Public Document Pack

CITY OF LONDON

Pensions Committee

INFORMATION PACK

Date: **TUESDAY, 21 NOVEMBER 2023**

Time: 2.00 pm

Venue: **COMMITTEE ROOM, 2ND FLOOR WEST WING, GUILDHALL**

5. **CITY FUND AND PENSION FUND STATEMENT OF ACCOUNTS UPDATE - APPENDICES**

   Report of the Chamberlain.

   For Information
   (Pages 3 - 594)

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CITY OF LONDON

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THE CITY OF LONDON CORPORATION

Audited Statement of Annual Accounts for the City Fund Year Ended 31 March 2021

Page 3

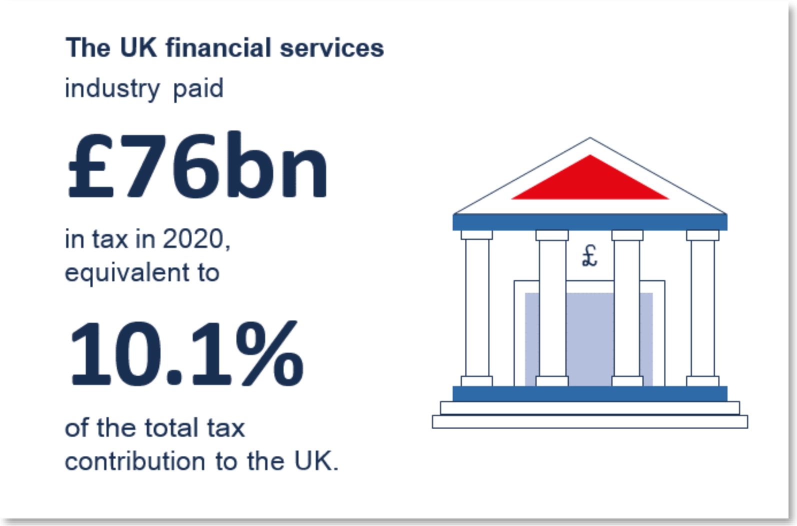
Agenda Item 5

Contents

Preface

AN INTRODUCTION TO THE CITY OF LONDON CORPORATION

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



The City Corporation 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

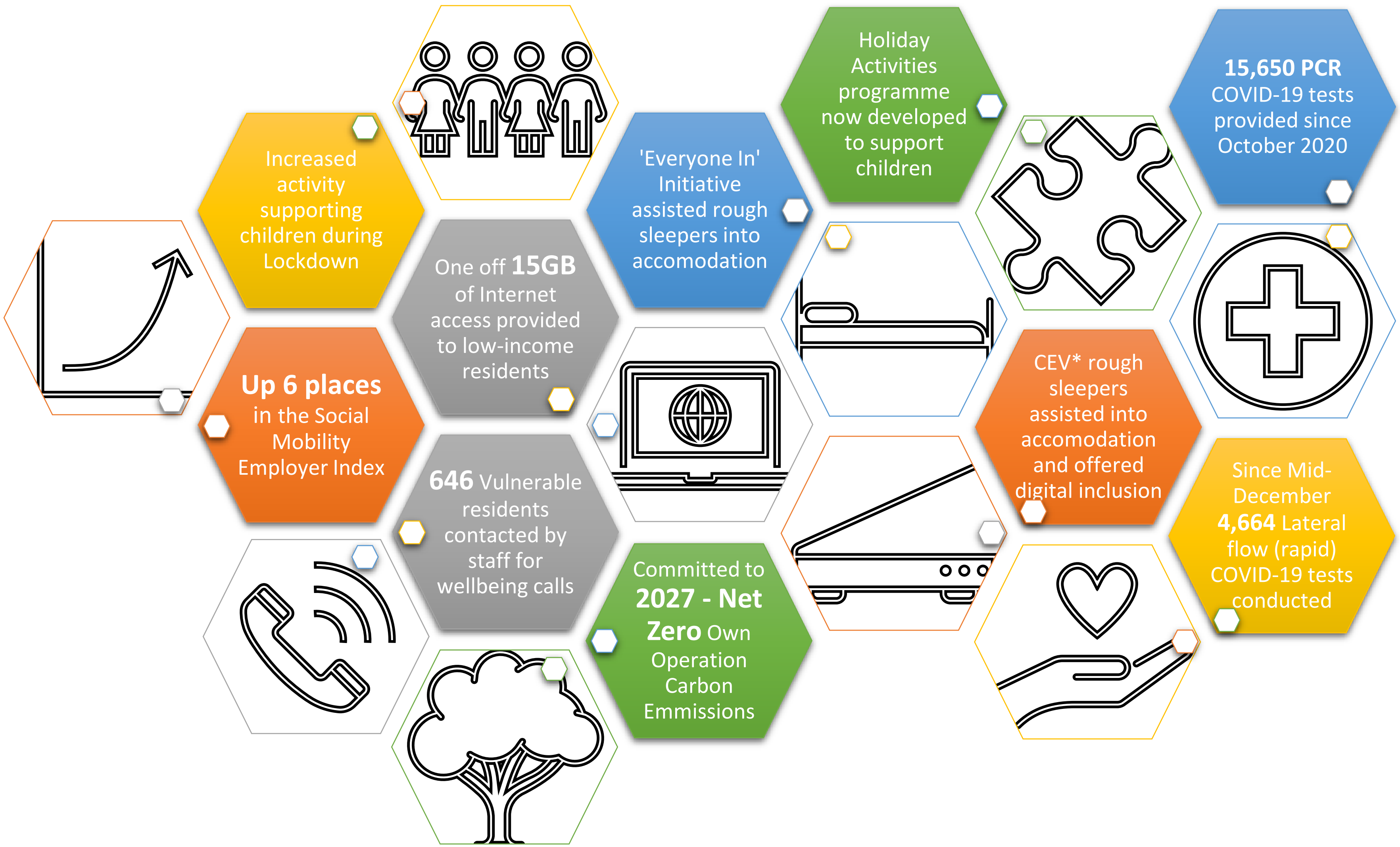
In common with other local authorities, City Fund receives funding via grants from central government, a share of business rates income and the proceeds of the local council tax. City Fund also generates rental and interest income to help finance its activities. A breakdown of these amounts for 2020-21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

