - J. Barradell	55%	264.0	145.0	4.0	0.0	0.0	0.0	149.0	31.0	180.0
Chamberlain - P. Kane	60%	198.0	119.0	3.0	0.0	0.0	0.0	122.0	26.0	148.0
Police Commissioner - I. Dyson	100%	191.0	191.0	1.0	0.0	0.0	7.0	199.0	0.0	199.0
Managing Director Barbican Centre - N. Kenyon	100%	204.0	204.0	6.0	0.0	0.0	0.0	210.0	44.0	254.0
Comptroller & City Solicitor - M. Cogher	65%	174.0	113.0	0.0	0.0	0.0	0.0	113.0	24.0	137.0
City Surveyor - P Wilkinson	40%	158.0	63.0	10.0	0.0	0.0	0.0	73.0	15.0	88.0
Executive Director of Mansion House & Old Bailey - V Annells ¹	30%	152.0	45.0	2.0	0.0	46.0	0.0	93.0	10.0	103.0
Director of Built Environment – C Dwyer ¹	100%	157.0	131.0	4.0	0.0	137.0	0.0	272.0	29.0	301.0
Salary is between £50,000 and £150,000										
Director of Community & Children's Services	100%	135.0	135.0	0.0	0.0	0.0	0.0	135.0	28.0	163.0
Director of Markets & Consumer Protection	55%	114.0	63.0	0.0	0.0	0.0	0.0	63.0	13.0	76.0
Director of Open Spaces	30%	116.0	35.0	0.0	0.0	0.0	0.0	35.0	7.0	42.0

¹ Both post-holders left their post on 31/1/2021

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

Table 3 - Exit Packages charged to City Fund

2019-20				2020-21					
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)	
6.0	7.0	13.0	89.1	£0 - £20,000	5.0	8.0	13.0	67.4	
2.0	0.0	2.0	65.2	£20,001 - £40,000	1.0	1.0	2.0	49.9	
0.0	0.0	0.0	0	£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	1.0	1.0	65.0	
0.0	0.0	0.0	0.0	£80,001 - £100,000	0.0	1.0	1.0	94.0	
1.0	0.0	1.0	112.6	£100,001 - £150,000	0.0	0.0	0.0	0.0	
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	
9.0	7.0	16.0	266.9	Total	6.0	11.0	17.0	276.3	

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 (2019-20: £22,000) in respect of the City of London Pension Fund are met by the Pension Fund and are not included in the table.

2019-20		2020-21
£'000		£'000
108.0	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.	111.0
18.0	Certification of grant claims and returns by the appointed auditor	20.0
4.0	Non-audit fees - other grant and certification fees	5.0
130.0		136.0

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.

2020-21	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)	(48.5)	(1.1)				49.6
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	(82.1)					82.1
Holiday pay (transfers to or from the Accumulated Absences Reserve)	(1.1)					1.1
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (transfers to or from the Capital Adjustment Account)	(57.4)	(18.1)				75.5
Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account	3.9			(3.9)		0.0
Transfer to the Pooled Investment Reserve	6.9					(6.9)
Total Adjustments to Revenue Resources	(178.3)	(19.2)	0.0	(3.9)	0.0	201.4
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	5.1	1.5	(6.6)			0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.6)		0.6			0.0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	11.3					(11.3)
Posting of HRA resources from revenue to the Major Repairs Reserve		3.1			(3.1)	0.0
Contribution from Community Infrastructure Levy to fund revenue expenditure	(1.3)			1.3		0.0
Total Adjustments between Revenue and Capital Resources	14.5	4.6	(6.0)	1.3	(3.1)	(11.3)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			23.8			(23.8)
Use of the Major Repairs Reserve to finance capital expenditure					4.5	(4.5)
Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account)				2.1		(2.1)
Cash payments in relation to deferred capital receipts			(0.5)			0.5
Total Adjustments to Capital Resources	0.0	0.0	23.3	2.1	4.5	(29.9)
Total Adjustments	(163.8)	(14.6)	17.3	(0.5)	1.4	160.2

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)	(31.6)	(0.5)				32.1
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)	(18.9)	(5.1)				24.0
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	(51.6)	(5.6)	0.0	(6.6)	0.0	63.8
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)	15.3					(15.3)
Posting of HRA resources from revenue to the Major Repairs Reserve		3.2			(3.2)	0.0
Total Adjustments between Revenue and Capital Resources	84.6	3.7	(69.8)	0.0	(3.2)	(15.3)
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	33.0	(1.9)	(52.1)	(5.1)	(0.2)	26.3

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 2020-21.

	Notes	Balance at 31 March 2019	Transfers Out 2019-20	Transfers In 2019-20	Balance at 31 March 2020	Transfers Out 2020-21	Transfers In 2020-21	Balance at 31 March 2021
		£m	£m	£m	£m	£m	£m	£m
Highway Improvements	(i)	(36.8)	5.0	(10.9)	(42.7)	5.7	(10.1)	(47.1)
London NNDR Pool SIP	(ii)	(12.8)	0.0	(21.3)	(34.1)	25.4	-	(8.7)
Major Projects Reserve	(iii)	(8.3)	15.6	(24.2)	(16.9)	9.4	(61.5)	(69.0)
Police Future Expenditure	(iv)	(1.7)	0.3	(1.5)	(2.9)	2.9	(4.3)	(4.3)
Crime Reduction Initiatives	(v)	(2.5)	1.5	(0.4)	(1.4)	-	(0.8)	(2.2)
Business Rate Equalisation	(vi)	0.0	0.0	0.0	0.0	-	(47.9)	(47.9)
Other Earmarked Reserves	(vii)	(15.9)	1.8	(2.6)	(16.7)	2.4	(4.5)	(18.8)
Total		(78.0)	24.2	(60.9)	(114.7)	45.8	(129.1)	(198.0)

- (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.
- (iv) Police Future Expenditure 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) Business Rate Equalisation Reserve – This reserve will be used to fund collection fund deficits that will be accounted for in future years. The reserve holds funding received from Government to offset the impact of granting 100% business rate relief to retail, leisure and hospitality businesses during 2020-21 (£39.6m) and compensation to be received from the tax income guarantee scheme (£8.3m) set up by Government to assist local authorities with losses they have incurred in the collection of business rates and council tax.
- (vii) 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 2020-21	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 2020	303.7	505.0	7.0	108.4	118.3	1.5	21.6	3.1	1,068.6
Additions	1.6	2.0	0.3	8.0	5.3	0.0	29.3	0.0	46.5
Transfers	1.1	2.3	0.0	(0.5)	0.0	0.0	(2.9)	(0.7)	(0.7)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(22.8)	0.7	0.0	0.0	0.0	0.0	0.0	(0.1)	(22.2)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(15.6)	(1.4)	0.0	0.0	0.0	0.0	0.0	0.0	(17.0)
Derecognition - disposals	(5.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(5.0)
at 31 March 2021	263.0	508.6	7.3	115.9	123.6	1.5	48.0	2.3	1,070.2
Accumulated Depreciation and Impairment									
at 1 April 2020	(0.1)	(3.4)	0.0	(58.4)	(66.7)	0.0	0.0	0.0	(128.6)
Depreciation Charge	(2.7)	(13.1)	(0.7)	(6.7)	(8.1)	0.0	0.0	(0.2)	(31.5)
Depreciation written out to the Revaluation Reserve	1.6	11.9	0.0	0.0	0.0	0.0	0.0	0.2	13.7
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	1.1	0.7	0.0	0.0	0.0	0.0	0.0	0.0	1.8
Derecognition - disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
at 31 March 2021	(0.1)	(3.9)	(0.7)	(65.1)	(74.8)	0.0	0.0	0.0	(144.6)
Net Book Value									0.0
at 31 March 2020	303.6	501.6	7.0	50.0	51.6	1.5	21.6	3.1	940.0
at 31 March 2021	262.9	504.7	6.6	50.8	48.8	1.5	48.0	2.3	925.6

Property, Plant and Equipment (Continued)

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	498.8	0.0	100.6	109.2	1.5	30.8	3.0	1,053.8
Additions	1.5	5.5	2.5	8.6	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	505.0	7.0	108.4	118.3	1.5	21.6	3.1	1,068.6
Accumulated Depreciation and Impairment									
at 1 April 2019	(0.1)	(4.9)	0.0	(52.9)	(58.9)	0.0	0.0	0.0	(116.8)
Depreciation Charge	(2.9)	(10.7)	0.0	(6.3)	(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)	(3.4)	0.0	(58.4)	(66.7)	0.0	0.0	0.0	(128.6)
Net Book Value									
at 31 March 2019	309.8	493.9	0.0	47.7	50.3	1.5	30.8	3.0	937.0
at 31 March 2020	303.6	501.6	7.0	50.0	51.6	1.5	21.6	3.1	940.0

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
• Certain listed ² operational buildings	75 – 125 years
• Leasehold Improvements	10 – 30 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

HRA Dwelling Valuations

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. Current MHCLG guidance (guidance for valuers – 2016) identifies a vacant possession adjustment factor for London of 25% and for the South East, 33%. In 2019/20, we felt it appropriate to continue using an adjustment factor of 30% based off the evidence and the City's unique HRA portfolio. This is reviewed annually. On review this year, we have decided that this percentage should now be reduced to 25%. This is due to evidence showing that private rents across London have increased slightly, whilst social rents have largely remained unchanged. This has led to a decrease in the calculated adjustment factor to circa 26-27%. The guidance note is clear that when within 5% of the suggested 25% figure, 25% should be used, as such we have now reduced our discount factor from 30% to 25%.

This exercise has been undertaken to assess an appropriate adjustment factor for City of London HRA dwellings derived from City of London HRA rents and London private sector rents (sourced from the Office for National Statistics for the period of 1 April 2020 – 31 March 2021). Using this data and the MHCLG calculation methodology, this has established an appropriate vacant possession adjustment factor for City of London HRA dwellings to be 25% which has been adopted in establishing the Existing Use Value- Social Housing. The estimated vacant possession value of HRA dwellings is £751.7m which has been reduced by 75% to £187.9m to reflect social housing.

The City Fund also maintains the Barbican Estate which, whilst classed as Council Dwellings, sits outside of the HRA and is not subject to the adjustment factor.

²A building which is included on the statutory list of 'buildings of special architectural or historic interest'.

Commitments

Significant capital commitments above £1m totalling £39.8m were outstanding at 31 March 2021, detailed as:

- £15.0m outstanding in respect of a major housing development at Golden Lane Estate
- £7.1m relating to phase 4 works at Central Criminal Court (Old Bailey)
- £5.2m relating to the Salisbury Square development
- £3.8m in respect of heating and hot water replacement schemes at York Way and Middlesex Street Estates
- £3.5m in respect of the Poultry Market roof
- £1.9m relating to the Bastion House redevelopment
- £1.7m as a compensation payment to the tenant at Chronicle House as part of a Deeds of Variation agreement
- £1.6m relating to Isleden House additional housing

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, Public Conveniences, Walbrook Wharf (depot and offices), Golden Lane Recreation Centre, Woodredon and Warlies Park, Cemetery and Crematorium, Police Station, 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 LLP 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.

Due to the COVID-19 pandemic the valuations on the Public Car Parks and two investment properties carried out by our valuers have caveated with a "material valuation uncertainty" clause. Details of this are set out in note 2 (page 29-31) of the accounts but in essence states that due to the impact on market activity at year end, the valuations provided carried a greater degree of uncertainty than in normal times. This does not mean that they can not be relied upon.

Revaluations

The following have been revalued at 31 March 2021 in accordance with the Rolling Five Year Programme of Revaluation or to reflect material changes in value:

- Barbican Centre, including the Barbican lending library
- Barbican Estate residential properties, baggage stores, and car bays
- Bishopsgate Police Station
- Central Criminal Court
- City of London Cemetery and Crematorium properties
- Cleansing Depot and Offices at Walbrook Wharf
- Housing Commercial Properties (shop units, garages and parking spaces)
- Housing Dwellings (including guest flats)
- Public Car Parks
- Public Conveniences
- Spitalfields Market
- Woodredon and Warlies Park Estate
- Surplus Properties
- Investment Properties
- Assets Held for Sale - HRA non-dwelling properties at Holloway

14. Heritage Assets

The carrying value of heritage assets currently held in the Balance Sheet at historic cost is £9.0m (2019-20 £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/history-and-heritage/london-metropolitan-archives>)

15. Capital Expenditure and Finance

The total amount of capital expenditure incurred in the year is shown, in the table adjacent, together with the resources that have been used to finance it. Where assets are acquired under finance leases (see note 30, page 75-77) 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 £8.1m reflects the recognition of £9.2m of additional borrowing requirement to fund capital schemes, partially offset by a £1.1m minimum revenue provision made in the year.

2019-20		2020-21
£m		£m
43.6	Opening Capital Financing Requirement	45.3
	Capital Investment	
41.2	Property, Plant and Equipment	46.5
1.1	Investment Properties	3.9
0.0	Intangible Assets	0.2
13.2	Revenue Expenditure Funded for Capital Under Statute	11.2
	Sources of Finance	
(1.0)	Minimum Revenue Provision	(1.1)
(18.4)	Capital Receipts	(20.4)
(17.0)	Capital grants, contributions and donations	(16.4)
(3.0)	Major Repairs Reserve	(4.5)
(14.4)	Direct revenue contributions	(11.3)
45.3	Closing Capital Financing Requirement	53.4

2019-20		2020-21
£m		£m
	Explanation of movement in year	
(1.0)	Minimum Revenue Provision	(1.1)
2.7	Assets acquired under finance leases	0.0
0.0	Increase in underlying need to borrow	9.2
1.7	Increase/(decrease) in Capital Financing Requirement	8.1

16. Long Term Debtors

31 March 2020		31 March 2021
£m		£m
12.4	Net Investment in Finance Leases	12.1
1.5	Loans to Museum of London (repayable by 2032)	1.3
2.8	Rent	2.2
0.1	Museum in Docklands Loan	0.1
0.1	Service Charge Loans	0.1
16.9	Total	15.8

17. Investment Properties

2019-20		2020-21
£m		£m
1,586.2	Balance at start of the year	1,621.5
4.0	Transfers	0.0
	Additions:	
0.4	Purchases	3.9
0.0	Construction	0.0
0.5	Subsequent expenditure	0.0
0.0	Disposals	0.0
	Revaluations:	
30.4	Net gains from fair value adjustments	(24.4)
1,621.5	Balance at end of the year	1,601.0

Page 63

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.

For the 2019-20 statement of accounts, our valuers had placed a “material valuation uncertainty” caveat to their valuations, which stated that their valuation carried a greater degree of judgement than would previously due to the unprecedented circumstance brought about by COVID-19. For 2020-21, barring two investment property valuation with combined year end value of £3.0m, this maternity valuation uncertainty caveat has been lifted meaning there is a return to the level of confidence in these estimates previously seen.

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

The City Find Estate valuation includes £191.1m in relation to premiums that were received upfront on leases and £2.9m rent smoothing adjustment.

As part of the annual valuation of our investment properties, our external valuers have determined that 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 provided by Savills to these inputs based on a +/- 0.25% change in yield (with yields in the range of 2.51% to 7.01%) and +/-5% change in market rents as appropriate; and the sensitivity of the property valuations provided by Cushman & Wakefield to these inputs based on a +/- 0.25% change in yield (with yields in the range 3.26% to 5.95%) and a +/- 5% change in market rents as appropriate.

Unobservable Inputs	Sensitivity Range	Yield Sensitivity Range	Value at 31 March 2021	Tolerance Range
	%	%	£m	£m
Investment property valued by Savills			1,060.9	
Yield Sensitivity	+/-0.25	2.51% - 7.01%	1,060.9	958.9 - 1,121.7
Market Rents	+/-5.0		1,060.9	995.7 - 1,045.6
Investment property valued by Cushman and Wakefield (Strategic estate)			128.8	
Yield Sensitivity	+/-0.25	4.70% - 5.94%	128.8	126.8 - 136.1
Market Rents	+/-5.0		128.8	123.1 - 134.2
Investment property valued by Cushman and Wakefield (non-Strategic estate)			223.1	
Yield Sensitivity	+/-0.25	3.26% - 5.50%	223.1	207.4 - 239.4
Market Rents	+/-5.0		223.1	211.9 - 233.1
Total Valuation			1,412.8	

The movement in level 3 valuations for the year 2020-21 shown below. The change in valuation basis has been recognised at the point of valuation i.e. 31 March.

	1 April 2020	Transfers into Level 3	Transfer out of Level 3	Purchases	Sales	Unrealised Gain/Loses	31 March 2021
	£m	£m	£m	£m	£m	£m	£m
Investment Property	1,432.6	0.0	0.0	0.0	0.0	(19.8)	1,412.8

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 20	31 March 20		31 March 21	31 March 21
£m	£m		£m	£m
		Investments		
0.0	314.0	Fair value through profit and loss	0.0	380.1
0.0	501.9	Amortised Cost	0.0	493.5
0.0	815.9	Total Investments	0.0	873.6
		Debtors		
16.9	30.8	Amortised Cost	15.8	45.3
16.9	30.8	Total Debtors	15.8	45.3
		Creditors		
0.0	(80.8)	Amortised Cost	0.0	(54.6)
0.0	(80.8)	Total Creditors	0.0	(54.6)
		Long Term Liabilities		
(5.9)	0.0	Amortised Cost	(5.4)	0.0
(5.9)	0.0	Total Long Term Liabilities	(5.4)	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 CI&ES in relation to financial instruments are made up as follows:

2019-20		2020-21
£m		£m
4.1	Net(gain)/loss on financial assets at fair value through profit and loss	(6.9)
4.1	Total net (gains)/losses in Surplus or Deficit on the Provision of Services	(6.9)
(10.0)	Interest (income)/expenses from financial assets	(7.6)
(10.0)	Total interest revenue in Surplus or Deficit on the Provision of Services	(7.6)

31 March 2020			31 March 2021	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£m	£m		£m	£m
		Financial assets		
7.1	7.1	Long Term Debtors - investment properties	7.1	7.1
9.8	9.8	Long Term Debtors - other	8.7	8.7
815.9	815.9	Short Term Investments	873.6	873.6
30.8	30.8	Short Term Debtors	45.3	45.3
863.6	863.6	Total financial assets	934.7	934.7
		Financial liabilities		
(80.8)	(80.8)	Short Term Creditors	(54.6)	(54.6)
(5.9)	(5.9)	Long Term Liabilities	(5.4)	(5.4)
(86.7)	(86.7)	Total financial liabilities	(60.0)	(60.0)

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.

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. This risk is managed via the approved annual Treasury Management Strategy Statement which establishes that deposits are only made with eligible counterparties that meet a minimum standard of creditworthiness. The authority's creditworthiness policy uses information from the three main credit rating agencies supplemented by market information and other qualitative information. 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 2021 the City Fund had £900.5m in cash, cash equivalents and investments. A summary of the credit quality of the City Fund's investments (excluding cash) as at 31 March 2021 is shown below:

Fitch Long Term Rating	Fair value through profit and loss	Amortised Cost
	£m	£m
AAA	231.6	0.0
AA-	0.0	13.8
A+	0.0	456.6
A-	0.0	23.1
N/A	148.5	0.0
Total Investments	380.1	493.5

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 March 2021	<3 months	3-6 months	6-12 months	>1 year	Total
Expected loss rate	4%	27%	36%	36%	-
Gross carrying amount (£m)	20.4	3.8	3.4	3.9	31.5
Loss provision (£m)	0.9	1.0	1.2	1.4	4.5

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.

The City Fund, along with other funds of the City Corporation, share a common City 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 City Corporation cashbook. There is little exposure to credit risk arising from these investments.

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 CI&ES 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:

2019-20		2020-21
£m		£m
	Increase in interest receivable on investments held at variable rates	
3.9	City Fund	4.3
0.0	HRA	0.0
3.9	Total	4.3

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 held at amortised cost are due to mature within twelve months as at 31 March 2021 and therefore the impact of a 1% movement in interest rates on the fair value of fixed rate investment assets would not be material. Within its financial investments held at fair value through profit or loss, the City Fund holds two short dated bond fund investments whose value is sensitive to fluctuations in interest rates. Based on the combined modified duration of these investments as at 31 March 2021, the Corporation estimates that a 1% increase (decrease) in interest rates will decrease (increase) their carrying value by £4.3m.

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.

Other price risks

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

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

31 March 2020		31 March 2021
£m		£m
52.4	Central Government Bodies	34.2
4.3	Greater London Authority	8.8
36.2	London NNDR Pool	23.5
	All Other Bodies	
16.3	Rents	25.3
9.6	Sundry	10.8
25.8	Trade Debtors	27.2
12.9	City Fund's Share of National Business Rates Arrears	12.7
11.4	Other	8.9
(10.5)	Less: Impairment allowances for expected credit losses and doubtful debts	(11.9)
158.4	Total	139.5

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

In 2020-21 Government granted 100% business rate relief retail, leisure and hospitality business as part of its response to the COVID-19 pandemic. In doing so £128m of business rate income was no longer collectable by City Fund as the billing authority. In order to compensate billing authorities for this loss and assist with the cash distribution of business rate funds, which were agreed prior to the pandemic (the GLA receiving 37% and Central Government receiving 33%), 100% of the compensation was award to City Fund on the basis that 67% would be repaid. This arrangement has inflated the balance due to Central Government and has been split out in the adjacent table.

The collection fund deficit, which are detailed in pages 98-101 have also reduced the amounts payable to the GLA and impacted the London Business Rates Pool, where pre-COVID business rate income estimates were used to assess contributions to the Pool, which are now lower and therefore contributions require repayment. This does not represent a draw on City Funds own resources.

Page 71

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 75% to a 67% scheme, has reduced the City Funds share of the appeal provision from 48% to 30%. 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 2021 and an analysis of successful appeals and trends in 2020-21.

31 March 2020		31 March 2021
£m		£m
(59.0)	Central Government Bodies	(30.3)
(0.5)	S31 Grant for NNDR Reliefs due to Central Government	(91.3)
(87.0)	Greater London Authority and Transport for London	(19.6)
(30.3)	London Business Rates Pool	(105.3)
(62.7)	City Fund's share of national business rates creditors and receipts in advance	(33.2)
(11.6)	Deposits	(9.8)
(93.5)	Sundry	(61.2)
(37.4)	Receipts in advance	(27.4)
(382.0)	Total	(378.1)

	National Business Rates	City Fund Premium on Business Rates	Total
	£m	£m	
Balance at 1 April 2020	(48.0)	(1.2)	(49.2)
Impact of change in CoL share of retained National Business Rates	18.0	-	18.0
Appeals settled in 2020-21	11.0	0.6	11.6
Provisions made in 2020-21	(24.9)	(1.3)	(26.2)
Balance at 31 March 2021	(43.9)	(1.9)	(45.8)

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 23 to 26 (page 69-74) 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 City 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.

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 2020	31 March 2020		31 March 2021	31 March 2021
£m	£m		£m	£m
(1,590.3)	(811.0)	1 April	(1,572.5)	(802.1)
(51.8)	(26.4)	Current Service Cost	(79.6)	(40.6)
(37.8)	(19.3)	Interest Cost	(29.8)	(15.2)
		Remeasurement gains/losses:		
11.6	5.9	Actuarial Gains/losses arising from demographic assumptions	18.0	9.2
149.0	76.0	Actuarial gains/losses arising from changes in financial assumptions	(482.9)	(246.3)
(81.1)	(41.5)	Other Actuarial Gains/Losses	20.7	10.6
0.0	0.0	Change in proportion allocated to City Fund	0.0	0.0
(1.1)	(0.6)	Past Service Cost, including curtailments	(10.5)	(5.4)
2.5	1.3	Liabilities extinguished on settlements	(6.6)	(3.4)
36.9	18.8	Benefits paid	45.5	23.2
(10.7)	(5.5)	Contributions from scheme participants	(11.2)	(5.7)
0.5	0.2	Unfunded Pension Payments	0.4	0.2
(1,572.3)	(802.1)	31 March	(2,108.5)	(1,075.5)

Page 73

Changes in financial assumptions

For 2020-21, the total change in financial assumptions for the City of London was £482.9m. This was as a result of a combination of three changes in the independent consulting actuary (Barnett Waddingham LLP) financial assumptions:

- The present value of liabilities has increased due to the discount rate dropping from 2.35% to 2.00% (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). This is 20% of the total change in financial assumptions.
- The future cost of benefits has increased due to the Market implied inflation being higher. This is 62% of the change in the financial assumptions.
- There has been a technical change in the actuary's approach to derivation of Retail Prices Index (RPI) and Consumer Prices Index (CPI) inflation as an inflation risk premium has been introduced. This is because the Bank of England's implied inflation spot curve is assumed to be flat beyond the 40 year point and suggests a higher rate of inflation than expected by market participants. This is 18% of the change in financial assumptions.

	City of London	Percentage Impact	LGPS City Fund Share 51%
	£m	%	£m
Impact of change of discount rate	98.9	20%	50.4
Impact of change in CPI (market related)	297.4	62%	151.7
Impact of change in CPI derivation approach	86.6	18%	44.2
Total change in financial assumptions	482.9	100%	246.3

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 2020	31 March 2020		31 March 2021	31 March 2021
£m	£m		£m	£m
969.4	494.3	1 April	936.9	477.9
23.3	11.9	Interest on Assets	14.6	7.4
		Remeasurement gains/losses:		
(57.3)	(29.3)	Return on Assets less interest	236.1	120.4
(0.4)	(0.1)	Other actuarial gains/losses	0.0	0.0
0.0	0.0	Change in proportion allocated to City Fund	0.0	0.0
(0.9)	(0.5)	Administration expenses	(0.8)	(0.4)
30.9	15.8	Contributions by Employer	33.3	17.0
10.7	5.5	Contributions by Scheme Participants	11.1	5.7
(37.3)	(19.0)	Benefits Paid	(45.9)	(23.4)
(1.5)	(0.8)	Settlement Prices Received/(Paid)	3.5	1.8
936.9	477.9	31 March	1,188.8	606.4

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

31 March 2020		31 March 2021	
%		%	
59	Equity Investments	60	
2	Cash	0	
13	Infrastructure	12	
26	Absolute return portfolio	28	
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 2020	31 March 2020		31 March 2021	31 March 2021
£m	£m		£m	£m
(620.9)	(316.7)	1 April	(635.6)	(324.1)
17.8	9.1	change in liabilities	(536.0)	(273.4)
(32.5)	(16.5)	change in assets	251.9	128.5
(635.6)	(324.1)	31 March	(919.7)	(469.0)

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:

2019-20		2020-21
	Mortality assumptions:	
	Life expectancy in years from age 65	
	Retiring today	
21.8	Men	21.6
24.4	Women	24.3
	Retiring in 20 years	
23.2	Men	22.9
25.8	Women	25.7
2.7%	Rate of Inflation - RPI	3.20%
1.9%	Rate of Inflation - CPI	2.85%
2.90%	Salary Increases	3.85%
1.90%	Pension Increases	2.85%
2.35%	Discount Rate	2.00%
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 analysis has 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 2021				
	CITY OF LONDON CORPORATION		CITY FUND SHARE 51%	
	Increase	Decrease	Increase	Decrease
	£m	£m	£m	£m
0.1% change in rate for discounting scheme liabilities	(42.2)	43.1	(21.5)	22.0
0.1% change in rate of increase in salaries	4.0	(4.0)	2.0	(2.0)
0.1% change in rate of increase in pensions	38.7	(37.9)	19.7	(19.4)
One year change in rate of mortality assumption	95.7	(91.3)	48.8	(46.6)

Page 76

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 £469.0m has a substantial impact on the net worth of 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 2022 are £32.2m (estimated City Fund Share £16.4m).

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.

The Police Pension liability represents the pension benefits Officers have accrued as at 31 March 2021 as assessed via actuarial calculation. These benefits, however, will not be payable until Officers have retired. As an unfunded scheme, the liabilities will be met through employee and employer contributions with any deficit being met by the Home Office.

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 2020		31 March 2021
£m		£m
(998.1)	1 April	(935.1)
(18.6)	Current Service Cost	(16.9)
(23.6)	Interest Cost	(21.6)
	Remeasurement gains/losses:	
(6.7)	Actuarial Gains/losses arising from demographic assumptions	14.2
83.0	Actuarial gains/losses arising from changes in financial assumptions	(208.0)
0.0	Other Actuarial Gains/Losses	0.2
32.5	Benefits paid	31.9
0.0	Past Service Costs	0.0
(4.3)	Contributions from scheme participants	(4.6)
0.6	Injury Benefits Paid	0.6
(935.1)	31 March	(1,139.3)

For 2020-21, the total change in financial assumptions for the City of London Police was £208.0m. This was as a result of a combination of three changes in the independent consulting actuary (Barnett Waddingham LLP) financial assumptions:

- The present value of liabilities has increased due to the discount rate dropping. This is 28% of the total change in financial assumptions.
- The future cost of benefits has increased due to the Market implied inflation rate being higher. This is 58% of the change in the financial assumptions.
- There has been a technical change in the actuary's approach to derivation of RPI and CPI inflation as an inflation risk premium has been introduced. This is 14% of the change in financial assumptions.

	City of London Police	Percentage Impact
Impact of change of discount rate	58.0	28%
Impact of change in CPI (market related)	121.4	58%
Impact of change in CPI derivation approach	28.6	14%
Total change in financial assumptions	208.0	100%

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 City Fund's defined benefit obligation from changes to various actuarial assumptions. The sensitivity analysis has 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

2019-20	Mortality assumptions:	2020-21
	Life expectancy in years from age 65	
	Retiring today	
21.4	Men	21.1
23.5	Women	23.3
	Retiring in 20 years	
22.8	Men	22.3
25.0	Women	24.8
2.70%	Rate of Inflation - RPI	3.20%
1.90%	Rate of Inflation - CPI	2.80%
3.40%	Salary Increases	3.80%
1.90%	Pension Increases	2.80%
2.35%	Discount Rate	2.00%

Change in Assumptions at 31 March 2021

Impact on the Defined Benefit Obligation in the Scheme		
	Increase	Decrease
	£m	£m
0.1% change in rate for discounting scheme liabilities	(22.5)	23.0
0.1% change in rate of increase in salaries	2.0	(2.0)
0.1% change in rate of increase in pensions	20.8	(20.3)
One year change in rate of mortality assumption	54.8	(52.2)

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 £1,139.3m 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 2022 are expected to be £10.6m and the expected top up grant from the Government is £16.6m.

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 2020		31 March 2021
£m		£m
(2.9)	1 April	(2.7)
(0.2)	Current Service Cost	(0.2)
(0.1)	Interest Cost	(0.1)
	Remeasurement gains/losses:	
0.1	Actuarial Gains/losses arising from demographic assumptions	0.0
0.3	Actuarial gains/losses arising from changes in financial assumptions	(0.4)
0.0	Other Actuarial gains/losses	0.5
0.1	Benefits paid	0.1
(2.7)	31 March	(2.8)

Basis for Estimating Liabilities

The liabilities have been valued by the City of London's independent consulting actuary (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:

2019-20	Mortality assumptions:	2020-21
	Life expectancy in years from age 65	
	Retiring today	
21.8	Men	21.6
24.4	Women	24.3
	Retiring in 20 years	
23.3	Men	22.9
25.8	Women	25.7
2.85%	Rate of Inflation - RPI	3.45%
1.95%	Rate of Inflation - CPI	2.85%
3.45%	Salary Increases	3.85%
1.95%	Pension Increases	2.85%
2.30%	Discount Rate	1.85%

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 2021

Impact on the Defined Benefit Obligation in the Scheme		
	Increase	Decrease
	£m	£m
0.1% change in rate for discounting scheme liabilities	(0.03)	0.03
0.1% change in rate of increase in salaries	0.00	0.00
0.1% change in rate of increase in pensions	0.03	(0.03)
One year change in rate of mortality assumption	0.16	(0.15)

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 £2.8m 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 11 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 CI&ES 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 2021 a loss of £299.6m (at 31 March 2020 it was a gain of £87.9m). 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 2020		31 March 2021
£m		£m
	Present Value of the defined benefit obligation	
(799.7)	City of London Pension Scheme - City Fund	(1,073.2)
(924.3)	Police Pension Schemes	(1,127.4)
(2.7)	Judges' Pension Scheme	(2.8)
	Fair Value of plan assets	
477.8	City of London Pension Scheme - City Fund	606.4
	Present value of unfunded obligation	
(2.3)	City of London Pension Scheme - City Fund	(2.3)
(10.6)	Police Pension Schemes	(11.8)
(1,261.8)	Net liability on balance sheet	(1,611.0)

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:

2019-20				2020-21				
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 (CI&ES)				
				Cost of Services:				
18.6	0.2	26.3	45.1	Current service cost	16.9	0.2	40.6	57.7
0.0	0.0	0.6	0.6	Past service costs	0.0	0.0	5.4	5.4
0.0	0.0	(0.5)	(0.5)	(gain)/loss from settlements	0.0	0.0	1.6	1.6
				Other Operating Income				
0.0	0.0	0.4	0.4	administration expenses	0.0	0.0	0.4	0.4
				Financing & Investment Income & Expenditure				
0.0	0.0	0.0	0.0	Current service cost	0.0	0.0	0.0	0.0
23.6	0.1	7.4	31.1	Interest cost	21.6	0.1	7.8	29.5
42.2	0.3	34.2	76.7	Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services	38.5	0.3	55.8	94.6
				Other Comprehensive Income & Expenditure				
				Remeasurement of the net defined benefit liability:				
0.0	0.0	29.2	29.2	Return on plan assets	0.0	0.0	(120.4)	(120.4)
6.7	(0.1)	(5.9)	0.7	Actuarial (gains) & losses - changes in demographic assumptions	(14.2)	(0.0)	(9.2)	(23.4)
(83.1)	(0.3)	(76.0)	(159.4)	Actuarial (gains) & losses - changes in financial assumptions	208.0	0.4	246.3	454.7
41.5	0.0	0.1	41.6	Actuarial (gains) & losses - Other	(0.2)	(0.5)	(10.6)	(11.3)
(34.9)	(0.4)	(52.6)	(87.9)	Total Other Comprehensive Income & Expenditure	193.6	(0.1)	106.1	299.6
7.3	(0.1)	(18.4)	(11.2)	Total Retirement Benefit Charged/(Credited) to the CI&ES	232.1	0.2	161.9	394.2
				Movement in Reserves Statement				
(7.3)	0.1	18.4	11.2	Reversal of net charges/(credits) for retirement benefits in accordance with the Code	(232.1)	(0.2)	(161.9)	(394.2)
28.9	0.1	15.7	44.7	Actual amount charged against the City Fund and HRA Balances	27.8	0.1	17.0	44.9

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 £115.5m 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 £197.6m.

29. Other Long-term Liabilities

At the 31 March 2021 the City Fund has long term liabilities of £67.4m which consists of £62m of outstanding London NNDR Pool SIP project funding due to be released over the life span of agreed projects and £5.4m (2019-20: £6.0m) 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 2020		31 March 2021	
£m		£m	
	Property, Plant and Equipment		
16.3	Other Land and Buildings	14.4	
2.8	Vehicles, Plant and Equipment	2.2	
48.4	Investment Properties	46.9	
67.5		63.5	

Upon review of Cleansing Vehicle leases, the Useful Economic Life of 5 years has been deemed more appropriate than the 8 years previously used. This has changed the balance of minimum lease payments.

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 2020		31 March 2021	
£m		£m	
3.2	Investment Property	3.2	
2.8	Cleansing Vehicles	2.2	
6.0	Long Term Liabilities	5.4	

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 2020	31 March 2020		31 March 2021	31 March 2021
£m	£m		£m	£m
0.5	0.3	Not later than one year	0.7	0.6
1.8	1.4	Later than one year and not later than five years	2.1	1.6
14.2	4.3	Later than five years	13.1	3.2
16.5	6.0	Total	15.9	5.4

City Fund as Lessor

The gross investment is made up of the following amounts:

31 March 2020			31 March 2021	
£m			£m	
	Finance lease debtor (net present value of minimum lease payments)			
0.3	current		0.3	
12.1	non-current		11.8	
30	Unearned finance income		29.7	
0.0	Unguaranteed residual value of property		0.0	
42.4	Gross investment in the lease		41.8	

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 2020	31 March 2020		31 March 2021	31 March 2021
£m	£m		£m	£m
0.7	0.3	Not later than one year	0.7	0.3
2.5	1.1	Later than one year and not later than five years	2.4	1.1
39.4	11	Later than five years	38.7	10.7
42.6	12.4	Total	41.8	12.1

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

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 7.

Operating Leases**City Fund as Lessee**

The future minimum lease payments due under non-cancellable leases in future years are shown below.

31 March 2020		31 March 2021	
£m		£m	
2.4	Not later than one year	2.7	
9.7	Later than one year and not later than five years	8.9	
8.7	Later than five years	16.9	
20.8	Total	28.5	

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 shown below.

31 March 2020		31 March 2021	
£m		£m	
53.1	Not later than one year	52.7	
191.4	Later than one year and not later than five years	175.3	
2,890.0	Later than five years	2,950.5	
3,134.5	Total	3,178.5	

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 2020		Note	31 March 2021
£m			£m
(348.4)	Revaluation Reserve	A	(330.7)
(2,176.1)	Capital Adjustment Account	B	(2,151.2)
1,261.8	Pensions Reserve	C	1,611.0
(28.0)	Collection Fund Adjustment Account	D	54.1
4.2	Accumulated Absences Account	E	5.2
(12.5)	Deferred Capital Receipts Reserve	F	(12.2)
0.2	Financial Instrument Revaluation Reserve	G	0.2
4.3	Pooled Investment Adjustment Account	H	(2.6)
(1,294.5)	Total Unusable Reserves		(826.2)

A. Revaluation Reserve

Page 86

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).

2019-20		2020-21	
£m		£m	£m
(342.4)	Balance at 1 April		(348.4)
(33.6)	Upward revaluation of assets	(34.1)	
11.2	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	42.6	
(22.4)	Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		8.5
5.3	Difference between fair value depreciation and historical cost depreciation	5.2	
1.4	Assets reclassified as investments	0.0	
9.7	Accumulated gains on assets sold or scrapped	4.0	
16.4	Amount written off to the Capital Adjustment Account		9.2
(348.4)	Balance at 31 March		(330.7)

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.

2019-20		2020-21	
£m		£m	£m
(2,145.7)	Balance at 1 April		(2,176.1)
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:		
30.3	Charges for depreciation, impairment and revaluation losses of non-current assets	48.0	
(1.6)	Revaluation gains on Property, Plant and Equipment	(1.2)	
0.2	Amortisation of intangible assets	0.2	
13.2	Revenue expenditure funded from capital under statute	11.2	
27.8	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	5.0	
69.9	Total reversal of items relating to capital expenditure debited or credited to the CI&ES:		63.2
(16.4)	Adjusting amounts written out of the Revaluation Reserve	(9.2)	
53.5	Net written out amount of the cost of non-current assets consumed in the year		54.0
	Capital financing applied in the year:		
(18.4)	Use of the Capital Receipts Reserve to finance new capital expenditure	(20.4)	
(3.0)	Use of the Major Repairs Reserve to finance new capital expenditure	(4.4)	
(15.5)	Capital grants, contributions & donations credited to the CI&ES that have been applied to capital financing	(14.4)	
(1.5)	Application of grants to capital financing from the Capital Grants Unapplied Account	(2.1)	
(1.0)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1.1)	
(14.3)	Capital expenditure charged against the City Fund & HRA balances	(11.3)	
(53.7)	Total Capital financing applied in the year:		(53.7)
(30.4)	Movements in the market value of Investment Properties debited or credited to the CI&ES		24.4
0.2	Museum of London loan principle		0.2
(2,176.1)	Balance at 31 March		(2,151.2)

C. Pension Reserve

2019-20		2020-21
£m		£m
1,317.7	Balance at 1 April	1,261.8
(87.9)	Remeasurements of the net defined benefit liability	299.6
76.7	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	94.5
(44.7)	Employer's pension contributions less direct payments to pensioners payable in the year	(44.9)
1,261.8	Balance at 31 March	1,611.0

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 CI&ES 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. 20-21 has seen a substantial increase in the liability due to change in the financial assumption made by the actuary, leading to the remeasurement of the net defined liability of £299.6m. This change has been driven by a decrease in the discount rate, from 2.35% to 2.00%, which is derived from the yield corporate bonds, and an increase in inflation expectations. A detailed analysis of these changes can be found in notes 23-26 (page 64-74).

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 CI&ES 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. A significant deficit of £54.1m has arisen in the account due to the impacts of COVID-19 on business rate income. These include the late introduction of 100% business rate relief for the retail, leisure and hospitality sectors and an increase in bad debt provision. These changes meant there was a significant variance against business rate income estimated in January 2020 which has created the deficit. Further detail on the collection fund can be found in the Collection Fund Accounts (Page 98-101). The £54.1m deficit represents City Funds 30% share of business rate income. Government funding of £47.9m has been set aside in the business rate equalisation reserve (see note 12, page 48) to offset this deficit as it unwinds over future financial year. The Government has enabled £15.6m of this deficit to be spread over 3 years rather than the normal 2 to assist authorities in managing these deficit positions.