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

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

PERFORMANCE

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.



*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.

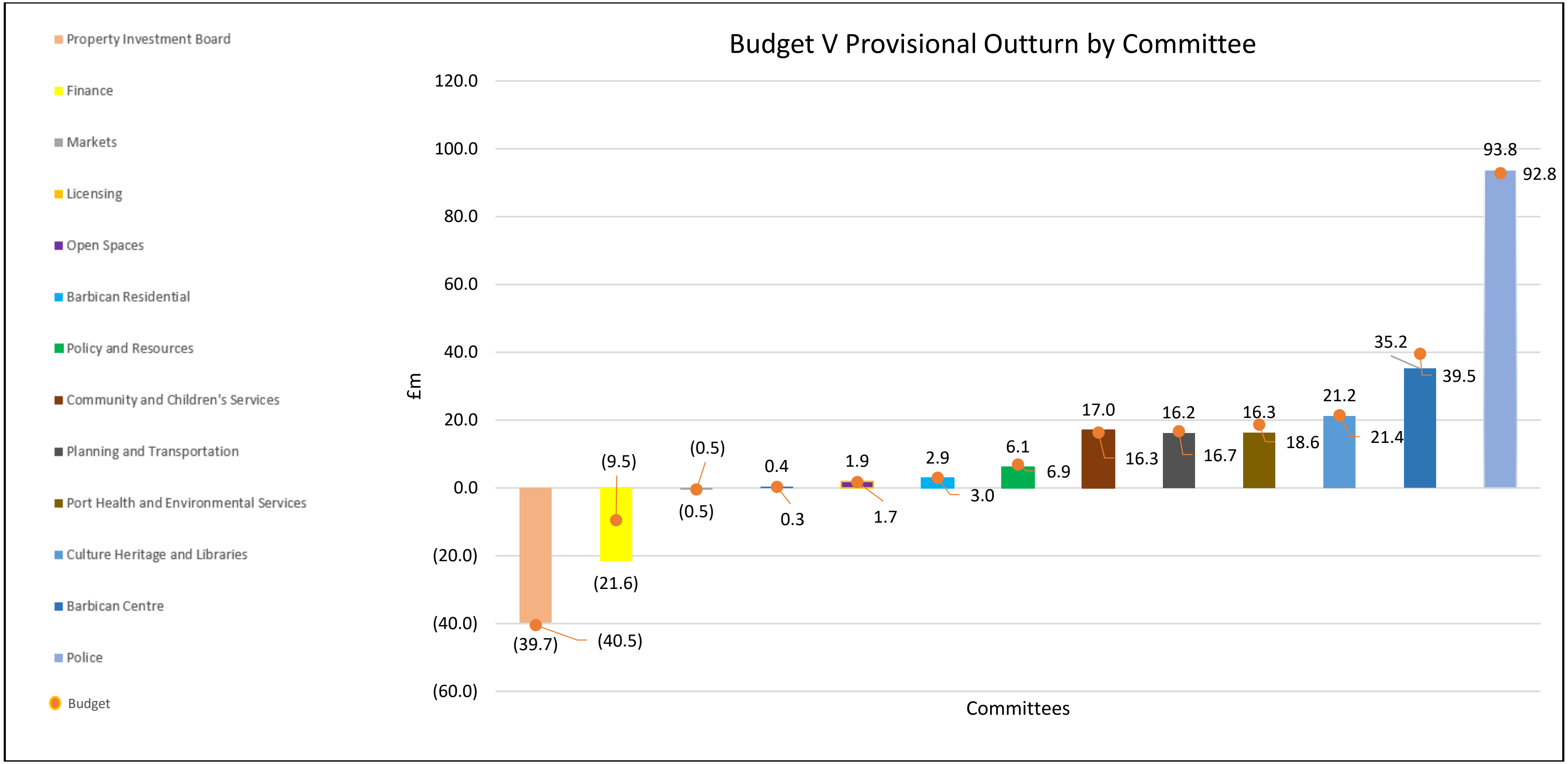
The below table sets out the current financial projections for City Fund across the medium-term planning horizon. City Fund is already committed to making savings due to its cost pressures and commitment to financing its major projects. Delivery of these savings will be essential to ensure City Fund 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	25/26
	£m	£m	£m	£m	£m
City Fund Surplus/(Deficit) before savings	**4.2**	**(1.3)**	**(25.3)**	**(23.2)**	**(19.0)**
Saving to be achieved	9.2	11.9	11.9	14.7	14.7
City of London Police		(3.9)	(10.6)	(8.4)	(10.5)
City Fund position including Police deficit	**13.4**	**6.7**	**(24.0)**	**(16.9)**	**(14.8)**
Social Care Precept Funding		0.1	0.1	0.1	0.1
Changes to BRP		9.2	9.2	9.2	9.2
City Fund Surplus/(Deficit) after saving and contributions	**13.4**	**16.0**	**(14.7)**	**(7.6)**	**(5.5)**
Deficit funded from City Fund Reserves	0.0	0.0	14.7	7.6	5.5