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.

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.

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.

H. 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 movements are realised.



Notes to the Cash Flow Statement

32. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following item:

2019-20		2020-21
£m		£m
(28.8)	Depreciation, impairments and impairment reversal	(47.0)
6.1	Increase/(Decrease) in creditors	(132.5)
(19.7)	Increase/(Decrease) in debtors	(6.1)
0.1	Increase/(Decrease) in inventories	0.1
(32.1)	Movement in pension liability	(49.6)
(27.8)	Carrying amount of non-current assets sold	(5.0)
30.4	Movement in investment property values	(24.4)
(29.8)	Deferred credits	(1.1)
23.5	(Increase)/Decrease in contributions to provisions	3.4
(78.1)	Total	(262.2)

Page 91

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

2019-20		2020-21
£m		£m
(10.0)	Interest received	(7.6)

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

2019-20		2020-21
£m		£m
70.3	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6.6
22.1	Capital grants credited to the net surplus or deficit on the provision of services	18.3
92.4		24.9

33. Cash Flow Statement – Investing Activities

2019-20 Restated		2020-21
£m		£m
38.5	Purchase of property, plant and equipment, investment property and intangible assets	58.0
2,266.1*	Purchase of short-term and long-term investments	1,943.7
(2,138.5)*	Proceeds from short-term and long-term investments	(1,885.9)
(84.3)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7.4)
(4.3)	Capital grants received	(44.4)
0.0	Other receipts from investing activities	1.8
77.5	Net cash outflows/(inflows) from investing activities	65.8

*The comparative figures for 2019/20 have been restated on a basis comparable with 2020/21. This is because the purchase and proceeds of investments were previously presented on the basis of the net movement for the year but should have been presented to show the turnover in investments. This restatement has meant purchases of £2,266.1m and proceeds of £2,138.5m from short term and long term investments are now shown above. This change had no impact on the net cash outflow/inflows from investing activity, which remains as per the previous presentation.

34. Cash Flow Statement – Financing Activities

2019-20		2020-21
£m		£m
(45.4)	Billing Authorities - Council Tax and NNDR Adjustments	117.2
0.3	Reduction in finance lease liability	0.5
(45.1)	Net cash inflows from financing activities	117.7



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 2020-21, including instances where their close family has made transactions with the City of London. During 2020-21 the following transactions were disclosed;

Related party	Connected party	2020/21 £000	2019/20 £000	Detail of transaction
Age UK London	The City Corporation nominates a Member to Age UK London	233	15	Digital outreach services paid by City Fund
Askonas Holt	A Member is the Board Chairman of Askonas Holt	9	187	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.	(6,779)	(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	30	22	Membership fees paid by City Fund
Blind in Business Charity	A member is appointed as Chair of Trustees	10		Business Rate relief
City of London Academies Trust	The City Corporation nominated five Members to the Board of Governors of the City of London Academies Trust	0	145	Fees paid by City Fund
City of London Reserve Forces and Cadets Association	Three members are nominated to the City of London Reserve Forces and Cadets Association	28	0	Purchase of training courses and uniforms paid by City Fund
Dr Johnson’s House Trust	A member is nominated to Dr Johnson’s House Trust by the City Corporation	13	0	Local Restrictions grant paid by City Fund
East London NHS Foundation Trust	The City Corporation nominates a Member to the East London NHS Foundation Trust	79	47/(65)	Service costs paid by City Fund and catering and hire fees received by City Fund
Eight Members Club	A member is member to Eight members club	30/(3)	0	Government grants paid by City Fund

Related party	Connected party	2020/21	2019/20	Detail of transaction
		£000	£000	
HB Reavis	A Member is a Director of HB Reavis	0	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.	0	(14)	Support costs received and paid by City Fund
Hiscox Group	A Member is the Director of Hiscox Group	(11)	0	Contribution received by City Fund
Homerton University Hospital	A Member is nominated to Homerton University Hospital by the City Corporation.	83	25/(55)	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	0	(13)	Archive deposit fees received by City Fund
International Business and Diplomatic Exchange	A member is on the Advisory Board for IBDE	10	0	Partnership costs paid 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	(1,914)	(1,867)	Rent and service charges received by City Fund during the year and an amount due at the balance sheet date
Kingston Smith LLP	A Member is a consultant to Kingston Smith LLP	13	16	Fundraising services paid by City Fund
Local Government Association - General	The City Corporation nominates two members to the Local Government Association – General Assembly	18	19	Subscription fees paid by City Fund
London and Partners	A Member is nominated by the City Corporation to London and Partners	29	68	Letting, hire and storage fees paid by City Fund
London Councils	The City Corporation nominates four Members to various London Councils Committees and another Member has declared his independent place on a number of Committees	0	320	Subscription fees paid by City Fund
Named Members	Three Members paid the City Fund	(36)	(56)	Rent received by City Fund
Partnership for Young London	The City Corporation nominates a Member to the Partnership for Young London.	30	45/(17)	Service paid by City Fund and workshop, central support charges received by City Fund
Prior Weston Primary School and Children's Centre	A Member is nominated to Prior Weston Primary School and Children's centre	0	24/(90)	Annual fees received and paid by City Fund

Related party	Connected party	2020/21	2019/20	Detail of transaction
		£000	£000	
PWC LLP	A Member is a Partner of PWC LLP	(11)	0	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	0	(1,111)	Room hire and catering received by City Fund
UBS	A Member is an employee of UBS.	6/(6)	(36)	Membership and licensing received by City Fund
United Kingdom Accreditation Service	A Member is the Director of United Kingdom Accreditation Service	16	21	Assessment fees paid by City Fund
Walbrook Club	A member is a member	16	0	Business rate relief

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 as a co-sponsor. The City of London's contribution in 2020-21 was £5.6m (2019-20: £5.8m) and the City Fund received £3.8m for rent, loan repayments and other services. At 31st March 2021 there was an outstanding receivable of £0.5m relating to rent and loan repayments. For 2021-22, City Fund is committed to provide £5.3m of grant funding for the running costs of the Museum.

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 2020-21, City's Cash contributed to the HRA an exceptional grant of £0.5m. There were no significant transactions between City Fund and Bridge House Estates during the year and there were no outstanding balances at year end. There were no significant transactions between City Fund and the other main funds of the City Corporation during 2019-20.

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 City Fund has with other parties (e.g. council tax bills, housing benefits). Grants from government departments are shown in Note 6 (page 37). Amounts due to and from central government departments at 31 March 2021 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 £13.8m (2020: £13.2m).

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 £237 (2019-20: £3,187) across all the City's activities. These costs were met from the endowment funds of the City Corporation and not charged to City Fund.

37. Events after the Reporting Period

After the balance sheet date (31 March 2021) an outstanding legal case with leaseholders of HRA property regarding recovery of major capital works costs was concluded, with the City Corporation losing the case. At the balance sheet date, this issue was disclosed as a contingency liability as the outcome of the case was unknown. This ruling has been deemed a post balance sheet adjusting event due to the impact on balances at the balance sheet date. The statement of accounts has been updated to reflect the impact of this decision, with outstanding debtors of £3.4m being deemed irrecoverable.

Page 97

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 2021 the Trust's net assets were £1.2m (2020: £0.9m).

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 2021, The Trust's net assets were £4.0m (2020: £3.0m).

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 (2019-20: £1.2m) 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 London Business Rate Pool, which has been operating from 2018-19 through to 2020-21. 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 £1,163.3m from participating authorities of which a £1,045.2m 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 excludes London NNDR Pool SIP balances which are included in the City Fund CI&ES and Balance Sheet.

Business Rate Pool Balances		Balance as at 31 March 2021 £m
Short-Term Debtors		23.5
Cash & Cash Equivalents		81.8
Short-Term Creditors		(105.3)

Page 98

As part of its response to the COVID-19 pandemic, the Government initiated several grant support schemes for businesses impacted by the COVID-19 restriction in place during 2020-21. Business rate billing authorities were asked to distribute this funding in line with the qualification criterion set by Government. We have judged that City Fund has acted as an intermediary in these transactions and they are therefore not accounted for in the CI&ES. Grant spend totalled £38.1m which was funded from grant income from Government.



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.

Page 100

Income and Expenditure Statement				
2019-20		Notes	2020-21	
£m			£m	£m
	Expenditure			
7.9	Repairs and maintenance		4.2	
8.8	Supervision and management		8.0	
3.3	Depreciation of non-current assets		3.1	
1.2	Revaluation (gain)/loss on HRA dwellings		14.5	
0.0	Movement in the allowance for bad debts	1	0.1	
21.2	Total Expenditure			29.9
	Income			
(10.2)	Dwelling rents		(10.3)	
(1.9)	Non-dwelling rents		(1.7)	
(2.3)	Charges for services and facilities		(2.6)	
(1.4)	Contributions towards expenditure		0.2	
(15.8)	Total Income			(14.4)
5.4	Net Expenditure/(Income) of HRA Services as included in the City Fund CI&ES cost of services			15.5
	HRA share of other income and expenditure included in the City Fund CI&ES			
(0.3)	Net (gain)/loss on Disposal of Fixed Assets			(1.0)
0.0	Interest and investment income			0.0
0.5	Investment property (gain)/loss on revaluation			0.0
5.6	(Surplus)/deficit for the year on HRA Services			14.5

Movement on the HRA Statement				
2019-20		Notes	2020-21	
£m			£m	£m
(3.8)	Balance on the HRA at the end of the previous year			(0.1)
5.6	(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		14.5	
(1.9)	Adjustments between accounting basis and funding basis under statute	2	(14.6)	
3.7	(Increase)/decrease in year on the HRA			(0.1)
(0.1)	Balance on the HRA at the end of the current year			(0.2)

1. Impairment Allowance for Bad and Doubtful Debts

2019-20		2020-21
£m		£m
0.17	Provision at 1 April	0.13
(0.04)	Bad Debts written off	(0.02)
(0.01)	Decrease in Provision	0.11
0.12	Provision at 31 March	0.22

2. Adjustments between Accounting Basis and Funding Basis under Statute

Note 11 (page 45-47) 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 2021 the City Corporation's HRA rental stock was 1,867 dwellings. The HRA also includes costs and service charge income relating to properties sold on long leases of which there were 927 as at 31 March 2021 (2020: 922).

31 March 2020		31 March 2021
No.		No.
27	Houses and Bungalows	27
1,845	Flats	1,840
1,872	Total	1,867

31 March 2020		31 March 2021
No.		No.
1,926	Stock at 1 April	1,872
(63)	Demolished Property	0
(1)	Sales	(5)
10	New Build	0
1,872	Stock at 31 March	1,867

4. Arrears of Rent, Service and Other Charges

As at 31 March 2021 the total arrears for rent, service charges and other charges were £6.3m (31 March 2020: £5.2m) as follows:

31 March 2020		31 March 2021
£m		£m
0.1	Former residential tenants	0.1
0.3	Current residential tenants	0.4
0.4	Commercial tenants	1.1
4.3	Service charges	1.1
0.1	Other charges	0.2
5.2	Total arrears	2.9

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, page 50-53) as some council dwellings are held outside of the HRA such as the Barbican Estate.

2019-20									2020-21			
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								
223.2	41.8	6.6	271.6	at 1 April 2019				at 1 April 2020	221.5	43.2	12.3	277.0
1.6	0.0	8.1	9.7	Additions					1.6	0.4	10.1	12.1
2.4	0.0	(2.4)	0.0	Transfers					1.1	0.0	(1.1)	0.0
(3.7)	1.7	0.0	(2.0)	Revaluation increase/(decrease) recognised in the Revaluation Reserve					(24.0)	(3.6)	0.0	(27.6)
(1.8)	0.0	0.0	(1.8)	Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services					(15.6)	0.0	0.0	(15.6)
(0.2)	0.0	0.0	(0.2)	Derecognition - disposals					(0.5)	0.0	0.0	(0.5)
0.0	(0.3)	0.0	(0.3)	Assets reclassified (to)/from Held for Sale					0.0	0.0	0.0	0.0
221.5	43.2	12.3	277.0	at 31 March 2020				at 31 March 2021	184.1	40.0	21.3	245.4
				Accumulated Depreciation and Impairment								
(0.1)	(0.1)	0.0	(0.2)	at 1 April 2019				at 1 April 2020	(0.1)	(0.1)	0.0	(0.2)
(2.9)	(0.3)	0.0	(3.2)	Depreciation Charge					(2.6)	(0.3)	0.0	(2.9)
2.3	0.3	0.0	2.6	Depreciation written out to the Revaluation Reserve					1.6	0.2	0.0	1.8
0.6	0.0	0.0	0.6	Depreciation written out to the Surplus/Deficit on the Provision of Services					1.1	0.0	0.0	1.1
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 2020				at 31 March 2021	0.0	(0.2)	0.0	(0.2)
				Net Book Value								
223.1	41.7	6.6	271.4	at 1 April 2019				at 1 April 2020	221.4	43.1	12.3	276.8
221.4	43.1	12.3	276.8	at 31 March 2020				at 31 March 2021	184.1	39.8	21.3	245.2

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. Current MHCLG guidance (guidance for valuers – 2016) identifies a vacant possession adjustment factor for London of 25% and for the South East, 33%. In 2019/20, we felt it appropriate to continue using an adjustment factor of 30% based off the evidence and the City's unique HRA portfolio. This is reviewed annually. On review this year, we have decided that this percentage should now be reduced to 25%. This is due to evidence showing that private rents across London have increased slightly, whilst social rents have largely remained unchanged. This has led to a decrease in the calculated adjustment factor to circa 26-27%. The guidance note is clear that when within 5% of the suggested 25% figure, 25% should be used, as such we have now reduced our discount factor from 30% to 25%.

This exercise has been undertaken to assess an appropriate adjustment factor for City of London HRA dwellings derived from City of London HRA rents and London private sector rents (sourced from the Office for National Statistics for the period of 1 April 2020 – 31 March 2021). Using this data and the MHCLG calculation methodology, this has established an appropriate vacant possession adjustment factor for City of London HRA dwellings to be 25% which has been adopted in establishing the Existing Use Value- Social Housing. The estimated vacant possession value of HRA dwellings is £751.7m which has been reduced by 75% to £187.9m to reflect social housing.

7. Investment Property

2019-20		2020-21
£m		£m
4.7	Balance at start of the year	4.2
	Revaluations:	
(0.5)	Net gains/(losses) from fair value adjustments	0.0
4.2	Balance at end of the year	4.2

8. Major Repairs Reserve

2019-20		2020-21
£m		£m
(3.2)	Balance 1 April	(3.4)
	Transfer from HRA equal to depreciation	
(2.9)	dwellings	(3.1)
(0.3)	non dwellings	0.0
3.0	Capital expenditure (dwellings)	4.5
(3.4)	Balance 31 March	(2.0)

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.

2019-20		2020-21
£m		£m
	Expenditure in year	
	Fixed assets	
8.2	Assets under construction	10.1
1.5	Dwellings	1.6
0	Other	0.4
1.2	Revenue expenditure funded from capital under statute	1.1
10.9	Total Expenditure	13.2
	Methods of financing	
1.0	Capital Receipts	0.3
3.0	Major Repairs Reserve	4.5
6.9	Reimbursements and Donations	8.4
10.9	Total Financing	13.2

Revenue Account Continued

2019-20			Notes	2020-21		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£m	£m	£m		£m	£m	£m
			Expenditure Continued			
	14.2	14.2	City Fund Business Rate Premium		15.9	15.9
	11.9	11.9	City Fund Offset	4	12.1	12.1
			Impairment of debts for Business Rates			
	3.2	3.2	National		31.1	31.1
	0.1	0.1	GLA		1.1	1.1
			Premium		0.5	0.5
			Impairment of appeals for Business Rates			
	56.4	56.4	National		83.0	83.0
	1.1	1.1	Premium		1.3	1.3
			Cost of Collection Allowance			
	2.0	2.0	National Business Rates		2.0	2.0
	0.1	0.1	GLA Business Rate Supplement		0.0	0.0
			Contributions towards previous year's estimated Collection Fund Surplus			
1.0	26.7	27.7	City Fund		1.2	20.4
0.1	14.6	14.7	GLA		0.1	10.9
	(0.6)	(0.6)	Central Government		8.4	8.4
8.7	1,323.2	1,331.9	Total Expenditure		9.8	1,438.0
0.3	(8.5)	(8.2)	(Surplus)/Deficit for Year	5	0.9	246.1
(1.8)	(45.4)	(47.2)	Balance 1 April		(1.5)	(55.4)
(1.5)	(53.9)	(55.4)	Balance 31 March		(0.6)	190.7

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 2020-21 the City of London set a non-domestic rating multiplier of 0.52 (52.0p in the £) and a small business non-domestic rating multiplier of 0.517 (51.7p in the £). This comprises the NNDR and SBNDR multipliers of 0.512 and 0.499 respectively, plus a premium of 0.8p 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 2020-21 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 2021 was £2.618bn.

2019-20		2020-21
£m		£m
(1,345.0)	National Business Rates	(1,341.2)
47.4	Less: Voids	52.6
22.6	Mandatory and discretionary relief	22.8
0.0	Expanded retail, leisure and hospitality relief	128.7
2.2	Partly occupied allowance	1.5
(1,272.8)	Net income from national business rates	(1,135.6)

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 £927.25 for a Band D property, inclusive of a 1.99% increase in council tax and a 2% adult social care precept.

To this £927.25 is added £79.94 in respect of the precept from the Greater London Authority to arrive at the total Council Tax of £1,007.19 for a Band D property in 2020-21. 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	671.46
B	7/9	783.37
C	8/9	895.28
D	9/9	1,007.19
E	11/9	1,231.01
F	13/9	1,454.83
G	15/9	1,678.65
H	18/9	2,014.38

3. Tax Bases 2020-21

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 97%, produce the tax base for each of the areas shown.

BAND	MIDDLE	INNER	CITY AREA	TOTAL
	TEMPLE	TEMPLE	EXCLUDING	CITY
			TEMPLES	AREA
A	0.00	0.00	2.50	2.50
B	0.00	0.00	137.90	141.20
C	0.00	0.00	425.01	423.94
D	0.00	0.00	772.08	753.61
E	9.17	1.22	3048.98	3033.97
F	30.69	25.64	1616.94	1652.80
G	24.17	58.33	1834.58	1843.42
H	0.00	4.00	410.00	343.50
AGGREGATE RELEVANT AMOUNTS	64.03	89.19	8247.99	8194.94
COLLECTION RATE	97%	97%	97%	
TAX BASES	62.11	86.51	8000.55	8149.17

Page 109

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 £12.1m in 2020-21 (2019-20: £11.9m).

5. (Surplus)/Deficit for the year

The deficit for the year on Business Rates is £245.3m (2019-20: surplus of £8.6m) relates solely to National Business Rates. This is an unusually large deficit, which has been driven by the following circumstance:

- The Government introduced a significant expansion in business rate reliefs as part of its response to COVID-19, which were agreed after submission of our estimated business rate income for the year (January 2020). Through the award of 100% reliefs to retail, leisure and hospitality businesses, £128.7m of NNDR income was no longer collectable. Whilst this expansion in reliefs is funded by Government grant, the timing of the change has meant a deficit has been created. This will be offset in 2021-22.
- During 2020-21 we have seen a material increase in outstanding debt relating to business rates, which has increased from £28m to £88m at 31 March 2021. Having assessed the likelihood of recovering this debt, we have increased the bad debt provision by £31.1m which is materially more than we had anticipated as estimate stage.
- Higher levels un-funded business rate reliefs, such as empty property relief, have also contributed to the deficit.

This deficit is apportioned in line with the shares of business rate income set by Government. City Fund accounts for 30%, the GLA 37% and Central Government 33%. City Fund has set aside £47.9m of Government funding in its business rate equalisation reserve (see note 12, page 48) to offset its share of the deficit. Government has also enabled authorities to spread element of the deficit over a 3 year period rather than the normal 2. For City Fund, £15.6m of its share of the deficit will be spread over 3 years.

Police Pension Fund

Police Pension Fund Account for the year ended 31 March 2021

2019-20		2020-21	
£m		£m	£m
	Contributions receivable		
	- from employer		
(9.7)	normal	(10.7)	
0.0	early retirements	0.0	
(4.3)	- from members	(4.5)	
(14.0)			(15.2)
(0.3)	Transfers in from other Police Authorities		(0.3)
	Benefits payable		
25.1	- pensions	26.0	
6.3	- commutations and lump sums	6.2	
31.4			32.2
	Payments to and on account of leavers		
0.0	- Transfers out to other Police Authorities	0	
0.0	- Other	0	
17.1	Sub-total: Net amount payable for the year before transfer from Police Authority		16.7
(17.1)	Additional contribution from Police Authority		(16.7)
0.0	Net amount payable/receivable for the year		0.0

Page 110

- 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 130 to 146. 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, page 64-74).
- 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.

Hold for Independent Auditors report to the Members of City of London Pension Fund

City of London Pension Fund Account

Fund Account for the year ended 31 March 2021

Net Asset Statement as at 31 March 2021

2019-20	Notes	2020-21
£m		£m
	Dealings with members, employers and others directly involved in the Fund	
(44.8)	Contributions	(47.3)
(6.7)	Transfers in from other pension funds	(2.6)
(51.5)	Total contributions & transfers in	(49.9)
44.9	Benefits	49.8
3.1	Payments to and on account of leavers	1.9
48.0	Total benefits paid & transfers out	51.7
(3.5)	Net (additions)/withdrawals from dealings with members	1.8
7.8	Management expenses	9.1
4.3	Net withdrawals including fund management expenses	10.9
	Returns on investments	
(1.2)	Investment income	(3.4)
31.3	Profit and losses on disposal of investments and changes in the value of investments	(279.9)
30.1	Net return on investments	(283.3)
34.4	Net (increase)/decrease in the net assets available for benefits during the year	(272.4)
(1,063.1)	Opening net assets of the scheme	(1,028.7)
(1,028.7)	Closing net assets of the scheme	(1,301.1)

2019-20	Notes	2020-21
£m		£m
0.2	Long-term investments	0.2
1,023.3	Investment assets	1,294.4
1,023.5	Total net investments	1,294.6
6.1	Current assets	7.4
(0.9)	Current liabilities	(0.9)
1,028.7	Net assets of the Fund available to fund benefits at the end of the reporting period	1,301.1

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 2021			31 March 2020	
	Current contributors	Beneficiaries in receipt of pension	Deferred members	Total	Total
	No.	No.	No.	No.	No.
ADMINISTERING AUTHORITY					
City of London Corporation	4,268	4,028	4,225	12,521	12,404
	4,268	4,028	4,225	12,521	12,404
SCHEDULED BODIES:					
Museum of London	254	267	619	1,140	1,141
Magistrates Court	0	17	14	31	32
Multi Academy Trust	4	0	0	4	4
	258	284	633	1,175	1,177
ADMITTED BODIES:					
Irish Society	4	10	2	16	17
City Arts Trust	0	1	0	1	1
Parking Committee for London	0	5	7	12	12
Guildhall Club	0	4	4	8	9
City Academy - Southwark	73	11	134	218	221
Sir John Cass (Brookwood)	0	1	0	1	1
AMEY (Enterprise)	0	6	3	9	9
Eville and Jones	0	0	1	1	1
London CIV	17	1	11	29	29
Westminster Drug Project	0	0	2	2	3
Agilysis	8	5	11	24	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	1	0	5	5
Veolia	4	1	0	5	5
	111	47	180	338	345
TOTAL	4,637	4,359	5,038	14,034	13,926

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 2021. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. For 2020/21, 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 updated 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 2020/21 financial year and its financial position at 31 March 2021. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21* (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. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not

expected to have a material impact on the Pension Fund because it does not hold any assets as a lessee.

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 (page 127).

The accounts have been prepared on a going concern basis. The administering authority is confident that the Fund will have sufficient resources to meet obligations as they fall due over the foreseeable future.

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. Investment 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, page 115-118). 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.

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 (page 127).

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

Page 117

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 2021 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, page 127)	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: <ul style="list-style-type: none"> a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £46m a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £4m a one-year increase in assumed life expectancy would increase the liability by approximately £104m.
Private equity investments (Note 13, page 115-118)	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 £38m in the accounts. There is a risk that this investment may be under or overstated significantly if the underlying valuation assumptions change.
Infrastructure and pooled property investments (Note 13, page 115-118)	Infrastructure and pooled property investments are valued at fair value using valuation techniques that rely on unobservable inputs.	Infrastructure and pooled property investments are valued at £63m and £88m, respectively in the accounts. 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

There are no events occurring after the reporting date that necessitate adjustments (adjusting events) or disclosure (non-adjusting events).

7. Contributions receivable

By Category

2019-20		2020-21
£m		£m
(11.9)	Employees' contributions	(12.1)
	Employers' contributions	
(20.3)	Normal contributions	(24.6)
(12.5)	Deficit recovery contributions	(9.0)
(0.1)	Pensions strain contributions	(1.6)
(32.9)	Total employers' contributions	(35.2)
(44.8)		(47.3)

By type of employer

2019-20		2020-21
£m		£m
(41.4)	Administering authority	(44.0)
(2.3)	Scheduled bodies	(2.2)
(1.1)	Admitted bodies	(1.1)
(44.8)		(47.3)

8. Benefits payable

By Category

2019-20		2020-21
£m		£m
39.2	Pensions	40.9
5.2	Lump sum retirement benefits	7.7
0.5	Lump sum death benefits	1.2
44.9		49.8

By type of employer

2019-20		2020-21
£m		£m
41.5	Administering authority	46.7
2.9	Scheduled bodies	2.8
0.5	Admitted bodies	0.3
44.9		49.8

9. Payments to and on account of leavers

2019-20		2020-21
£m		£m
2.9	Individual transfers out	1.8
0.2	Refunds to members leaving service	0.1
3.1		1.9

10. Management expenses

2019-20		2020-21
£m		£m
0.7	Administration expenses	0.6
6.9	Investment management expenses	8.2
0.2	Oversight and governance*	0.3
7.8		9.1

*Includes audit fees of £25,300 that have been charged to the Pension Fund (2019/20: £22,000).

a) Investment management expenses

2019-20				2020-21				
Management Fees	Performance Related Fees	Transaction Costs	Total		Management Fees	Performance Related Fees	Transaction Costs	Total
£m	£m	£m	£m		£m	£m	£m	£m
0.8	0.5	0.0	1.3	Infrastructure funds	0.7	0.0	0.0	0.7
4.5	(0.3)	0.0	4.2	Pooled investments**	4.4	0.9	0.3	5.6
0.1	0.0	0.0	0.1	Pooled property investments	0.5	0.0	0.0	0.5
0.6	0.7	0.0	1.3	Private equity	0.4	1.0	0.0	1.4
6.0	0.9	0.0	6.9	Total	6.0	1.9	0.3	8.2

**Included £1.1m charged to the Pension Fund by the London CIV regional asset pool (£0.8m in 2019/20).

11. Income from investments

2019-20		2020-21
£m		£m
(0.8)	Infrastructure funds	(0.8)
(0.2)	Interest	(0.1)
(0.1)	Pooled property investments	(2.4)
(0.1)	Private equity	(0.1)
(1.2)	Total	(3.4)

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. Investment income has increased during 2020-21 as a result of the Fund's increased exposure to pooled property investments.

12. Investments

Market Value 31-03-2020		Market Value 31-03-2021
£m		£m
	Investment assets	
	Pooled funds	
213.3	Diversified growth funds	243.2
417.6	Global equity	562.4
58.9	Multi asset credit	117.3
158.5	UK equities	182.3
848.3		1,105.2
	Other investments	
62.3	Infrastructure funds	62.8
66.1	Pooled property investments	88.2
34.7	Private equity funds	38.0
163.1		189.0
11.9	Cash deposits	0.0
0.1	Investment income due	0.2
1,023.4	Total investment assets	1,294.4
	Long-term investments	
0.2	Equities	0.2
1,023.6	Net investment assets	1,294.6

a) Reconciliation of movements in investments

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

	Market Value 31-03-2020	Purchases During the Year	Sales During the Year	Change in Value	Market Value 31-03-2021
	£m	£m	£m	£m	£m
Infrastructure funds	62.3	0.1	(0.9)	1.3	62.8
Long-term investments	0.2	0.0	0.0	0.0	0.2
Pooled investments	848.3	40.0	(52.7)	269.6	1,105.2
Pooled property investments	66.1	22.3	(0.6)	0.4	88.2
Private equity funds	34.7	1.4	(6.7)	8.6	38.0
	1,011.6	63.8	(60.9)	279.9	1,294.4
Cash deposits	11.9				0.0
Investment income due	0.1				0.2
Net investment assets	1,023.6				1,294.6

Page 121

	Market Value 31-03-2019	Purchases During the Year	Sales During the Year	Change in Value	Market Value 31-03-2020
	£m	£m	£m	£m	£m
Infrastructure funds	59.1	0.2	(3.0)	6.0	62.3
Long-term investments	0.2	0.0	0.0	0.0	0.2
Pooled investments	958.0	0.0	(70.6)	(39.1)	848.3
Pooled property investments	0.0	67.7	(0.3)	(1.3)	66.1
Private equity	34.6	3.8	(6.8)	3.1	34.7
	1,051.9	71.7	(80.7)	(31.3)	1,011.6
Cash deposits	0.0				11.9
Investment income due	0.0				0.1
Net investment assets	1,051.9				1,023.6

b) Investments analysed by fund manager

Market value 31-03-2020		Market value 31-03-2021
£m		£m
	Investments managed by the London CIV	
117.7	LCIV Global Alpha Growth Fund*	183.9
58.9	LCIV MAC Fund*	117.3
0.2	London CIV	0.2
176.8		301.4
	Investments managed outside the London CIV	
56.0	Alternative assets	58.7
80.0	Artemis Institutional Equity Income Fund*	94.4
28.8	Aviva Lime Property Fund	29.5
115.5	C Worldwide Global Equities*	140.9
70.4	Harris Associates Global Equity Fund*	106.6
40.9	IFM Global Infrastructure (UK)	42.1
45.5	Lindsell Train UK Equity Fund	48.3
7.5	M&G UK Residential Property Fund	29.0
29.8	M&G Secured Property Income Fund	29.7
33.0	Majedie UK Equity Fund	39.6
125.5	Pyrford Global Total Return Fund*	136.7
87.9	Ruffer Absolute Return Fund*	106.5
114.0	Veritas Global Focus Fund*	131.0
834.8		993.0
1,011.6	Total	1,294.4
11.9	Cash	0.0
0.1	Investment income due	0.2
1,023.6	Net investment assets	1,294.6

*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.

13. Fair value - basis for valuation

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.

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 3	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 significant changes in rental growth, vacancy levels, and the discount rate applied to future cash flows as well as more general changes in market conditions.
Private equity funds	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.

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 2021.

	Assessed valuation range	Market value 31-03-2021	Value on increase	Value on decrease
	(+/-)	£m	£m	£m
Private equity funds	10%	38.0	41.8	34.2
Pooled property investments	10%	88.2	97.0	79.4
Infrastructure funds	10%	62.8	69.1	56.5
		189.0	207.9	170.1

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 pooled property investments are based on valuations provided by the fund managers which in turn represent estimates by independent professional valuers of the open market value of those investment as at the reporting date.

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.

Values as at 31 March 2020				Values as at 31 March 2021				
Quoted market price	Using observable inputs	With significant unobservable inputs			Quoted market price	Using observable inputs	With significant unobservable inputs	
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
£m	£m	£m	£m		£m	£m	£m	£m
				Financial assets at fair value through profit and loss				
0.0	0.0	62.3	62.3	Infrastructure funds	0.0	0.0	62.8	62.8
0.0	0.0	0.2	0.2	Long-term investments	0.0	0.0	0.2	0.2
0.0	848.3	0.0	848.3	Pooled investments	0.0	1,105.2	0.0	1,105.2
0.0	0.0	66.1	66.1	Pooled property investments	0.0	0.0	88.2	88.2
0.0	0.0	34.7	34.7	Private equity funds	0.0	0.0	38.0	38.0
0.0	848.3	163.3	1,011.6	Total investment assets	0.0	1,105.2	189.2	1,294.4
11.9	0.0	0.0	11.9	Cash deposits	0.0	0.0	0.0	0.0
0.1	0.0	0.0	0.1	Investment income due	0.2	0.0	0.0	0.2
12.0	848.3	163.3	1,023.6	Net investment assets	0.2	1,105.2	189.2	1,294.6

b. Reconciliation of fair value measurements within level 3

The table below shows the movements in level 3 disclosures for 2020/21

Disclosures for level 3	Market value at 31-03-2020	Transfers into level 3	Transfers out of level 3	Purchases at cost	Sales	Unrealised gains / (losses)	Realised gains / (losses)	Market value at 31-03-2021
	£m	£m	£m	£m	£m	£m	£m	£m
Private equity	34.7	0.0	0.0	1.4	(6.7)	7.4	1.2	38.0
Pooled property investments	66.1	0.0	0.0	22.3	(1.1)	0.94	0.0	88.2
Infrastructure	62.3	0.0	0.0	0.1	(0.9)	1.3	0.0	62.8
Long term investment	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Total level 3	163.3	0.0	0.0	23.8	(8.7)	9.6	1.2	189.2

14. Financial Instruments

a. Classification of financial instruments

at 31 March 2020				at 31 March 2021				
Fair Value through profit and loss	Assets held at amortised cost	Financial liabilities at amortised cost	Total		Fair Value through profit and loss	Assets held at amortised cost	Financial liabilities at amortised cost	Total
£m	£m	£m	£m		£m	£m	£m	£m
				Financial assets				
62.3	0.0	0.0	62.3	Infrastructure funds	62.8	0.0	0.0	62.8
0.0	0.2	0.0	0.2	Long-term investments	0.0	0.2	-	0.2
848.3	0.0	0.0	848.3	Pooled investments	1,105.2	0.0	0.0	1,105.2
66.1	0.0	0.0	66.1	Pooled property investments	88.2	0.0	0.0	88.2
34.7	0.0	0.0	34.7	Private equity funds	38.0	0.0	0.0	38.0
0.0	17.9	0.0	17.9	Cash	0.0	7.2	0.0	7.2
0.0	0.1	0.0	0.1	Investment income due	0.0	0.2	0.0	0.2
0.0	0.0	0.0	0.0	Other debtors*	0.0	0.1	0.0	0.1
1,011.4	18.2	0.0	1,029.6		1,294.2	7.7	0.0	1,301.9
				Financial liabilities				
0.0	0.0	(0.9)	(0.9)	Creditors*	0.0	0.0	(0.1)	(0.1)
1,011.4	18.2	(0.9)	1,028.7	Total	1,294.2	7.7	(0.1)	1,301.8

*The table above excludes debtors valued at £0.1m (31 March 2020: £0.0m) and creditors valued at £0.8m (31 March 2020: £0.0m) which are non-contract based transactions and balances and therefore do not meet the criteria of financial instruments. Further information on current assets and current liabilities outstanding at the reporting date is detailed in notes 19 and 20 (page 128) below.

b. Net (Gains) and Losses on Financial Instruments

2019-20		2020-21
£m		£m
	<u>Financial Assets</u>	
(31.3)	Fair value through profit and loss	279.9
(31.3)		279.9

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 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, 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. Market risks

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors, asset classes and individual securities. To mitigate market risk, the Pension Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

In consultation with its investment consultant, Mercer Ltd, the Fund has determined that the following movements in market price risk are reasonably possible for 2021/22, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type	Value as at 31 March 2021	Change	Value on increase	Value on decrease
	£m	%	£m	£m
Developed market global equities	688.3	18.7%	817.0	559.6
Emerging market global equities	56.6	28.6%	72.8	40.4
Diversified growth funds	243.2	11.6%	271.4	215.0
Multi asset credit	117.3	10.5%	129.6	105.0
UK property (proxy for residential property)	29.0	16.4%	33.8	24.2
Long lease UK property	59.2	9.7%	64.9	53.5
Private equity	38.0	24.7%	47.4	28.6
Unlisted infrastructure	62.8	16.1%	72.9	52.7
Total	1,294.4		1,509.8	1,079.0

Asset type	Value as at 31 March 2020	Change	Value on increase	Value on decrease
	£m	%	£m	£m
Developed market global equities	553.2	17.4%	649.5	456.9
Emerging market global equities	22.9	29.1%	29.6	16.2
Hedge funds (proxy for multi-asset funds)	272.4	7.3%	292.3	252.5
UK property (proxy for residential property)	7.5	14.2%	8.6	6.4
Long lease UK property	58.6	7.7%	63.1	54.1
Private equity	34.7	25.8%	43.7	25.7
Unlisted infrastructure	62.3	15.0%	71.6	53.0
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 of 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 2021 and 31 March 2020 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%.

Value as at 31 March 2020	Change	Value on increase	Value on decrease	Assets exposed to interest rate risk	Value as at 31 March 2021	Change	Value on increase	Value on decrease
£m	%	£m	£m		£m	%	£m	£m
17.9		17.9	17.9	Cash and cash equivalents	7.2		7.2	7.2
162.1	1.00%	157.8	166.4	Bonds	231.5	1.00%	230.2	240.2
180.0		175.7	184.3	Total	238.7		237.4	247.4

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).

Currency	As at 31 March 2021			
	Value	Change	Value on increase	Value on decrease
	£m	%	£m	£m
United States Dollar	376.1	2.35%	384.9	367.3
Euro	120.0	1.56%	121.9	118.1
Japanese Yen	35.0	2.74%	36.0	34.0
Australian Dollar	20.8	2.27%	21.3	20.3
Swiss Franc	17.5	2.24%	17.9	17.1
Hong Kong Dollar	16.4	2.34%	16.8	16.0
Chinese Yuan	13.3	2.38%	13.6	13.0
Taiwanese Dollar	10.8	2.00%	11.0	10.6
Indian Rupee	10.8	2.61%	11.1	10.5
Swedish Krona	10.3	2.28%	10.5	10.1
Other overseas	70.1	2.40%	71.8	68.4
Overseas total	701.1		716.8	685.4
Sterling	593.5			
Net investment assets	1,294.6			

The table above summarises the position as at 31 March 2021, and the comparable position as at 31 March 2020 is shown below. The analysis uses historical currency volatility data sourced from the fund custodian, BNY Mellon.

Currency	As at 31 March 2020			
	Value	Change	Value on increase	Value on decrease
	£m	%	£m	£m
United States Dollar	303.1	2.34%	310.2	296.0
Euro	93.0	1.76%	94.6	91.4
Japanese Yen	40.5	2.87%	41.7	39.3
Hong Kong Dollar	18.6	2.34%	19.0	18.2
Australian Dollar	16.7	2.38%	17.1	16.3
Swiss Franc	16.6	2.41%	17.0	16.2
Swedish Krona	12.2	2.54%	12.5	11.9
Indian Rupee	9.5	2.72%	9.8	9.2
Taiwanese Dollar	6.1	1.92%	6.2	6.0
South African Rand	5.8	4.66%	6.1	5.5
Other overseas	26.0	2.31%	26.6	25.4
Other overseas not analysed	2.9			
Overseas total	551.0		560.8	535.4
Sterling	472.6			
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 take 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 2021, liquid investment assets were £1,105.4m representing 85% of total fund assets (£860.4m at 31 March 2020 representing 83% 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 2019 using the projected unit method and the resulting employers' contribution were implemented for the three financial years commencing 1 April 2020.

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

	March 2019	
	% p.a.	Real % p.a.
Financial assumptions		
Discount rate	5.1	2.5
Retail Price Inflation	3.6	1.0
Consumer Price Inflation	2.6	-
Pension increases	2.6	-
Pay increases	3.6	1.0

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 2019.

Future assumed returns at 31 March 2019	Percentage of Fund	Return Assumption	Real (relative to CPI)
	%	%	%
Equities	55.0	6.7	4.1
Property and infrastructure	15.0	6.1	3.5
Absolute return fund - inflation plus 3.7%	30.0	6.3	3.7
Expenses (deduction)		(0.2)	(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

Commutation assumption

As part of the 31 March 2019 valuation 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.

Demographic assumptions

The assumed life expectancy from age 65 is show below for the 31 March 2019 valuation.

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

Funding Position at Valuation date

The valuation at 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 was as follows:

March 2019	
Past service liabilities	£m
Active members	(383.7)
Deferred pensioners	(236.7)
Pensioners	(555.3)
Total	(1,175.7)
Assets	1,062.9
Deficit	(112.8)
Funding level	90%

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

March 2019	
	Contribution rate %
Future service funding rate	15.0
Past service adjustment	5.5
Total contribution rate	20.5

The secondary rate contributions agreed with individual employers were set at the 31 March 2019 valuation to restore the Fund to a funding position of 100% over a recovery period of no longer than 14 years.