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.



Budget V Provisional Outturn by Committee
Property Investment Board
Finance
Markets
Licensing
Open Spaces
Barbican Residential
Policy and Resources
Community and Children's Services
Planning and Transportation
Port Health and Environmental Services
Culture Heritage and Libraries
Barbican Centre
Police
Budget
£m
120.0
100.0
80.0
60.0
40.0
20.0
0.0
(20.0)
(40.0)
(60.0)
(39.7)
(40.5)
(9.5)
(21.6)
(0.5)
(0.5)
0.4
0.3
1.9
1.7
2.9
3.0
6.1
6.9
17.0
16.3
16.2
16.7
16.3
18.6
21.2
21.4
35.2
39.5
93.8
92.8
Committees

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:

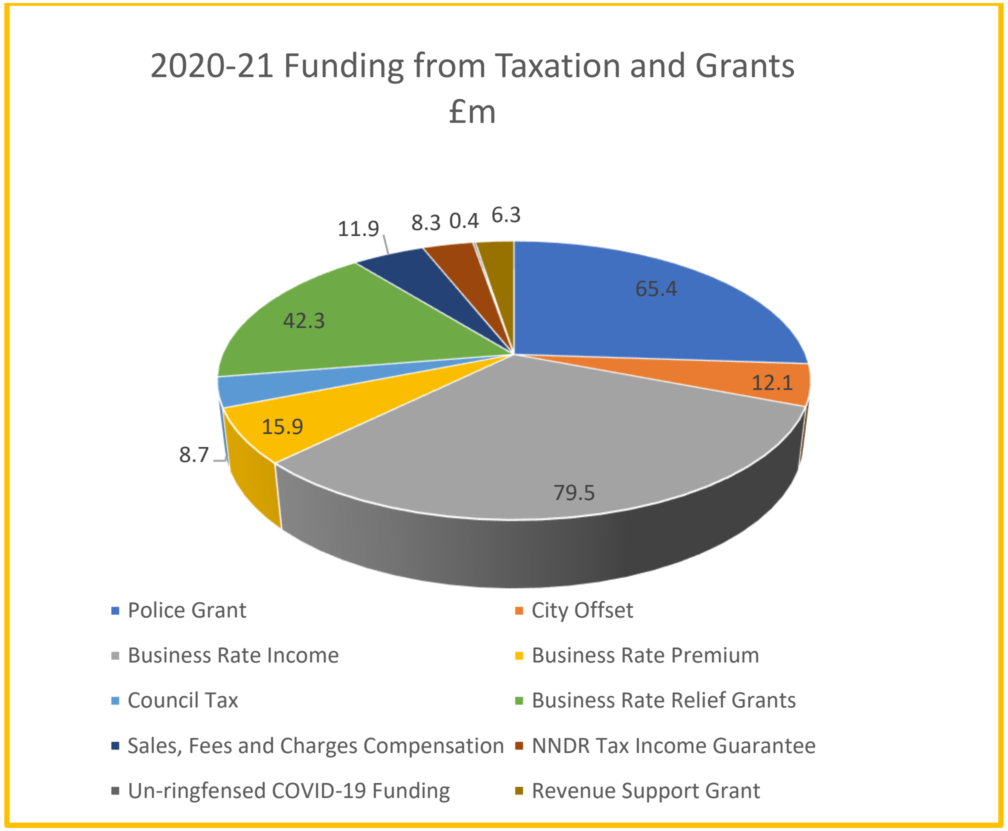
- Community and Children's Services – There has been an increase in expenditure in relation to COVID-19. This has been spent on areas such as Adult Social Care, children's services and accommodation for the homeless.
- Police – In line with the Government expansion of police numbers, net expenditure 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:

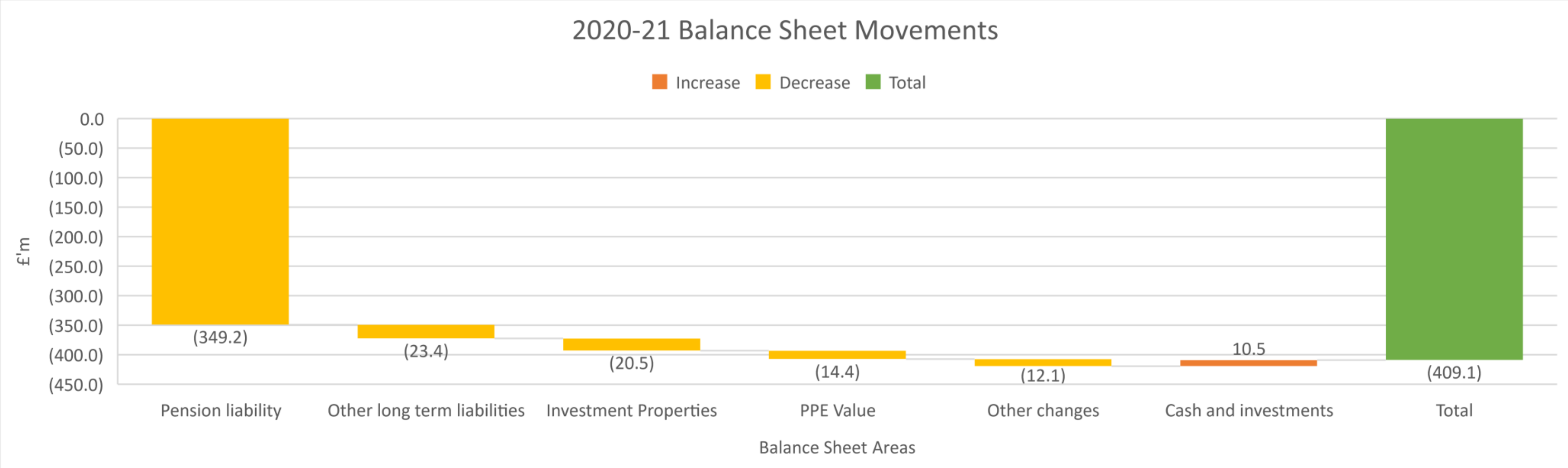
- £42.3m Business Rate Relief grant, £39.6m of which was granted due to the decision by Government to grant 100% business rate relief to the Retail, Leisure and Hospitality sectors due to the restrictions on their ability to trade during the year. This decision represented a loss of income from business 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.



Balance Sheet

The City Corporation maintains a strong balance sheet position with net assets totalling £1,178.6m at year end, a reduction of £409.1m from the previous year. Majority of this reduction can be attributed to an increase in the Pension Liability of £349.2m (see notes 23-26 for further details). All other key movements are shown below.



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 barring those related to infrastructure assets, which are described below. 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 is 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 receive 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. We do not consider the remaining balance of assets for which a material uncertainty exists to be material to City Fund's accounts. 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.

- **Infrastructure Assets** – A national issue had arisen during the audit of these accounts on the accounting of infrastructure assets which resulted in a delay in completing the audit and the issuing of new guidance. The background to this issue can be found on CIPFA's website (www.cipfa.org) but reflects on the information deficits present in itemising all elements of assets that have been classed as infrastructure and the ability to derecognise parts or all of an asset when it is replaced e.g. derecognising to value of a road surface when it is replaced. Due to the complex nature of this issue and its impact on delaying completion of local authority audits, including the City of London's, changes have been made to the code of practice and legalisation to unblock the auditor process on a temporary basis pending a permanent solution being developed. These changes and the impact on these financial statements are:

1. An update to the CIPFA Code of Practice which removes the requirement to disclosure the balances of infrastructure assets on a gross cost and accumulated deprecation basis. This has meant a revision to the presentation of note 13and a revision to accounting policies to reflect this new guidance.
2. The authority has determined in accordance with Regulation [30M] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

These changes mean that whilst there are presentational changes to note 13 and a revised accounting policies being adopted the reflect these changes, the financial value of these assets has not altered and remain as per the draft statements. The changes are in place up to and including the 2024/25 financial year, which is the timeline for a permanent solution to be agreed.

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 October 2023

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					2020-2021		
Gross Expenditure	Gross Income	Net Expenditure/ (Income)		Notes	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 October 2023 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	(286.8)
(0.0)	Grants and Contributions Received in Advance - Revenue		(91.3)
(49.2)	Provisions	22	(45.8)
(431.2)	**Current Liabilities**		**(423.9)**
(1,261.8)	Pensions Liability	26	(1,611.0)
(108.6)	Grants and Contributions Received in Advance - Capital	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 is 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. We do not consider the remaining balance of assets for which a material uncertainty exists to be material to City Fund's accounts.

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)

Page 40

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

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

Page 45

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**
185.0	External audit services carried out by the appointed auditor*	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
207.0		**136.0**

*The 2019-20 fees have been updated to reflect agreed additional fees of £77,000. The additional fees comprise statutory audit fees 2019-20 of £77,000 (original fee £108,000)

**BDO LLP are no longer expected to be the auditor for the 2020/21 housing benefit certification

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.