Whilst the Fund level contribution rate is now 20.5% per annum, within this individual employer contribution rates vary. 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 2020/21 to 2022/23. Exceptions are City Academy and the Multi Academy Trust who both pay 17.1% p.a., the London CIV (15.0%), Veolia (17.6%) and the Museum of London (16.1%).

18. Funded Obligation of the Overall Pension Fund

31 March 2020		31 March 2021
£m		£m
(1,703.4)	Present Value of the defined benefit obligation*	(2,304.4)
1,028.7	Fair Value of Fund Assets (bid value)	1,301.1
(674.7)	Net Liability	(1,003.3)

*The present value of the funded obligation consists of £2,262.4m in respect of vested obligations and £42.0m in respect of non-vested obligations (2019/20: £1,673.6m and £29.9m respectively).

The above figures show the total net liability of the Fund as at 31 March 2021 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 2020		Assumptions	at 31 March 2021	
% p.a.	Real % p.a.*		% p.a.	Real % p.a.*
2.70	0.80	RPI increase	3.20	0.35
1.90	-	CPI increase	2.85	-
2.90	1.00	Salary increase	3.85	1.00
1.90	-	Pension increase	2.85	-
2.35	-	Discount Rate	2.00	-

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

Life expectancy from age 65		31 March 2020	31 March 2021
Retiring today	Males	21.8	21.6
	Females	24.4	24.3
Retiring in 20 years	Males	23.2	22.9
	Females	25.8	25.7

McCloud and Sargeant judgments

The Government reformed public service pension schemes in 2014 and 2015 and introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination.

The present value of the defined benefit obligation includes an allowance 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 2021.

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 £7.2m at 31 March 2021 (£6.0m at 31 March 2020) and accruals for contributions and VAT and management fee rebates of £0.2m (£0.1m at 31 March 2020).

20. Current liabilities

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

21. Additional voluntary contributions

Market Value at 31 March 2020		Market Value at 31 March 2021
£m		£m
1.9	Prudential	2.1
0.4	Standard Life Investments	0.6
0.2	Utmost Life and Pensions	0.2
2.5		2.9

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 £0.44m were paid in 2020/21 (2019/20: £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, management expenses which were charged to the Fund amounted to £0.7m (2019/20: £0.7m). This includes £0.6m (2019/20: £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 £31.3m in 2020/21 (2019/20: £30.5m).

23. Key management personnel

The key management personnel of the Fund as at 31 March 2021 were the Chamberlain, Deputy Chamberlain, Corporate Treasurer, Pensions Manager (Administration) and Group Accountant for Pensions and Treasury Management. Total remuneration payable from the Pension Fund to key management personnel is set out below and has been apportioned based on an estimate of management personnel's time attributable to the Pension Fund.

2019-20		2020-21
£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 2021 totalled £8.0m (31 March 2020: £9.0m). 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 fulfilled all outstanding commitments to unquoted property unit trusts during the reporting period and has zero commitments outstanding at the reporting date (31 March 2020: £10.4m).



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. Basis of Preparation

The basis of preparation is set out in note 1 (page 27) to these accounts.

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 CI&ES 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 CI&ES 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 CI&ES 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 CI&ES. 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 CI&ES 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 CI&ES 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 CI&ES 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 CI&ES 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 CI&ES.

(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 CI&ES.

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 CI&ES within taxation and non-specific grant income.

(b) Capital

Where a capital grant or contribution has been recognised as income in the CI&ES, 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 CI&ES, 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 CI&ES.

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 CI&ES 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, page 54, 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 CI&ES. 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 CI&ES 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). Where rent concessions have been granted because of the Covid-19 pandemic, these have included the forgiveness of a portion of or all lease payments for an agreed period (i.e. a temporary rent reduction or rent holiday). These concessions have been recognised over the periods that the change relate to.

(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 CI&ES. 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) ComponentsAssets 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 (page 48). 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 (page 78-81).

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 CI&ES 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 CI&ES 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 brought 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 2020-21. 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 CI&ES. 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:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
- IFRS 16 Leases will require local authorities recognise assets they lease into the organisation on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). Implementation of this standard has been previously deferred but is now scheduled for implementation from 1 April 2022. At the balance sheet date, no reasonable estimate of the impact of this change could be made.



Annual Governance Statement

Introduction

1. The City Corporation has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework 2016*. 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.
2. The City of London Corporation is satisfied that appropriate governance arrangements are in place. The organisation is committed to continuous improvement and changes that are due to be made in the coming year will strengthen this position further.

Code of Corporate Governance

3. 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, all of which are published on the City of London Corporation's web pages at the following location: [Corporate governance - City of London](#)

Review of Effectiveness

The Governance Review

4. Robert Rodgers, The Lord Lisvane, was commissioned to undertake an independent review of the City Corporation's governance arrangements in 2019. His findings were received in September 2020. The recommendations are far-reaching and wide-ranging and are currently in the process of being considered. Up until 31 March 2021 consideration has been given to the organisation's constitutional arrangements and support given to the abolition of the Standards Committee and the Standards Appeal Committee, the introduction of Independent Panels to receive allegations of

misconduct, determine whether to investigate, present findings to the Court, and hear any appeal; the creation of Innovation and Growth Advisory Board as well an Emergency Committee to provide Member oversight in emergency situations in future. Work on the review is ongoing.

5. Lord Lisvane's Review, whilst concluded in late 2020, continues to be scrutinised by the Court of Common Council through regular Member Engagement Sessions chaired by Sherriff Christopher Hayward. Each aspect of the review and the Court's decision-making arrangements continue to be explored in detail by Members and views sought as to how the current committee structure and governance arrangements could be revised to put in place a more effective, efficient and relevant decision-making structure. Whilst some changes have been agreed and implementation is underway (Standards and Innovation and Growth), further changes will not be known until later in the year and full implementation of a revised structure is unlikely to take place until after the Ward elections in 2022.
6. In parallel with the Corporation-wide Lisvane review, the City of London Police Authority undertook its own governance review in 2020/21. As a result, the Police Authority designed and implemented the various changes to improve clarity and strengthen decision making processes. The changes included defining the roles of the Committee Chairs, creation of a Member induction pack, refreshed Police Authority content on the City Corporation's website and bi-furcation of the Performance & Resource Management Committee into two new Committees – Strategic Planning & Performance Committee and Resources, Risk & Estates Committee.
7. The effectiveness of these new governance arrangements have not yet been tested or evaluated. An independent review by Internal Audit will be undertaken as part of their audit programme for 2021/22.
8. No material issues or weaknesses were identified in the work undertaken by Internal Audit during 2020/21. Various recommendations have been made to improve governance arrangements within individual operational areas, these recommendations do not form part of the AGS action plan but remain within the oversight of Internal Audit and the Audit and Risk Management Committee.
9. The Head of Internal Audit and Risk Management has provided an annual opinion stating that the City has adequate and effective systems of internal control (which includes governance arrangements) in place to manage the achievement of its objectives. This is informed by completed Audit work, discussion with key officers and observation of the governance process in operation, with particular regard to the implementation and continued operation of amended governance processes to address the impact of the COVID-19 pandemic.

10. An independent debrief was commissioned during the summer 2020 recess to assess the operational response to COVID-19. The focus was on learning for the officer teams to assist in the continued mitigation of the crisis and identification of transferable learning to cope with other resilience scenarios. The results of the debrief were considered by the Policy & Resources Committee on 21 January 2021 which resolved to establish a new Emergencies Committee as part of the governance changes being implemented to address the findings of the independent review of Governance. It was further resolved that civil resilience training should be included as part of the Member development programme.
11. New working parties (not formal decision-making), including some which were in response to COVID-19 i.e. the COVID-19 Response Working Party were created in 2020/21. Others include the Tackling Racism task Force and the Statues Working Group- all of which are Member-led and time limited with specific terms of reference.

Standards Committee

12. The review of the Standards regime resulted in the abolition of the current Standards Committee and the Standards Appeal Committee and the creation of an Independent Panel. The new Panel will comprise of a diverse group of independent persons only appointed by the Court of Common Council following a transparent advertising and recruitment process. It is currently in the process of being appointed. Its purpose will be to receive allegations of misconduct, determine whether to investigate, present findings to the Court, and hear any appeal. The new regime involves a three-stage process, an informal stage which is conciliatory in nature; a formal stage involving a hearing and an appeal stage. The new Panel would also be responsible for considering requests for dispensations.
13. In the interim, other elements of the Standards Committee's work are currently retained under the auspices of the Policy and Resources Committee pending the outcome of the governance review e.g. promoting and maintaining high standards of conduct by Members and Co-opted Members and keeping under review and monitoring the following:-
 - City of London Corporation's Member Code of Conduct together with any guidance
 - City of London Corporation's Employee Code of Conduct by way of an annual update by the Director of HR
 - The Protocol on Member/Officer Relations
 - Training Members and Co-opted Members on matters relating to the City of London Corporation's Code of Conduct

Performance Management

14. During 2020, work commenced to design a Corporate Performance Framework (CPF), a performance monitoring system drawing data from dashboards, applications, spreadsheets, websites etc. in order to develop a corporate overview of how the organisation is performing against its commitments. The ambition was to provide a 'single source of data' with the creation underpinned by business requirements and design principles to ensure the approach and resulting product was fit for purpose. These included:
- Enable effective scrutiny of policy, project and corporate delivery through tracking performance against stated outcomes and targets
 - Encourage cross-organisational working and innovation increasing awareness of what is happening in other parts of the organisation, identify and replicate best practice and spot opportunities for mutually beneficial joined-up working
 - Support efforts to streamline, standardise and improve performance management practices
 - Benefits to outweigh (administrative) burden
 - Make sure data is easy to use, outcome focused, verifiable and compliant (with, for example, GDPR)
15. The initial approach suggesting phasing the work with development paused after phase one so that progress could be assessed and test what changes (if any) were required to fulfil the ambition of the Target Operating Model review. Preliminary work focussed on understanding the KPIs currently used to monitor performance, identifying the data underpinning these and assessing how this is collected and stored. A mock-up CPF was produced and usability testing undertaken to both refine the look and feel of the product and test ways data could flow into Microsoft Power BI. By Spring 2021, a partially functioning product capable of managing large volumes of data containing 282 high-level KPIs and mapped against multiple filters was developed. 206 (73%) of these KPIs contained associated data, including targets where available. Of the remaining 76 KPIs with no data, 30 (11% of the overall total) were in development i.e. no data exists yet. Data for the remaining 45 KPIs have gaps remaining e.g. data not accessible in a machine readable way or other barriers to access exist.
16. This 'bottom up' exercise helped to highlight what is being measured. However, there was less progress on agreeing which KPIs could and should be prioritised as being critical/key indicators of organisational performance. Also, many KPIs measured input and outputs not outcomes.

Financial Management Arrangements

17. 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" which defines the key responsibilities of this role and sets out how the requirements of legislation and professional standards should be met. The City's financial management arrangements were reviewed and found to conform to the governance requirements of the Statement. The Chamberlain also fulfils the role of Treasurer of the Police Authority.

18. 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.
19. 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.
20. 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.
21. 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. Oversight for the major programmes is provided by the Capital Buildings Committee, meeting every two months, supported by a monthly Major Programme Assurance board.

Risk Management

22. The City Corporation has established formal Risk Management arrangements which include the development and maintenance of corporate, departmental, and service risks, their regular review by departmental senior management and reported to the relevant Grand/Service Committee. These arrangements are subject to annual review by the Audit and Risk Management Committee and have continued to operate effectively, albeit with the review of corporate and red departmental risk registers being undertaken virtually by the Chief Officers Risk Management Group.

23. The Audit and Risk Management Committee continued to play an important and integral part in ensuring that our most important risks were reviewed through regular risk updates and deep dives of ten corporate risks.
24. The Committee also reviewed the Chief Officer informal risk challenge process in July 2020. This has resulted in a greater focus by the Committee on the department's risk processes and arrangements. Format changes were also initiated to allow more frequent sessions being held (usually monthly) and that they take place separately from on the main Committee meetings. The new arrangements became effective from September and are considered to be working well.

Role of Internal Audit

25. Internal Audit has provided independent and objective assurance across a range of City Corporation activities and services, in accordance with the Annual Internal Audit Plan (part of a 3-year Strategic Audit Plan). The Audit Plan has been managed proactively throughout the year with the engagement and support of the Audit and Risk Management Committee; amendments were made to accommodate the impact of COVID-19 on frontline services, with work being reprioritised and rescheduled accordingly.
26. The Internal Audit Team completed 90% of all planned work to at least draft report stage, which is considered sufficient to inform an overall opinion as to the adequacy of the organisation's risk management, governance and internal control framework. In addition to this a programme of follow-up work has been completed to determine the extent to which Internal Audit recommendations have been implemented, reexamining those areas where an Amber or Red assurance rating had been provided.
27. In accordance with the requirements of the Public Sector Internal Audit Standards, an annual self-assessment has been undertaken and confirmed that the City Corporation's Internal Audit function conforms with the requirements of the standards, with no material exceptions noted.

Audit and Risk Management Committee

28. The Audit & Risk Management Committee has a wide-ranging but focused brief that underpins the City of London Corporation's governance processes. It has met this remit via structured independent challenge and oversight of the adequacy of Corporate and departmental risk management, in addition to the internal controls and financial reporting frameworks. Headline outcomes for the year include:

- Adding greater depth to the oversight and scrutiny of effective risk management through the Informal Risk Challenge Process and “deep dive” reviews
- Driving the continued evolution of risk management organisation wide, both on the part of Officers within departments, and also elected Members
- Challenging and supporting the organisation in its response to the COVID-19 pandemic
- Supporting the process to ensure that Internal Audit activity is focussed towards areas of most significant risk
- Ensuring timely and effective implementation of Internal Audit recommendations through a robust process of follow-up activity

Key Governance Issues

Impact of COVID-19

- Page 162
29. Under the Civil Contingencies Act 2004 the City of London Corporation is a Category 1 responder. It therefore has statutory responsibilities under the act and the emergency provisions that comes with it. The outbreak of the COVID-19 pandemic in 2020 resulted in officers deploying command and control structures in order to effectively manage the City Corporation’s response to the global crisis. Officers worked, and continue to work, with Public Health England and other partners, in accordance with current Government guidance, to maintain the organisation’s critical and other services and to minimise the impact of COVID-19 on the City’s communities in the lead up to a return to normality.
30. At the beginning of the pandemic concerns were expressed about the level of communication with Members, particularly as not all Members were fully conversant with the emergency planning arrangements, the operation of the Gold command structure or what fell within their remit in terms of decision-making. This resulted in concerns about communication, the lack of democratic oversight and confidence in the decision-making process as well as concerns about the pace at which formal virtual meetings were introduced. It also resulted in the receipt of over 120 independent queries from Members within a 5 day period between 12-18th March.
31. A Member level Sounding Board was quickly established at the beginning of the first lockdown period, although most Members were unaware of its existence and some questioned its composition. As a result, and in order to engage Members on an informal basis more widely, a Sounding Board was replaced by thematic consultation groups covering, public services, communities, culture and finance. In doing so it acknowledged that whilst this would provide a mechanism for Members to comment on emerging issues at an early stage there were limitations as it would not always

possible or practical to canvass the views of 125 Members on all items. The Resource Allocation Sub-Committee met informally on a fortnightly basis in order to improve the transparency of urgent decisions taken.

32. The introduction of temporary emergency measures (the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020) enabled formal decision-making meetings to be undertaken in that virtually until 6th May 2021. The ability to operate in this manner was very successful, it introduced more flexibility, helped to facilitate greater public scrutiny, and aided Members and officers in conducting business more efficiently.
33. Prior to the introduction of virtual meetings, matters which required an immediate formal committee decision were dealt with in accordance with Standing Order No 41(a) i.e. under the urgency procedures. Whilst decisions taken in this manner usually involves consultation with just the Chairman and Deputy Chairman of a committee, the process was extended so that all Members of a committee were given the opportunity to comment before a decision was taken. As the emergency measures to allow for virtual meetings have now ceased, the nature in which decisions shall be formally taken, in accordance with the COVID-19 Approval Process (as agreed by the Court of Common Council on 15th April 2021) are explicit on every committee/sub-committee agenda. Those decisions are being recorded by the Town Clerk's Department as and when they are taken and are available for Member/public scrutiny. It is anticipated that these measures will remain in place until such time that the current COVID-19 restrictions, as applied by the Government, lift.
34. The management of risk has been at the heart of the governance arrangements employed to manage the City Corporation's response to COVID-19. The City Corporation's Gold group agreed a risk management protocol which set out the process by which the corporate risk for COVID-19 (CR34) and operational risks (silver/ thematic group) were identified, assessed, managed, and reported. The processes is supported by the Corporate Risk Manager.
35. The Audit and Risk Management Committee received detail of all the COVID-19 risks and in July 2020 undertook a deep dive review of the corporate COVID-19 risk.
36. An external review of the City Corporation's business continuity response to COVID-19 (undertaken in July/August 2020) recognised the positive impact of effective risk management in maintaining City Corporation services during the period from March to July 2020.

Electoral arrangements

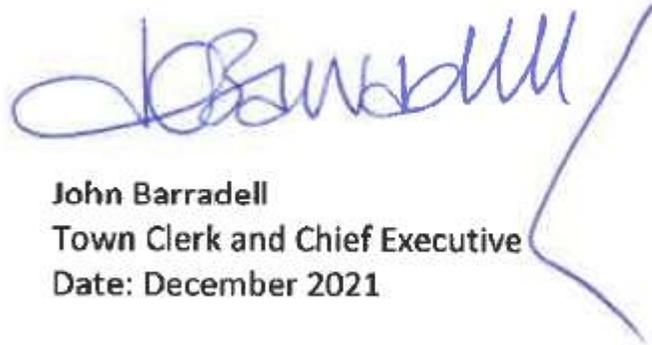
37. The City Corporation administers electoral registration and elections in the City of London and maintains an accurate database of organisations and individuals in the City of London who are eligible to register to vote. For these purposes, three separate registers are maintained: the Common Hall Register of Liverymen, the Ward Lists and the Electoral Register.
38. Common Hall is one of the assemblies through which the City Corporation operates and is a meeting of the Liverymen of the City of London Livery Companies, held at Guildhall twice a year, to elect officers of the City 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. It was not possible to assemble Common Hall in June 2020 due to the pandemic. The terms of office of the existing Sheriffs and Lord Mayor were extended by one year. The Election of the Lord Mayor was conducted in October 2020 with significantly reduced attendance to ensure social distancing was maintained.
39. COVID-19 has had a significant effect on electoral arrangements. The Government passed legislation suspending the London Mayoral and Local Government Elections until May 2021. Whilst these provisions did not apply to the City of London elections, the City wide elections were due to be held within that time period. An Act of Common Council was passed in October 2020 postponing the City wide elections until March 2022. The argument for doing so was the impact that the COVID-19 pandemic had had on Ward List voter registration. The Ward List in 2020/2021 consisted of 19,200 voters whereas, due to the pandemic, the number of voters on the Ward List had decreased to 13,748. It was clear during the canvass that the pandemic was affecting the responses from businesses in particular, as they were largely absent from the City. In addition to postponing the elections for 12 months, an Election Engagement Manager was appointed to work on improving the voter statistics for the City so that those workers and residents who are entitled to vote in the election are not disenfranchised because of the effects of the pandemic. The City wide elections will be held in March 2022. Aldermanic elections have also been postponed due to Ward Lists being incomplete, these will resume after the publication of the Ward Lists in 2022.
40. It was also agreed that no by-elections would take place for any occurring vacancies for the Common Council prior to the 2022 elections. The Court of Aldermen also agreed to suspend the convention of resigning after a six year term or retiring at the age of 70 until Spring 2022. There have therefore, been no elections held during 2020-21.

Accountability and Action Plans

41. The City Corporation proposes over the coming year to take the following actions to address the significant governance issues:

- Work to further develop, refine, implement and embed a Corporate Performance Framework will resume once a team is in place (initiated in Nov 2021) and subject to a successful. In the meantime, a successful application to issue Power BI licences to all staff means that Departments can now access real-time performance data as and when required.
- Corporate Performance Framework will be used to provide performance information for scrutiny at Committee, corporate, strategic, departmental, service and operational levels, as well as in published reports.
- In 2022, the Executive Leadership Board will consider Organisational Performance as a standing agenda item at its monthly meetings to ensure transparency, oversight, ownership and scrutiny of performance across the organisation.
- Officer Governance has been reviewed to enable more agile and proactive working. From June 2021 The Executive Leadership Board (ELB), made up of our senior leadership team with quarterly attendance from Heads of Institutions, will set, refresh and align on strategy, share major risks, review performance, make key decisions, manage talent & succession and collaborate across the organisation. Tier 2 leaders across the organisation will also be invited to attend quarterly meetings of the refreshed Senior Leaders Forum (SLF), which will connect on plans across the organisation, shaping strategy, initiatives and decisions before they are escalated to the ELB.
- Review of the decision-making process to be carried out to create more sustainable decision-making processes using hybrid meetings.
- Further consideration of the findings of the Lisvane review and implementation of recommendations as appropriate.
- Risk management maturity exercise to be undertaken.