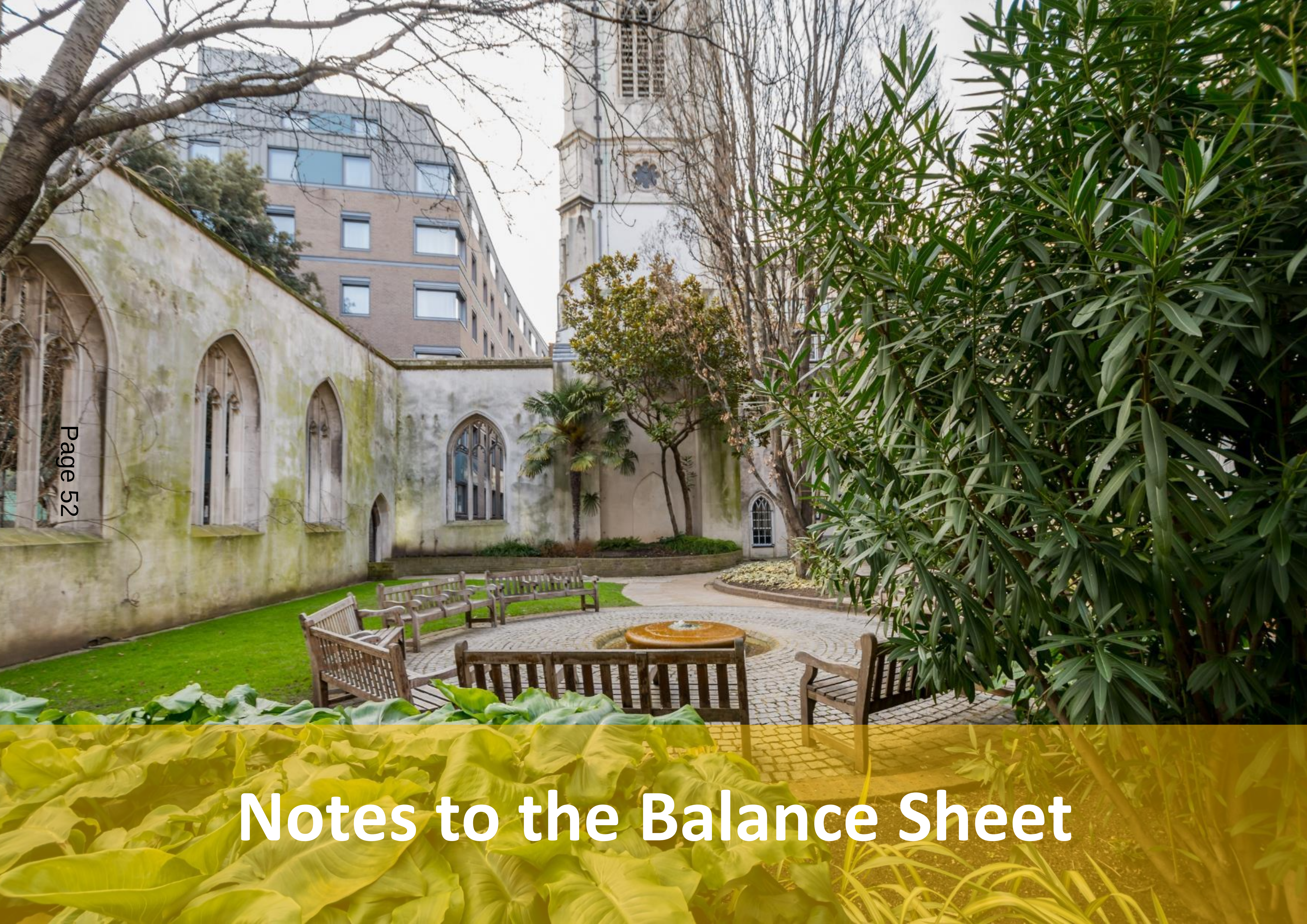
(iii) Major Projects Reserve – This reserve has been established to fund the 2 major projects funded from City Fund resources, the Combined Criminal Court and the Museum of London Relocation.

(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	Community Assets	Assets Under Construction	Surplus Assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation								
at 1 April 2020	**303.7**	**505.6**	**7.0**	**108.4**	**1.5**	**21.6**	**3.8**	**951.6**
Additions	1.6	2.0	0.3	8.0	0.0	29.3	0.0	41.2
Transfers	1.1	2.3	0.0	(0.5)	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	(0.1)	(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	(17.0)
Derecognition - disposals	(5.0)	0.0	0.0	0.0	0.0	0.0	0.0	(5.0)
at 31 March 2021	**263.0**	**509.2**	**7.3**	**115.9**	**1.5**	**48.0**	**3.0**	**947.9**
Accumulated Depreciation and Impairment								
at 1 April 2020	**(0.1)**	**(4.0)**	**0.0**	**(58.4)**	**0.0**	**0.0**	**(0.7)**	**(63.2)**
Depreciation Charge	(2.7)	(13.1)	(0.7)	(6.7)	0.0	0.0	(0.2)	(23.4)
Depreciation written out to the Revaluation Reserve	1.6	11.9	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	1.8
Derecognition - disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
at 31 March 2021	**(0.1)**	**(4.5)**	**(0.7)**	**(65.1)**	**0.0**	**0.0**	**(0.7)**	**(71.1)**
Net Book Value								
at 31 March 2020	**303.6**	**501.6**	**7.0**	**50.0**	**1.5**	**21.6**	**3.1**	**888.4**
at 31 March 2021	**262.9**	**504.7**	**6.6**	**50.8**	**1.5**	**48.0**	**2.3**	**876.8**

Property, Plant and Equipment (Continued)

Movements on Balances 2019-20	**Council Dwellings**	**Other Land & Buildings**	**Leasehold Improvements**	**Vehicles, Plant & Equipment**	**Community Assets**	**Assets Under Construction**	**Surplus Assets**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cost or valuation								
at 1 April 2019	**309.9**	**499.4**	**0.0**	**100.6**	**1.5**	**30.8**	**3.7**	**945.9**
Additions	1.5	5.5	2.5	8.6	0.0	14.0	0.0	**32.1**
Transfers	2.4	12.6	4.5	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	0.1	**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	**(1.9)**
Derecognition - disposals	(4.9)	(23.0)	0.0	(0.8)	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	**(0.3)**
at 31 March 2020	**303.7**	**505.6**	**7.0**	**108.4**	**1.5**	**21.6**	**3.8**	**951.6**
Accumulated Depreciation and Impairment								
at 1 April 2019	**(0.1)**	**(5.5)**	**0.0**	**(52.9)**	**0.0**	**0.0**	**(0.7)**	**(59.2)**
Depreciation Charge	(2.9)	(10.7)	0.0	(6.3)	0.0	0.0	(0.1)	**(20.0)**
Depreciation written out to the Revaluation Reserve	2.3	11.0	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	**1.1**
Derecognition - disposals	0.0	0.1	0.0	0.8	0.0	0.0	0.0	**0.9**
Derecognition - other	0.0	0.6	0.0	0.0	0.0	0.0	0.0	**0.6**
at 31 March 2020	**(0.1)**	**(4.0)**	**0.0**	**(58.4)**	**0.0**	**0.0**	**(0.7)**	**(63.2)**
Net Book Value								**0.0**
at 31 March 2019	**309.8**	**493.9**	**0.0**	**47.7**	**1.5**	**30.8**	**3.0**	**886.7**
at 31 March 2020	**303.6**	**501.6**	**7.0**	**50.0**	**1.5**	**21.6**	**3.1**	**888.4**

Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The City of London has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

We have also utilised the provisions granted under The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 which allows for the derecognition of replaced elements of infrastructure assets to be assumed to be at nil value and confirms that prior year adjustments are not required in relation to this matter. This means that the figures presented below represent the spend and depreciation calculated for this asset class, but due the information deficits, may not accurately reflect the true value of these assets.

2019-20	Infrastructure Assets Movement on Balances	2020-21
£m		£m
50.3	**Opening Net Book Value at 1 April**	**51.6**
9.1	Additions	5.3
(7.8)	Depreciation	(8.1)
51.6	**Closing Net Book Value at 31 March**	**48.8**

Reconciliation of Property, Plant and Equipment

The below table reconciles the individual disclosure notes to the total property, plant and equipment balance on the face of the balance sheet.

2019-20	Reconciliation of Property, Plant and Equipment	2020-21
£m		£m
888.4	Other PPE Assets	876.8
51.6	Infrastructure Assets	48.8
940.0	**Total PPE Assets Net Book Value**	**925.6**

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

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

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.

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

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

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.

We do not consider the remaining balance of assets for which a material uncertainty exists to be material to City Fund's accounts.

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**

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 material 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.

We do not consider the remaining balance of assets for which a material uncertainty exists to be material to City Fund’s accounts.

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	41.9
16.9	**30.8**	**Total Debtors**	**15.8**	**41.9**
		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)**

Fair Value of Assets and Liabilities

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

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

31 March 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	41.9	41.9
863.6	**863.6**	**Total financial assets**	**931.3**	**931.3**
		Financial liabilities		
(80.8)	(80.8)	Short Term Creditors	(54.6)	(54.6)
(6.0)	(6.0)	Long Term Liabilities	(5.4)	(5.4)
(86.8)	**(86.8)**	**Total financial liabilities**	**(60.0)**	**(60.0)**

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

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.

Liquidity risk

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

Market risk

Interest rate risk

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

- investments at variable rates – the interest income credited to the 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. Short-Term Debtors

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. Short-Term Creditors

The collection fund deficit, which is detailed in pages 98-101 has 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.

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*	0.0
(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**	**(286.8)**

*This has been incorrectly recorded under Creditors in the past and should be recorded under Grants and Contributions Received in Advance. The balance of £0.5m in 2019/20 has not be reclassified on the grounds of triviality.

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.

	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)**

	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**

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:

a. 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.

b. 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.

c. 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.

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)

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:

a. The present value of liabilities has increased due to the discount rate dropping. This is 28% of the total change in financial assumptions.
b. 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.
c. 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.