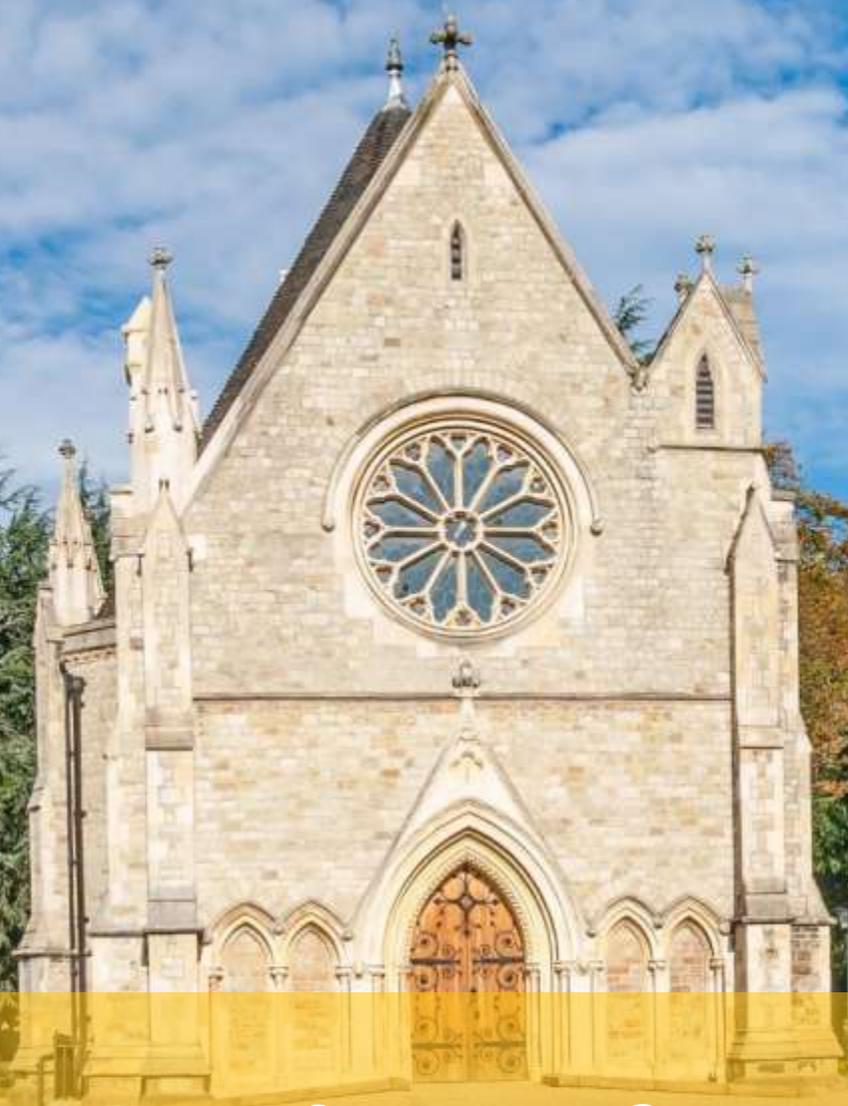
This annual governance statement was approved by the City Corporation's Audit and Risk Management Committee on 30th November 2021.



John Barradell
Town Clerk and Chief Executive
Date: December 2021



Catherine McGuinness
Chair, Policy and Resources Committee
Date: December 2021



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: <ul style="list-style-type: none"> • termination of employees' services earlier than expected, for example as a result of discontinuing an activity, and • termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.
Debtors	Individuals or organisations that owe the City Fund money at the end of the financial year.
Deferred capital receipts	These result mainly from loans to the Museum of London plus outstanding loans in respect of past sales of council dwellings to tenants who were unable to obtain a building society loan or other external means of financing. Their indebtedness is reflected in the balance sheet under long term debtors. This account shows the amount to be paid on deferred terms and is reduced each year by repayments made.

Defined benefit scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.
Defined contribution scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and has no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Depreciation	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
Direct revenue financing	Expenditure on the provision or improvement of capital assets met directly from revenue account.
Donated assets	Assets transferred at nil value or acquired at less than fair value.
Expected rate of return on pensions assets	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
Experience gains or losses	In pensions accounting, the element of actuarial gains and losses that relates to differences between the actual events as they have turned out and the assumptions that were made as at the date of the earlier actuarial valuation.
Fair value	Fair value is generally defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.
Heritage assets	A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
Impairment	A reduction in the value of an asset below its carrying amount on the balance sheet.
Infrastructure assets	Long-term assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways, footpaths, bridges and sewers.
Intangible assets	A non-physical item where access to future economic benefits is controlled by the local authority. An example is computer software.
Pensions interest cost	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment properties	Interest in land or buildings that are held for investment potential.
Levies	These are charges incurred by the City of London to meet London-wide services. They include payments to the London Boroughs Grants Committee, the Environment Agency and the London Planning Advisory Committee.
National Non-Domestic Rate (NNDR)	A flat rate in the pound set by the Government and levied on businesses who occupy offices and buildings within the City. The income is collected by the City of London and is passed on to Central Government 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	<p>An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:</p> <ul style="list-style-type: none"> • the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.
Provision	<p>An amount set aside in the accounts for liabilities of uncertain timing or amount that have been incurred. Provisions are made when:</p> <ul style="list-style-type: none"> • the City of London has a present obligation (legal or constructive) as a result of a past event; • it is probable that a transfer of economic benefits will be required to settle the obligation; and • a reliable estimate can be made of the amount of the obligation.

Reserves	<p>Reserves are reported in two categories in the Balance Sheet of local authorities:</p> <ul style="list-style-type: none">• Usable reserves - surpluses of income over expenditure and amounts set aside outside the definition of a provision and which can be applied to the provision of services. Certain reserves are allocated for specific purposes and are described as earmarked reserves.• Unusable reserves - those that cannot be used to provide services. This category of reserves include adjustment accounts which deal with situations where statutory requirements result in income and expenditure being recognised against the City Fund or HRA balance on a different basis from that expected by accounting standards.
Revaluation Reserve	<p>Represents increases in valuations of assets since 1 April less amounts written off due to the 'additional depreciation' (including impairment due to consumption of economic benefit) arising because property, plant and equipment are carried at a revalued amount rather than historic cost. It can also include reductions in values to investment properties where the reductions are not considered to be permanent.</p>
Revenue expenditure	<p>The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, repairs, maintenance and supplies.</p>
Revenue expenditure funded from capital under statute	<p>Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to revenue and impact on council tax. These items are generally grant payments and expenditure on property not owned by the authority.</p>
Scheme liabilities	<p>The liabilities of a defined benefits pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.</p>
Section 106 agreement	<p>A legal agreement between Local Authorities and developers; these are linked to planning permissions and can also be known as planning obligations.</p>
Section 278 agreement	<p>A section of the Highways Act 1980 that allows developers to enter into a legal agreement with the Local Authority to make permanent alterations or improvements to a public highway as part of a planning approval.</p>

AVC	Additional Voluntary Contributions
BCMS	Business Continuity Management System
BRS	Business Rate Supplement
CFR	Capital Financing Requirement
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance & Accounting
CPI	Consumer Price Index
DfE	Department for Education
DSG	Dedicated Schools Grant
EUV	Existing Use value
FTE	Full Time 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
LGPS	Local Government Pension Scheme
LIBOR	London Interbank Offered Rate
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
SBNDR	Small Business Non-Domestic Rate
SeRCOP	Service Reporting Code of Practice
SETS	Stock Exchange Electronic Trading Service
SI	Statutory Instruments
SIP	Strategic Investment Pot
SOLACE	Society of Local Authority Chief Executives
VAT	Value-Added Tax
VOA	Valuation Office Agency

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Critical Judgements in Applying Accounting Policies	27
2. Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty.....	29
3. Expenditure and Funding Analysis	33
4. Note to the Expenditure and Funding Analysis.....	34
5. Expenditure and Income Analysed by Nature	36
6. Grant Income.....	37
7. Income and Expenditure below Cost of Services	38
8. Dedicated Schools Grants.....	39
9. Remuneration and Exit Packages of Employees	40
10. Audit Fees.....	43
11. Adjustments between Accounting Basis and Funding Basis under Regulations	45
12. Transfers (to)/from Earmarked Revenue Reserves	48
13. Property, Plant and Equipment	50
14. Heritage Assets	54
15. Capital Expenditure and Finance.....	54
16. Long Term Debtors.....	55
17. Investment Properties.....	55
18. Financial Instruments.....	57
19. Nature and Extent of Risks arising from Financial Instruments	59
20. Debtors and Payments in Advance falling due within a year	62
21. Creditors and Receipt in Advance	63
22. Provisions	63
23. Pension Schemes	64
24. The Police Pension Scheme	69
25. Judges' Pension Scheme.....	71
26. Transactions Relating to Post-employment Benefits within the Financial Statements.....	73
27. Grants and Contributions Received in Advance.....	75
28. Rents Received in Advance.....	75
29. Other Long-term Liabilities	75
30. Leases.....	75
31. Unusable Reserves	78

32. Cash Flow Statement – Operating Activities..... 83

33. Cash Flow Statement – Investing Activities 84

34. Cash Flow Statement – Financing Activities 84

35. Related Party Transactions..... 86

36. Members Allowances..... 89

37. Events after the Reporting Period..... 89

38. Trust Funds 89

39. Agency Transactions..... 90

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Impairment Allowance for Bad and Doubtful Debts..... 93

2. Adjustments between Accounting Basis and Funding Basis under Statute..... 93

3. Housing Stock 94

4. Arrears of Rent, Service and Other Charges 94

5. HRA Property, Plant and Equipment..... 95

6. Housing Asset Valuation 96

7. Investment Property 96

8. Major Repairs Reserve 97

9. HRA Capital Expenditure 97

NOTES TO THE COLLECTION FUND

1. Income from Business Rates..... 100

2. Calculation of Council Tax 100

3. Tax Bases 2020-21..... 101

4. City Fund Offset 101

5. Surplus for the year..... 101

Police Pension Fund..... 102

NOTES TO THE CITY OF LONDON PENSION FUND

1. Description of the City of London Pension Fund	105
2. Basis of preparation	107
3. Accounting policies	107
4. Critical judgements in applying accounting policies	109
5. Assumptions made about the future and other major sources of estimation uncertainty	109
6. Events after the reporting date	110
7. Contributions receivable	110
8. Benefits payable	110
9. Payments to and on account of leavers	110
10. Management expenses	111
11. Income from investments	112
12. Investment assets	112
13. Fair value - basis for valuation	115
14. Financial Instruments	119
15. Risk and risk management	120
16. Market risks	120
17. Funding arrangements	124
18. Funded Obligation of the Overall Pension Fund	127
19. Current assets	128
20. Current liabilities	128
21. Additional voluntary contributions	128
22. Related party transactions	128
23. Key management personnel	128
24. Contingent liabilities and contractual commitments	128

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Report to the Audit and Risk Management Committee

CITY OF LONDON CORPORATION PENSION FUND

Audit Completion:

Year ended 31 March 2021



CONTENTS

1	Introduction	3	4	Additional considerations	16
	Welcome	3		Matters requiring additional consideration	16
2	Executive summary	4		Adjusted disclosure omissions and improvements	17
	Overview	4		Control environment: Significant deficiencies	18
	The numbers	5		Control environment: Other deficiencies	19
	Other matters	6		Control environment: Other deficiencies	20
3	Audit risks	7		Control environment: Other deficiencies	21
	Overview	7		Control environment: Follow up of prior year deficiencies	22
	Management override of controls	8		Control environment: Follow up of prior year deficiencies	23
	Pension liability valuation	9	5	Audit Report	24
	Pension liability valuation	10		Audit report overview	24
	Pension liability valuation	11	6	Independence	25
	Valuation of investments (private equity, infrastructure and property funds)	12		Independence	25
	Valuation of investments (private equity, infrastructure and property funds)	13		Fees	26
	Valuation of investments (pooled investment vehicles and other investments)	14	7	Appendices contents	27
	Contributions receivable	15			

WELCOME

Contents
Introduction
Welcome
Executive summary
Audit risks
Additional considerations
Audit Report
Independence
Appendices contents

Page 179

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 2021, 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 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 on 22 November 2022, and to receiving your input.](#)

[Note that an earlier version of this report was circulated and presented at the 30 November 2021 Committee. Substantive changes on this earlier edition have been highlighted throughout the report where relevant.](#)

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.

David Eagles, Partner
For and on behalf of **BDO LLP**

11 November 2022



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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

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks
Additional considerations
Audit Report
Independence
Appendices contents

Page 180

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 for the Pension Fund for the year ended 31 March 2021.

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 an unmodified audit opinion on the Pension Fund’s financial statements for the year ended 31 March 2021.

Whilst the work in relation to the Pension Fund was substantively complete in December 2021, the CIPFA Code requires the Statement of Accounts of an administering authority (City Fund) to contain the Pension Fund accounts. Therefore, the Pension Fund accounts are intrinsic to those of the City Fund, and the auditor’s opinion covers both and must be provided on both at the same date.

Outstanding matters are listed on page 33 in the appendices.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

Audit report

We anticipate issuing an unmodified audit opinion on the individual financial statements of the Pension Fund as set out on page 34.

THE NUMBERS

Executive summary

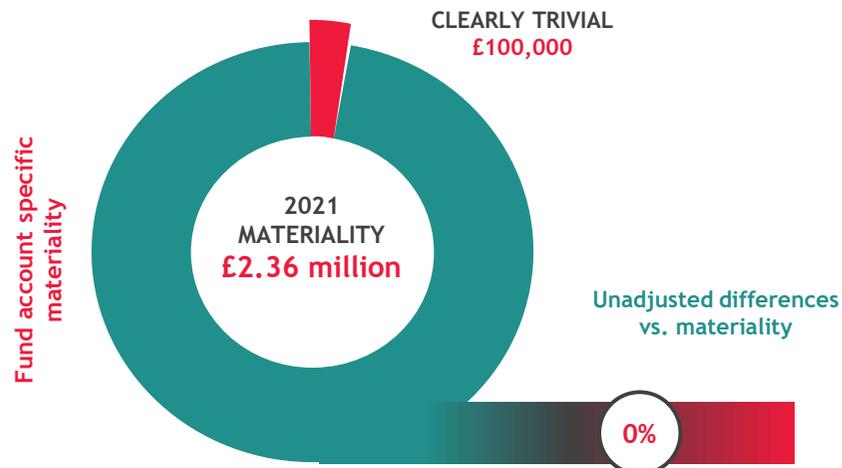
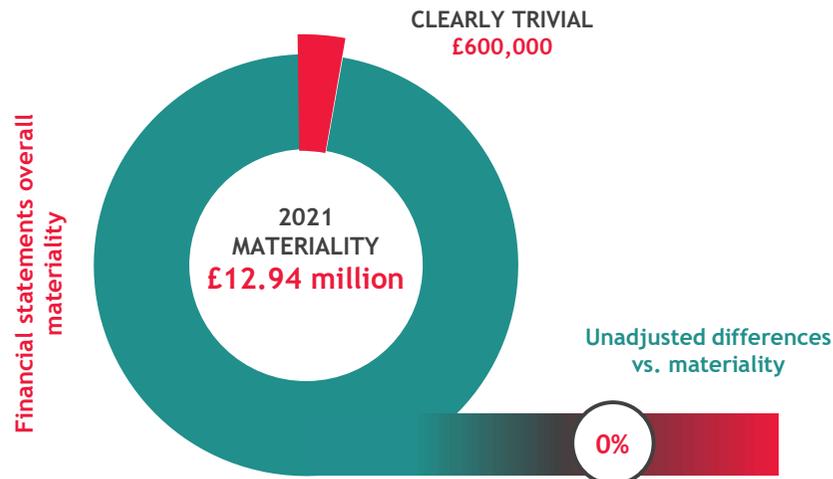
Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks
Additional considerations
Audit Report
Independence
Appendices contents

Final Materiality

Final financial statement 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 increased our materiality from the planning materiality of £12.6 million to £12.94 million for financial statement materiality and from £2.20 million to £2.36 million for fund account materiality as the planning materiality was based on the estimated net assets and expenditure.



Audit Adjustments

We have not identified any audit differences based on the work completed to date.

OTHER MATTERS

Executive summary

Financial reporting

- We have not identified any non-compliance with group accounting policies or applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.



Other matters that require discussion or confirmation

- Control deficiencies identified in relation to controls over the IT application and our walkthrough.
- In March 2021 we followed up on five IT related control recommendations arising from our 2019/20 audit work. While these recommendations were shared with Management during the 2019/20 audit cycle, these have not been formally reported to Those Charged With Governance before inclusion in this Audit Completion Report. None of the findings represented significant deficiencies but we encourage the Audit & Risk Management Committee and the successor auditor to monitor progress on these going forward.
- In our previous report (November 2021) we reported a significant control deficiency with respect to the fact that no evidence is retained of management review of journals. While this finding has not changed, subsequent correspondence with the Pension Fund has confirmed that this specific control is not the primary control relied upon for authorisation of journals, and that a Corporation-wide control incorporating the review of journals over £100,000 in value serves this purpose instead. On this basis, this is no longer considered a significant deficiency and has been reclassified as an 'other' deficiency.

- Control deficiency with respect to the timely completion of bank reconciliations.
- 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 the City of London Corporation in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks
Additional considerations
Audit Report
Independence
Appendices contents

OVERVIEW

As identified in our Audit Planning Report dated 14 March 2021 we assessed the following matters as being the 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.

Audit Risk	Risk Rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported in Management letter	Specific Letter of Representation Point
Management override of controls	Significant	Yes	No	No	Yes	No
Pension liability valuation	Significant	Yes	Yes	No	No	Yes - confirm material assumptions used
Valuation of investments (Private equity, infrastructure and property funds)	Significant	Yes	No	No	No	No
Valuation of investments (Pooled investment vehicles and other investments)	Normal	No	No	No	No	No
Contributions receivable	Normal	No	No	No	No	No

 Areas requiring your attention

- Contents
- Introduction
- Executive summary
- Audit risks**
- Overview
- Management override of controls
- Pension liability valuation
- Pension liability valuation
- Pension liability valuation
- Valuation of investments (private equity, infrastructure and property funds)
- Valuation of investments (private equity, infrastructure and property funds)
- Valuation of investments (pooled investment vehicles and other investments)
- Contributions receivable
- Additional considerations
- Audit Report
- Independence
- Appendices contents

MANAGEMENT OVERRIDE OF CONTROLS

Contents
Introduction
Executive summary
Audit risks
Overview
Management override of controls
Pension liability valuation
Pension liability valuation
Pension liability valuation
Valuation of investments (private equity, infrastructure and property funds)
Valuation of investments (private equity, infrastructure and property funds)
Valuation of investments (pooled investment vehicles and other investments)
Contributions receivable
Additional considerations
Audit Report
Independence
Appendices contents

ISA (UK) 240 notes that management is in a unique position to perpetrate fraud. [Significant risk]

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings to be reported in Mgmt letter
Letter of Representation point

Risk description

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.

Details

We carried out the following planned audit procedures:

- Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation to ensure that they were appropriate. 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 that may represent a risk of material misstatement due to fraud 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 from our work, including that on journals, which we consider to be indicative of fraud or indicate potential management override of controls.

Conclusion

Our audit work on journals, estimates and management override of controls did not identify any issues with the exception of a control deficiency with respect to the fact that no evidence is retained of management review of journals for one element of the review process. Details are set out further on page 18.

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]

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmt letter

Letter of Representation point

Risk description

An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the Pension Fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

The most recent actuarial valuation of the pension fund liability was carried out during the 2019/20 year to calculate the liability as at 31 March 2019. This involved the provision of membership and cash flow data from the pension fund to the actuary, data cleansing by the actuary and re-setting the financial and actuarial assumptions related to the valuation. The estimate of the pension fund liability at 31 March 2021 is based on a roll-forward of data from the 2019 triennial valuation, updated where necessary.

There is a risk the valuation is not based on appropriate membership data (where there are any 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);

Work performed (continued)

- 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 processes and controls in place for providing accurate membership data to the actuary and agreed cash flow data provided to the actuary to underlying membership and payroll data held by the Pension Fund;
- Checked the accuracy and completeness of the data set submitted to the actuary;
- Checked whether any significant changes in membership data have been communicated to the actuary since the 2019 LGPS submission;
- Agreed the disclosure of the pension liability to the information provided by the actuary;
- Assessed the impact of Goodwin and O'Brien cases regarding same sex couple discrimination on the pension fund liability and impact on employer fund;
- Sample tested the accuracy of pension benefits paid;
- 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 confirmed that this had been appropriately considered within the valuation of the liability; 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 membership of the scheme.

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]

Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings to be reported in Mgmt letter	
Letter of Representation point	

Results

We have agreed the disclosures to the information provided by the actuary and identified no issues.

We have agreed the completeness and accuracy of the information provided to the actuary to underlying membership and payroll data held by the Pension Fund and identified no issues.

Management confirmed there have been no significant changes in the membership of the fund in the year.

The actuary has not included the potential additional liability arising from the Goodwin case and our assessment has found the impact to be immaterial.

The actuary has applied full GMP indexation for members at state pension age and this is consistent with the previous year.

We have confirmed with the Pension Fund's consulting actuary that an allowance was made for the potential impact of the McCloud judgement in the results provided to the Fund at the last accounting date and therefore is already included in the starting position for this report.

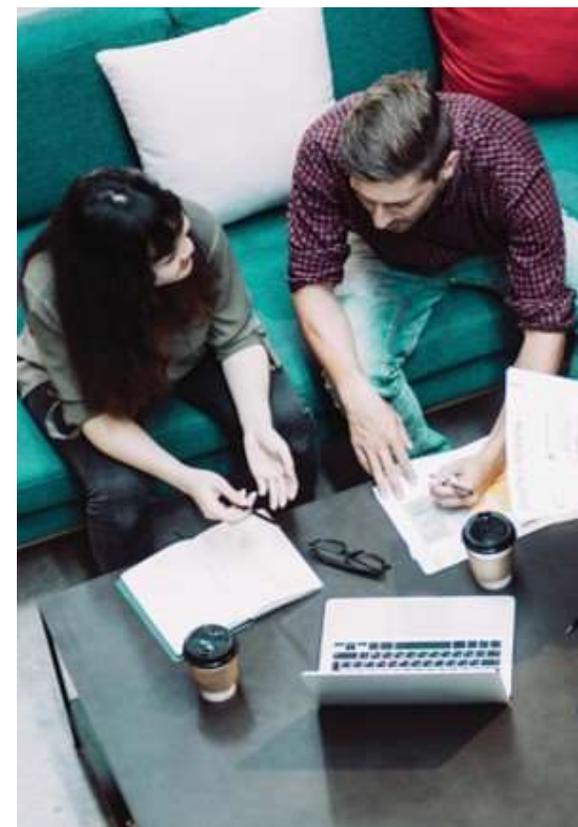
Our review of the assumptions used to calculate the present value of future pension obligations is noted in the following page, and were found to fall within a reasonable range.

Representations required

We have sought specific representations over material assumptions used in the valuation of the pension liability including the financial and mortality assumptions.

Conclusion

Our audit work on pension liability valuation did not identify any material issues.



PENSION LIABILITY VALUATION

Significant estimate - LGPS pension liabilities

Scheme pension liabilities (£2,304.4 million)



The pension liability has increased from £1,703.4 million to £2,304.4 million. This includes an increase of £573.9 million arising from changes to financial assumptions for salary increases of 3.85% (previously 2.90%), pension decreases of 2.85% (previously 1.90%), and a change in the rate of discounting scheme liabilities to 2.00% (previously 2.35%). It also includes a gain on demographic assumptions of £19.3 million arising from reduced mortality assumptions of approximately 0.2 years for males and 0.1 years for females as increases in life expectancy have stalled in recent years. The actuary has allowed for actual pension increase experience for the period from 2019-2021. This assumes that pension increases are in line with the annual pension increases set by HM Treasury Revaluation Order and this has decreased the liability for ‘experience gains and losses’ by £22.3 million.

We have compared the key financial and demographic assumptions used to an acceptable range provided by our consulting actuary, PwC. As set out in the table below we have found that in all cases the rate used by the Pension Fund was within the acceptable range and therefore reasonable.

	Actual used	Acceptable range	Comments
Financials:			
- RPI increase	3.20%	3.15% - 3.35%	Reasonable
- CPI increase	2.85%	2.80% - 2.85%	Reasonable
- Salary increase	3.85%	3.80% - 3.85%	Reasonable
- Pension increase	2.85%	2.80% - 2.85%	Reasonable
- Discount rate	2.00%	1.95% - 2.05%	Reasonable
Commutation:	50%	50%	Reasonable
Mortality:			
- Male current	22.9 years	21.9 - 24.4 years	Reasonable
- Female current	25.7 years	24.8 - 26.4 years	Reasonable
- Male retired	21.6 years	20.5 - 23.1 years	Reasonable
- Female retired	24.3 years	23.3 - 25.0 years	Reasonable

As for mortality gains, the actuary used the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%. The acceptable range indicated by our consulting actuary is based on the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% - 1.5% p.a., smoothing parameter of 7.0 - 7.5, an initial addition parameter of 0% - 0.5% p.a. and a 2020 weighting of 25%. Therefore the assumption used for mortality gain appears 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.

Contents
Introduction
Executive summary
Audit risks
Overview
Management override of controls
Pension liability valuation
Pension liability valuation
Pension liability valuation
Valuation of investments (private equity, infrastructure and property funds)
Valuation of investments (private equity, infrastructure and property funds)
Valuation of investments (pooled investment vehicles and other investments)
Contributions receivable
Additional considerations
Audit Report
Independence
Appendices contents

VALUATION OF INVESTMENTS (PRIVATE EQUITY, INFRASTRUCTURE AND PROPERTY FUNDS)

Contents
Introduction
Executive summary
Audit risks
Overview
Management override of controls
Pension liability valuation
Pension liability valuation
Pension liability valuation
Valuation of investments (private equity, infrastructure and property funds)
Valuation of investments (private equity, infrastructure and property funds)
Valuation of investments (pooled investment vehicles and other investments)
Contributions receivable
Additional considerations
Audit Report
Independence
Appendices contents

The valuation of private equity, infrastructure and property funds investments is a significant risk as it involves a high degree of estimation uncertainty.

[Significant risk]

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings to be reported in Mgmt letter
Letter of Representation point

Risk description

The investment portfolio includes unquoted private equity, infrastructure and pooled property funds which are valued by the fund managers. The valuation of these assets may be subject to a significant level of assumption and estimation, and valuations may not be based on observable market data. Due to significance of these valuations, even a small change in assumptions and estimates could have a material impact on the financial statements.

In some cases, the valuations are provided at dates that are not coterminous with the pension fund's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations. Due to current market volatility the valuation received can quickly become outdated.

As a result, we consider there to be a significant risk that investments are not appropriately valued in the financial statements.

In the case of the Pension Fund, the year end disclosures included £189.2m of such assets, all of which were Level 3 investments. These comprised £38.0m held in Private Equity funds, £62.8m in Infrastructure Funds and £88.2m held in Pooled Property Investments.

Details

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 the valuation completed by the fund manager and any significant assumptions made in the valuation; and
- Agreed the allocation of amounts for each fund where there is pooling of investments across the Corporation, to confirm that these had been apportioned in line with the Corporation's apportionment strategy.

Results

For all Private Equity, Infrastructure and Property Fund investments we obtained direct confirmation of investment valuations from the General Partners or fund managers.

For Private Equity and Infrastructure investments, we obtained the most recently audited financial statements (generally 31 December 2020) for each of the funds and traced the Pension Fund's share of assets to the closing position as at 31 March 2021. We have also considered the general movement in private equity valuations between 31 December 2020 and 31 March 2021 against wider industry trends.

For Property Fund investments, we consulted an internal property valuations specialist in order to benchmark the fair value movement of Property Fund investments against wider industry trends.

VALUATION OF INVESTMENTS (PRIVATE EQUITY, INFRASTRUCTURE AND PROPERTY FUNDS)

Contents
Introduction
Executive summary
Audit risks
Overview
Management override of controls
Pension liability valuation
Pension liability valuation
Pension liability valuation
Valuation of investments (private equity, infrastructure and property funds)
Valuation of investments (private equity, infrastructure and property funds)
Valuation of investments (pooled investment vehicles and other investments)
Contributions receivable
Additional considerations
Audit Report
Independence
Appendices contents

The valuation of private equity, infrastructure and property funds investments is a significant risk as it involves a high degree of estimation uncertainty.

[Significant risk]

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings to be reported in Mgmt letter
Letter of Representation point

Results (continued)

For Private Equity, Infrastructure and Property Fund investments, where commissioned, we obtained assurance reports over the controls operated by General Partners or fund managers for valuations.

Where these assurance reports are not available, we reviewed the most recently audited financial statements of the fund to assess whether the auditor had provided an unqualified opinion on the accounts. This applied to £8.4m of Private Equity investments, £20.8m of infrastructure investments and £0.0m of Property Funds.

Where assurance reports were received but were not coterminous with the Pension Fund’s 31st March 2021 year end, we obtained bridging letters from the General Partners or fund managers to confirm whether the conclusions of the assurance reports remained valid for the bridging period.

Our review of the valuation completed by the fund manager and significant assumptions made in the valuation have not identified any issues.

We have agreed the split of pooled investments between the relevant funds.

Conclusion

Our audit work on valuation of private equity, infrastructure investments and property funds did not identify any issues.

VALUATION OF INVESTMENTS (POOLED INVESTMENT VEHICLES AND OTHER INVESTMENTS)

Contents
Introduction
Executive summary
Audit risks
Overview
Management override of controls
Pension liability valuation
Pension liability valuation
Pension liability valuation
Valuation of investments (private equity, infrastructure and property funds)
Valuation of investments (private equity, infrastructure and property funds)
Valuation of investments (pooled investment vehicles and other investments)
Contributions receivable
Additional considerations
Audit Report
Independence
Appendices contents

There is a risk that pooled investments may not be appropriately valued and correctly recorded in the financial statements.

[Normal risk]

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings to be reported in Mgmt letter
Letter of Representation point

Risk description

The fair value of funds (principally pooled investments) is provided by individual fund managers and reviewed by the Custodian (BNY Mellon). These valuations are reported on a monthly/quarterly basis.

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

In the case of the Pension Fund, the year end disclosures included £1,105.4m of such assets, of which £1,105.2m were held as Level 2 investments and £0.2m as Level 1.

Details

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers including any subsequent final valuations to ‘flash’ valuations in the draft accounts (where applicable);
- Verified that investments have been correctly valued in accordance with the relevant accounting policies; and
- 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.

Results

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.

Our review of the valuation completed by the fund manager and significant assumptions made in the valuation have not identified any issues.

Conclusion

Our audit work on valuation of pooled investment vehicles and other investments did not identify any issues.

CONTRIBUTIONS RECEIVABLE

Contents
Introduction
Executive summary
Audit risks
Overview
Management override of controls
Pension liability valuation
Pension liability valuation
Pension liability valuation
Valuation of investments (private equity, infrastructure and property funds)
Valuation of investments (private equity, infrastructure and property funds)
Valuation of investments (pooled investment vehicles and other investments)
Contributions receivable
Additional considerations
Audit Report
Independence
Appendices contents

There is a risk that employers may not be calculating contributions correctly and paying over the full amount due to the pension fund.

[Normal risk]

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings to be reported in Mgmnt letter
Letter of Representation point

Risk description

Employers are required to deduct amounts from employee pensionable pay based on tiered pay rates and to make employer normal and deficit contributions in accordance with rates agreed with the actuary.

Additional contributions are also required against pension strain for unreduced pensions for early retirements and augmentation of pensions.

There is a risk that employers may not be calculating contributions correctly and paying over the full amount due to the pension fund.

Details

We carried out the following planned audit procedures:

- Tested a sample of normal contributions due (and additional deficit contributions where included in a higher employer rate) for active members including checking to employer payroll records;
- Reviewed contributions receivable and checked that income is recognised in the correct accounting period where the employer is making payments in the following month; and
- Carried out audit procedures to review 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.

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Contents
Introduction
Executive summary
Audit risks
Additional considerations
Matters requiring additional consideration
Adjusted disclosure omissions and improvements
Control environment: Other deficiencies
Control environment: Follow up of prior year deficiencies
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices 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 2021.

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.

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 did not identify any significant matters in connection with related parties.



ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

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:

- In the Local Government Pensions Board membership list, the name of the LGPB member “Jon Avern” is incorrectly spelt as “John Avern”.
- In Note 1 Membership of the Fund table, the table shows that Skanska has 4 actives, 1 deferred and 0 pensioner and it should actually be 4 actives 0 deferred and 1 pensioner. As for Veolia, the notes show 4 actives 0 deferred and 0 pensioner and it should be 4 actives 0 deferred and 1 pensioner.
- Additional voluntary contributions are managed externally. The confirmation from the external entities was not received prior to the draft account being published. The value has increased from £1.9m to £2.1m for Prudential and from £0.4m to £9.6m for Standard Life Investment.
- In Note 17 disclosure of the neutral estimate of discount rate based on long-term investment strategy, the calculation has included expenses in its real return assumption when it should not have. Therefore the real neutral estimate of discount rate based on long-term investment strategy should increase from 3.7% to 3.9%.
- In Note 13 disclosure of the reconciliation of fair value measurements within level 3 is incorrect. The -£0.6m under sales should be changed to £1.1m and the £0.4m under unrealised gains should be changed to £0.9m.

- In Note 16 disclosure of interest rate risk for bonds, the calculation was incorrect and the correct figures should be £230.2m and 240.2m respectively.
- Net return on investment disclosed in Financial Performance Report needs to be updated from £280.2m to £283.3m.
- Net assets of fund needs to be updated from £1,298.0m to £1301.1m in Financial Performance Report.
- Total investment assets needs to be updated from £1,291.5m to £1,294.6m in Financial Performance Report.
- The funding level stated at 2016 needs to be updated from 85% to 84% in Financial Performance Report.
- The undrawn investment commitments figure stated on p.9 of the Financial Performance report needs to be updated from £7.2m to £8.0m.
- A wording change has been made to Note 22 related party transactions, where the nature of the transaction is clarified as management expenses.
- A wording change has been made to Note 23 key management personnel to better reflect that management costs were done on an apportionment basis.

Contents
Introduction
Executive summary
Audit risks
Additional considerations
Matters requiring additional consideration
Adjusted disclosure omissions and improvements
Control environment: Other deficiencies
Control environment: Follow up of prior year deficiencies
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices contents

CONTROL ENVIRONMENT: OTHER DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Other deficiency	No evidence is retained of management review of journals.	Evidence of the review of journals should be retained.	The corporate wide control over journals in excess of £100K is the primary control and is adhered to. Journals below this level have been reviewed by the Group Accountant as part of the review of reconciliation of working papers; this is a temporary measure to help with the learning and development of new colleagues.

Contents
Introduction
Executive summary
Audit risks
Additional considerations
Matters requiring additional consideration
Adjusted disclosure omissions and improvements
Control environment: Other deficiencies
Control environment: Follow up of prior year deficiencies
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices contents

CONTROL ENVIRONMENT: OTHER DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Other deficiency	<p>There is an unexplained £15 in the bank reconciliation at year end.</p> <p>Bank reconciliation is a key control for good financial governance.</p>	<p>All reconciling differences should be investigated in a timely manner.</p>	<p>This variance relates to an escrow account maintained by the Fund rather than the Pension Fund's main bank account itself which is reconciled on a regular basis throughout the year. The account in question held a maximum balance of £33k during the reporting period and a balance of £33k at the 31 March 2021. The reconciliation has been updated and verified with BDO. Going forward management is committed to maintaining an up to date reconciliation of the escrow account.</p>
Other deficiency	<p>Oracle EBS - CBIS</p> <p>No formal user access reviews are performed on a periodic basis. The risk is heightened as user activity logs also are not monitored on a periodic basis.</p>	<p>We recommend that user access reviews are performed at least quarterly and should include:</p> <ul style="list-style-type: none"> • Both administrator, Generic Account (if any) and standard user accounts; • User group and individual customised levels of access reviews to identify any users who do not possess an appropriate level of access; • Checks against HR leavers lists to identify any users that should have been disabled. 	<p>Oracle CBIS IT team will setup a process for user access review of all IT responsibilities assigned to the users in six months. Below are the suggested pointers:</p> <ul style="list-style-type: none"> • Extract all IT responsibilities with their assigned users. • Share the listing with Emma for her review. • Oracle Team Manager's access to be reviewed by someone else to ensure SOD. • Retain evidence for audit purpose. <p>For business responsibilities, every six months Oracle CBIS Systems Administrator will remind the business to check their user/responsibilities in their area.</p>

Contents
Introduction
Executive summary
Audit risks
Additional considerations
Matters requiring additional consideration
Adjusted disclosure omissions and improvements
Control environment: Other deficiencies
Control environment: Follow up of prior year deficiencies
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices contents

CONTROL ENVIRONMENT: OTHER DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Other deficiency	<p>Oracle EBS - CBIS</p> <p>BDO noted that there is no audit logging on the system of user actions, which has been turned off due to system performance considerations and resulting in lack of monitoring of privileged and generic account access.</p>	<p>We recommend that audit trail should be enabled for privileged users and access activities to be reviewed on a defined frequency.</p>	<p>Oracle Team Manager will review the functionality to see if this can be implemented.</p>
Other deficiency	<p>Oracle EBS - CBIS</p> <p>Access is not timely removed from the application, it takes around 6-8 business days to remove access post the HR termination date</p>	<p>We recommend that access deprovisioning needs to be performed on the same date the user has left the organization. The processes that are interlinked with removal of access from the application needs to be worked upon by City of London team so that there is no dependency to keep the account active post termination.</p>	<p>Oracle CBIS IT team will setup a process to remove responsibility assigned to the deprovisioned user on a timely basis (with focus on privileged responsibility). The user account cannot be removed immediately as it is linked up with other internal processes. However, the risk would be addressed as the deprovisioned user would not have any assigned responsibility to perform any activity.</p>
Other deficiency	<p>Oracle Database Server - CBIS</p> <p>No external or independent party has been engaged to perform security assessment on Oracle database supporting central accounting application CBIS.</p>	<p>It is advisable for the management to consider whether a one-off or regular security assessment or penetration testing of key infrastructure elements supporting accounting applications. This testing should be carried out no less frequently than annually and should also be carried out following any significant systems change.</p> <p>Any test findings should be addressed in a timely manner and a remediation plan should be formally documented and approved by management.</p>	<p>Data Base Analyst will discuss with Oracle Team Manager to check for any security audits to be performed.</p>

Contents
Introduction
Executive summary
Audit risks
Additional considerations
Matters requiring additional consideration
Adjusted disclosure omissions and improvements
Control environment: Other deficiencies
Control environment: Follow up of prior year deficiencies
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices contents

Page 19 of 19

CONTROL ENVIRONMENT: OTHER DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Other deficiency	<p>Oracle Database Server - CBIS</p> <p>It is noted that there are no database user access reviews performed.</p>	<p>We recommend that database user access reviewed should be performed at least quarterly and should include:</p> <ul style="list-style-type: none"> • Both administrator, Generic Account and standard user accounts (apart from Weir application users); • User group and individual customised levels of access reviews to identify any users who do not possess an appropriate level of access; • Checks against HR leavers lists to identify any users that should have been disabled. 	Data Base Analyst will set up a process of user access reviews on annual basis.
Other deficiency	<p>Oracle Database Server - CBIS</p> <p>Auditing is enabled for the Oracle database supporting CBIS but access to make changes to the log is with the DBA's.</p>	It is recommended by BDO to make the logs non-editable or access to the logs restricted outside of the DBA team to ascertain that logs are complete and accurate.	Data Base Analyst will set up a process to disable access to the audit logs.
Other deficiency	<p>Oracle Database Server - CBIS</p> <p>It is noted that no Data Encryption is enabled on the database supporting CBIS.</p>	We recommend to upgrade the database version and enforce appropriate encryption technologies for enhancement of security.	Data Base Analyst will discuss with Oracle Team Manager to check for encryption enabling.