Page 77

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 are as follows:

31 March 2020		31 March 2021
£m		**£m**
	Grants and Contributions Received in Advance - Capital (Long-term)	
(108.6)	S106 / S278 Contributions	(115.5)
	Grants and Contributions Received in Advance - Revenue (Short-term)	
0.0	S31 Grant for NNDR Reliefs due to Central Government*	**(91.3)

*This has been incorrectly recorded under Creditors in the past and should be recorded under Grants and Contributions Received in Advance. The balance of £0.5m in 2019/20 has not be reclassified on the grounds of triviality.

**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 awarded to City Fund on the basis that 67% would be repaid.

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 (2019-20: £52.0m) 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**

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

City Fund as Lessor

The gross investment is made up of the following amounts:

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

The gross investment 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**

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

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 Revalution 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 has 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 is increase 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.

F. Deferred Capital Receipts Reserve

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

G. Financial Instrument Revaluation Reserve

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

H. Pooled Investment Reserve

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

Notes to the Cash Flow Statement

32. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following item:

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)**

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	2019/20	Detail of transaction
		£000	£000	
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.

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)

As part of it 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.

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**

Collection Fund Account

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

Revenue Account

	2019-20			Notes		2020-21	
Council Tax	**Business Rates**	**Total**			**Council Tax**	**Business Rates**	**Total**
£m	**£m**	**£m**			**£m**	**£m**	**£m**
			INCOME				
(8.2)		(8.2)	Council Tax Receivable		(8.7)		(8.7)
(0.2)		(0.2)	Transfer from City Fund (Reliefs)		(0.2)		(0.2)
	(1,272.8)	(1,272.8)	National Business Rates	1		(1,135.6)	(1,135.6)
	(43.6)	(43.6)	GLA Business Rate Supplement			(39.4)	(39.4)
	(15.3)	(15.3)	City Fund Business Rate Premium			(17.8)	(17.8)
(8.4)	**(1,331.7)**	**(1,340.1)**	**TOTAL INCOME**		**(8.9)**	**(1,192.8)**	**(1,201.7)**
			EXPENDITURE				
			Council Tax Precepts and Demands				
7.0		7.0	City Fund	2	7.6		7.6
0.6		0.6	GLA		0.7		0.7
0.0		0.0	Impairment of debt for Council Tax		0.2		0.2
			National Business Rates Precepts and Demands				
	552.1	552.1	City Fund			363.2	363.2
	310.5	310.5	GLA			447.9	447.9
	287.5	287.5	Central Government			399.5	399.5
	0.0	0.0	National Business Rates transitional protection payments			3.8	3.8
	43.4	43.4	Business Rate Supplement collected on behalf of GLA			38.2	38.2

Revenue Account Continued

2019-20			Notes		2020-21		
Council Tax	Business Rates	Total			Council Tax	Business Rates	Total
£m	£m	£m	**Expenditure Continued**		£m	£m	£m
	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	19.2	20.4
0.1	14.6	14.7	GLA		0.1	10.8	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**	**1,447.8**
0.3	(8.5)	(8.2)	(Surplus)/Deficit for Year	5	0.9	245.2	246.1
(1.8)	(45.4)	(47.2)	Balance 1 April		(1.5)	(53.9)	(55.4)
(1.5)	**(53.9)**	**(55.4)**	**Balance 31 March**		**(0.6)**	**191.3**	**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 TEMPLE	INNER TEMPLE	CITY AREA EXCLUDING TEMPLES	TOTAL CITY 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**

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**

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

Page 109

City of London Pension Fund Account

Fund Account for the year ended 31 March 2021

2019-20		Notes	2020-21
£m			£m
	Dealings with members, employers and others directly involved in the Fund		
(44.8)	Contributions	7	(47.3)
(6.7)	Transfers in from other pension funds		(2.6)
(51.5)	**Total contributions & transfers in**		**(49.9)**
44.9	Benefits	8	49.8
3.1	Payments to and on account of leavers	9	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	10	9.1
4.3	**Net withdrawals including fund management expenses**		**10.9**
	Returns on investments		
(1.2)	Investment income	11	(3.4)
31.3	Profit and losses on disposal of investments and changes in the value of investments	12	(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)**

Net Asset Statement as at 31 March 2021

2019-20		Notes	2020-21
£m			£m
0.2	Long-term investments		0.2
1,023.3	Investment assets	12	1,294.4
1,023.5	**Total net investments**		**1,294.6**
6.1	Current assets	19	7.4
(0.9)	Current liabilities	20	(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 uprated annually in line with the Consumer Prices Index.

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

2. Basis of preparation

The statement of accounts summarises the Fund's transactions for the 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

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: • 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**

	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
	Financial Assets	
(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 or these financial instruments will fluctuate because of changes in market interest rates. Fund managers have the discretion to manage interest risk exposure through the use of derivatives.

The Fund's indirect exposure to interest rate movements as at 31 March 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**

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

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.

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).

Some members of the Financial Investment Board are also members of the City of London Pension Fund. However, they are treated no differently from other members of the scheme.