Contents
Introduction
Executive summary
Audit risks
Additional considerations
Matters requiring additional consideration
Adjusted disclosure omissions and improvements
Control environment: Other deficiencies
Control environment: Follow up of prior year deficiencies
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices contents

CONTROL ENVIRONMENT: FOLLOW UP OF PRIOR YEAR DEFICIENCIES

Area	Issue and impact	Original recommendation	Progress	Management response
Prior year 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 of management's review of the data submitted to the actuary has been retained. [Closed]	N/A
Prior year deficiency	No evidence is retained of management review of the IAS26 report received from the actuary.	Evidence of the review of the IAS26 report should be retained.	Evidence of management's review of IAS 26 report has been retained. [Closed]	N/A
Prior year deficiency (IT General Controls)	Altair (User Access Review) No formal user access reviews are performed on a periodic basis.	It is therefore recommended that user access reviewed are performed at least quarterly and should include: <ol style="list-style-type: none"> Both administrator, Generic Account(if any) and standard user accounts; User group and individual customised levels of access reviews to identify any users who do not possess an appropriate level of access; Checks against HR leavers lists to identify any users that should have been disabled. 	Access and roles are assigned to individuals as determined by their role. In the event of these settings needing to be changed these are discussed and approved by the manager as necessary. The team is few in number and has had a stable workforce so the requirement for changes is infrequent. We will aim to review quarterly - the last review was carried out 09/03/21	
Prior year deficiency (IT General Controls)	Altair There is no encryption of sensitive information.	Management should ensure that sensitive information is encrypted.	All documents sent by email are encrypted.	

Contents
Introduction
Executive summary
Audit risks
Additional considerations
Matters requiring additional consideration
Adjusted disclosure omissions and improvements
Control environment: Other deficiencies
Control environment: Follow up of prior year deficiencies
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices contents

CONTROL ENVIRONMENT: FOLLOW UP OF PRIOR YEAR DEFICIENCIES

Contents
Introduction
Executive summary
Audit risks
Additional considerations
Matters requiring additional consideration
Adjusted disclosure omissions and improvements
Control environment: Other deficiencies
Control environment: Follow up of prior year deficiencies
Control environment: Follow up of prior year deficiencies
Audit Report
Independence
Appendices contents

Area	Issue and impact	Original recommendation	Management response
Prior year deficiency (IT General Controls)	Altair A standardised, formal access provisioning or de- provisioning is currently not in place for Altair. A Senior Accountant creates /disables user accounts based on their knowledge of new starters and leavers	Formal access provisioning or de- provisioning process should be implemented. Any user accounts that needs to created should have a formal approval before the accounts are created. All the leavers should be communicated to system admin who would revoke the access of the user based on the last working date of the user.	Any user accounts that need to be created should have a formal approval by email from Pensions Manager before the accounts are created. All the leavers should be communicated to the system administrator who will revoke the access of the user based on the last working date of the user.
Prior year deficiency (IT General Controls)	Altair Weak password parameters configured for the identified systems.	Passwords parameters should be updated to meet the current best practice guidance	We will look to increase the password strength from Weak to Strong. Access to Altair is only available after user had logged on the CoL network.
Prior year deficiency (IT General Controls)	Altair (Database Review) There are no formal user access reviews of the database carried out.	It is recommended that user access reviewed are performed at least quarterly and should include: <ul style="list-style-type: none"> • Both administrator, Generic Account (if any) and standard user accounts; • User group and individual customised levels of access reviews to identify any users who do not possess an appropriate level of access; and • Checks against HR leavers lists to identify any users that should have been disabled. 	Access and roles are assigned to individuals as determined by their role. In the event of these settings needing to be changed these are discussed and approved by the manager as necessary. The team is few in number and has had a stable workforce so the requirement for changes is infrequent. We will aim to review quarterly the last review was carried out 09/03/21.

AUDIT REPORT OVERVIEW

Contents
Introduction
Executive summary
Audit risks
Additional considerations
Audit Report
Audit report overview
Independence
Appendices contents

A draft copy of our report is included in the appendices on page 34.

Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements.

There are no matters disclosed in the financial statements that we wish to draw attention to by way of ‘emphasis of matter’.

Going concern

Our report will:

- state our conclusion that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate
- state that we have not identified a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Irregularities, including fraud

Our report will contain an explain to what extent the audit was considered capable of detecting irregularities, including fraud. Irregularities in this context means non-compliance with laws or regulations.

Other information

We have reviewed the other information accompanying the financial statements in the Pension Fund’s annual report. We have not identified any material misstatements that would need to be referred to in our report.

INDEPENDENCE

Contents
Introduction
Executive summary
Audit risks
Additional considerations
Audit Report
Independence
Independence
Fees
Appendix contents

Page 201

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 2021.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our planning report. Since this planning report, the previously named manager (Francesca Palmer) has been replaced by a new manager (Sebastian Evans) for whom this is year one of involvement with a mandatory rotation period of 10 years. No other changes to key members of the audit team have occurred.

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 the City of London Corporation and the Pension Fund.

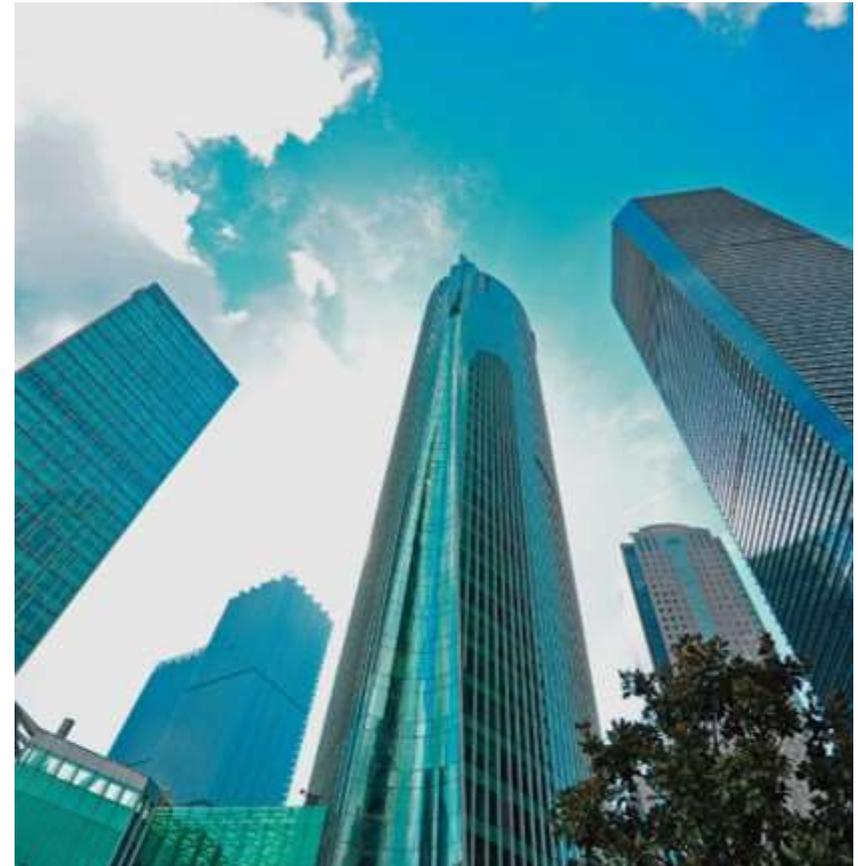
We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the City of London Corporation and the Pension Fund.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

Fees summary for year ended 31 March 2021

	£	£
Audit fee for period ending 31 March 2021		
• Code audit fee	22,000	
• Covid-related costs	3,300	
Total fees		25,300



Contents
Introduction
Executive summary
Audit risks
Additional considerations
Audit Report
Independence
Independence
Fees
Appendix contents

APPENDICES CONTENTS

Contents
Appendices contents
Our responsibilities
Communication with you
Outstanding matters
Audit report
Audit quality
Letter of Representation

Page 203

A	Our responsibilities	28
	Our responsibilities	28
	Additional matters we are required to report	29
B	Communication with you	30
	Communication with you	30
C	Outstanding matters	31
	Outstanding matters	31
D	Audit report	32
	Audit report - DRAFT	32
	Audit report - DRAFT	33
	Audit report	34

E	Audit quality	35
	Audit quality	35
F	Letter of Representation	36
	Letter of Representation	36
	Letter of Representation 2	37
	Letter of Representation 3	38

OUR RESPONSIBILITIES

Responsibilities and reporting

Contents
Appendices contents
Our responsibilities
Communication with you
Outstanding matters
Audit report
Audit quality
Letter of Representation

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 (as the Administering Authority).

We read and consider the ‘other information’ contained in the Annual Report such as the additional narrative reports. We will form an opinion on whether the information given in the other information is consistent with the financial statements and our knowledge obtained in the audit and whether the reports have been prepared in accordance with applicable requirements.

We are additionally required to include in our report:

- Where we conclude there is no material uncertainty in relation to going concern, a statement to that effect
- A conclusion that Pension Fund’s use of the going concern basis of account is appropriate.
- An explanation of the extent to which the audit was capable of detecting irregularities, including fraud.

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

	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
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.

- Contents
- Appendices contents
- Our responsibilities**
- Additional matters we are required to report
- Communication with you
- Outstanding matters
- Audit report
- Audit opinion
- Letter of Representation

COMMUNICATION WITH YOU

- Contents
- Appendices contents
- Our responsibilities
- Communication with you
- Outstanding matters
- Audit report
- Audit quality
- Letter of Representation

Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the City of London 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 required	Date (to be) communicated	To whom	Communication method
Audit Planning Report	14 March 2021	Audit and Risk Management Committee	Presentation
Audit Completion Report	30 November 2021	Audit and Risk Management Committee	Presentation
	22 November 2022	<i>Audit and Risk Management Committee</i>	<i>Presentation</i>

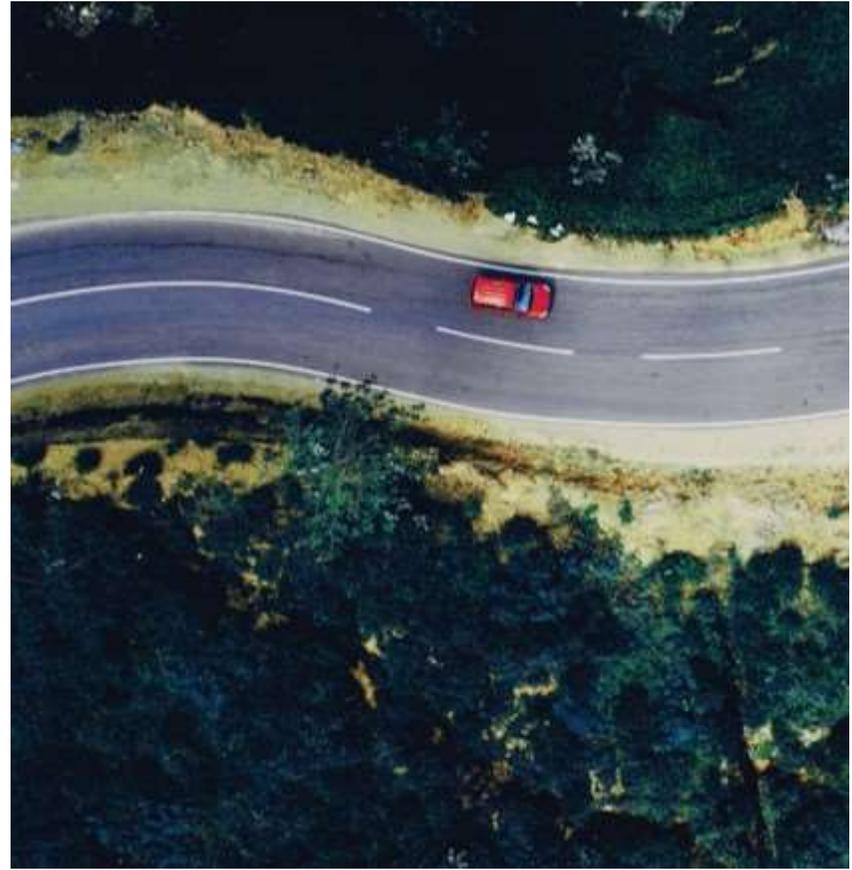
OUTSTANDING MATTERS

Contents
Appendices contents
Our responsibilities
Communication with you
Outstanding matters
Audit report
Audit quality
Letter of Representation

We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2021

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:

- Subsequent events update.
- Completion of senior review process and follow up of issues arising.
- Receipt and review of final financial statements.
- Receipt of signed letter of representation.



AUDIT REPORT - DRAFT

Contents
Appendices contents
Our responsibilities
Communication with you
Outstanding matters
Audit report
Audit quality
Letter of Representation

Page 208

To the Members of City of London Corporation Pension Fund

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2021 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the 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 2020/21.

We have audited the financial statements of City of London Corporation Pension Fund ('the Fund') for the year ended 31 March 2021 which comprise the Fund Account, Statement of Net Assets (available for benefits) 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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

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 those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 (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 relating to going concern

In auditing the financial statements, we have concluded that the Chamberlain's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chamberlain with respect to going concern are described in the relevant sections of this report.

Other information

The Chamberlain are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

AUDIT REPORT - DRAFT

Contents
Appendices contents
Our responsibilities
Communication with you
Outstanding matters
Audit report
Audit report - DRAFT
Audit report
Audit quality
Letter of representation

Page 209

Responsibilities of 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 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 Chamberlain determine 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 Chamberlain 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 Chamberlain either intend to wind up the Fund 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- enquiring of the administrator as to whether:
 - the Fund is in compliance with laws and regulations that have a material effect on the financial statements;
 - they have knowledge of any actual, suspected or alleged fraud;
 - any reports have been made to the Pensions Regulator.
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

AUDIT REPORT

Contents
Appendices contents
Our responsibilities
Communication with you
Outstanding matters
Audit report
Audit report - DRAFT
Audit report
Audit quality
Letter of representation

Page 210

A further description of our responsibilities is available on 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 Fund’s member of the City of London Corporation, 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 Fund’s members 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 Corporation and the Corporation’s member, as a body, for our audit work, for this report, or for the opinions we have formed.

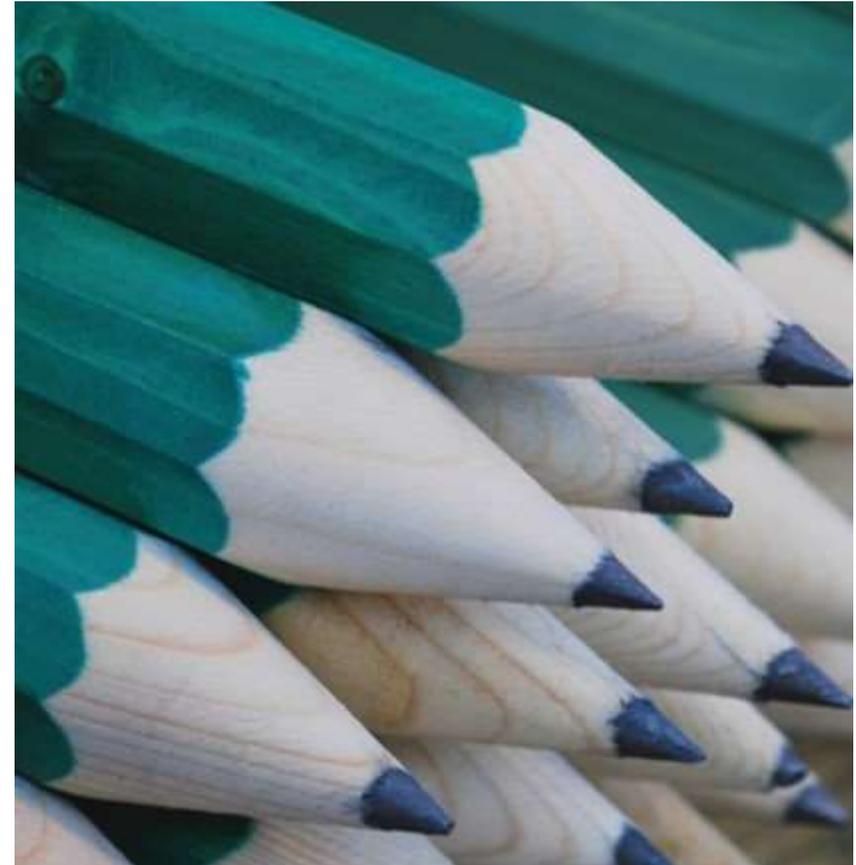
David Eagles (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Ipswich, United Kingdom

[Insert Date]

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



AUDIT QUALITY

Contents
Appendices contents
Our responsibilities
Communication with you
Outstanding matters
Audit report
<u>Audit quality</u>
Letter of Representation



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 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

LETTER OF REPRESENTATION

[Pension Fund name and Letter headed paper]

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
IP3 9SJ

Dear Sirs/Madams

Financial Statements of the City of London Corporation Pension Fund (“the Pension Fund”) for the period ended 31 March 2021

We confirm that the following representations given to you in connection with your audit of the Pension Fund’s financial statements (the “financial statements”) for the year ended 31 March 2021 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 our 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 at 31 March 2021 and of the results of the Pension Fund’s operations 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 company have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and shareholders’ 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 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

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.

Contents
Appendices contents
Our responsibilities
Communication with you
Outstanding matters
Audit report
Audit quality
Letter of Representation

LETTER OF REPRESENTATION 2

[Pension Fund name and Letter headed paper]

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
IP3 9SJ

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

You have not advised us of any 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 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 Pension Fund and the member of the City of London Corporation 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 the 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): 2.85%
- Rate of increase in salaries: 3.85%
- Rate of increase in pensions: 2.85%
- Rate of discounting scheme liabilities: 2.00%
- 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.

Contents
Appendices contents
Our responsibilities
Communication with you
Outstanding matters
Audit report
Audit quality
Letter of Representation
Letter of Representation 2
Letter of Representation 3

LETTER OF REPRESENTATION 3

[Pension Fund name and Letter headed paper]

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
IP3 9SJ

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

Caroline Al-Beyerty - Chamberlain

[date]

Contents

Appendices contents

Our responsibilities

Communication with you

Outstanding matters

Audit report

Audit quality

Letter of Representation

Letter of Representation 2

Letter of Representation 3

FOR MORE INFORMATION:

David Eagles, Partner

m: +44(0)7967 203431

e: David.Eagles@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.

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DLUHC Consultation on Infrastructure Accounting Remedy

Overview

Earlier this year, the government became aware of an issue relating to the reporting of infrastructure assets, which has led to delays in local authority audits.

Accounting for infrastructure assets in local government has not historically been considered to be an area of significant audit risk. However, recent concerns have been raised by local government auditors that some authorities are not applying component accounting requirements with respect to these assets. Specifically, due to significant historical information deficits, many authorities are unable to provide sufficient evidence of the value of replaced components of infrastructure assets when they are derecognised. This is particularly the case in relation to roads, though the issue is likely to impact on all infrastructure assets. This may also lead to issues relating to the reporting of gross historical cost and accumulated depreciation. This has led to delays to audit completion for many authorities, and the risk of widespread accounts qualifications.

In response, CIPFA and CIPFA LASAAC agreed to try to assist in the resolution of the issue through changes to the Code of Practice on Local Authority Accounting (the Code). Despite every effort being made to find a solution through the Code, an accounting solution has not been found that satisfies all stakeholders for the amount to be derecognised. The government, therefore, undertook to review the necessity for an accounting statutory override whereby, under the Local Government Act 2003, it may make provision for local authority accounting practices.

The government understands that CIPFA LASAAC will continue to take forward proposed changes to the Code to address the issues associated with reporting of gross cost and accumulated depreciation, subject to CIPFA LASAAC's own due process, further details of which can be found [here](#). However, it is not expected that the Code can offer a solution, accepted by all stakeholders, that addresses the issue of derecognition of assets.

Following careful consideration, the government is proposing to put in place a statutory accounting override to allow local authorities to treat the value of any replaced component of infrastructure assets as nil, without the need to further evidence that this is the case. The override also removes the requirement for authorities to make prior period adjustments to infrastructure asset balances. The override will not include any provision for matters relating to gross cost or accumulated depreciation, as these matters are anticipated to be addressed through the Code – it is important to consider the overall solution as the combined effect of the override and Code changes. Use of the override is optional, and authorities may choose not to apply it – it is for each authority to make this decision.

It is the government's view that this is a necessary, short-term solution to avoid the widespread qualification of local authority accounts. The government recognises that a long-term solution is required, but due to the complexity of the issue this will necessarily take time, and there is an immediate need to mitigate the risks of widespread qualifications and delays to audit. The proposed override applies to all local authority accounts for which an

audit certificate has not been issued, and is time limited such that the last financial year to which it applies will be 2024/25.

To ensure that the proposed accounting override, alongside the anticipated solutions in the Code, is effective at both relieving the ongoing delays to audit completion and in mitigating the risk of widespread qualification of accounts due to this issue, the government is conducting this call for evidence to seek views from sector stakeholders on the effectiveness and clarity of the proposed statutory override.