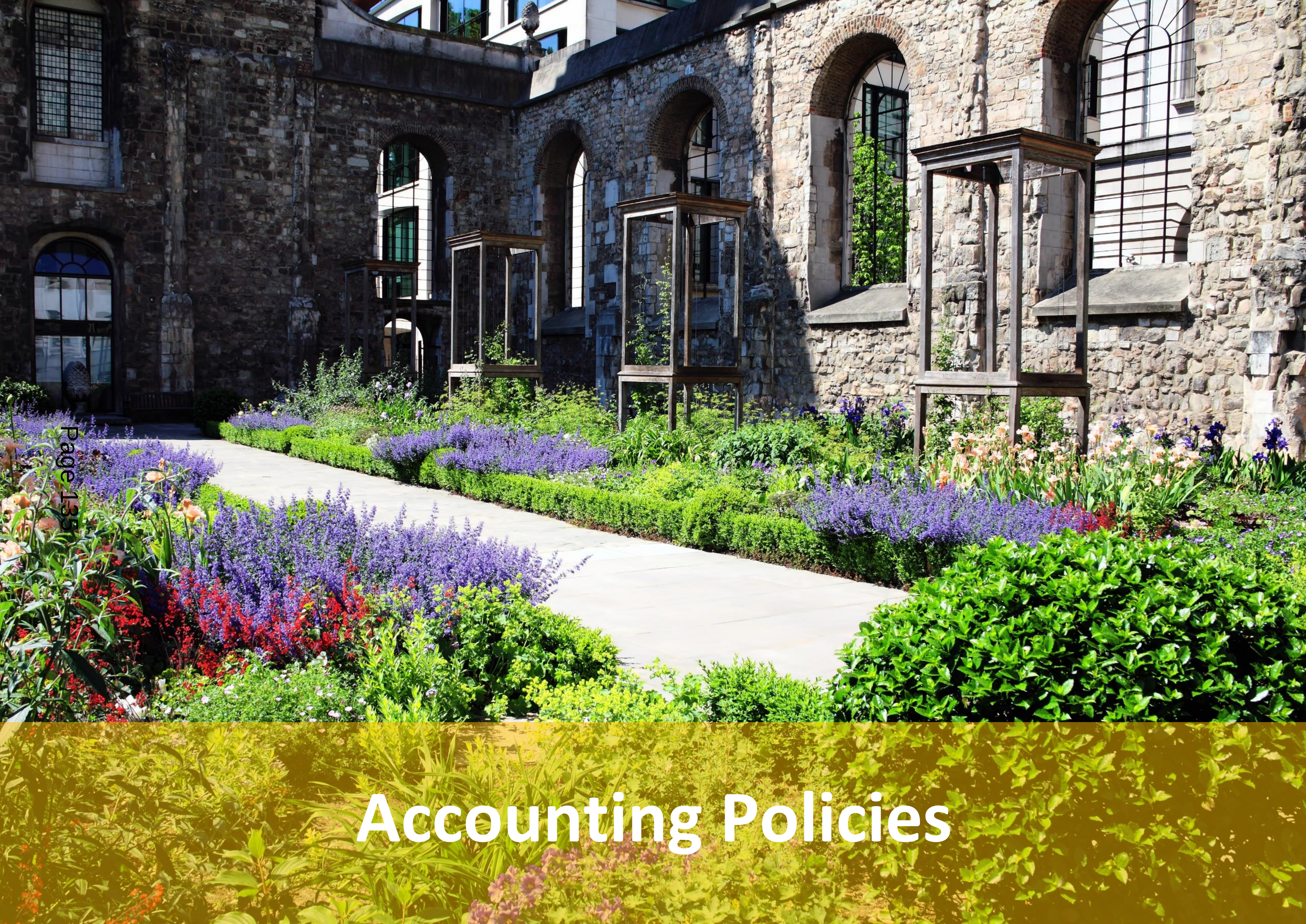
23. Key management personnel

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) <u>City Fund as Lessee</u>

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

(ii) <u>City Fund as Lessor</u>

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 (except for infrastructure assets) 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.

For infrastructure assets, the authority has determined in accordance with Regulation [30M] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022, that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

(f) Depreciation

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

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

(g) Components

<u>Assets other than Housing Revenue Account (HRA) Dwellings</u>

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.

<u>HRA Dwellings</u>

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 borough together the business rates generated across the 32 London Boroughs, the City Corporation and the GLA. The City of London has continued this role on 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

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:

- 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	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to: • the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.
Provision	An amount set aside in the accounts for liabilities of uncertain timing or amount that have been incurred. Provisions are made when: • the City of London has a present obligation (legal or constructive) as a result of a past event; • it is probable that a transfer of economic benefits will be required to settle the obligation; and • a reliable estimate can be made of the amount of the obligation.

Reserves	Reserves are reported in two categories in the Balance Sheet of local authorities: • Usable reserves - surpluses of income over expenditure and amounts set aside outside the definition of a provision and which can be applied to the provision of services. Certain reserves are allocated for specific purposes and are described as earmarked reserves. • Unusable reserves - those that cannot be used to provide services. This category of reserves include adjustment accounts which deal with situations where statutory requirements result in income and expenditure being recognised against the City Fund or HRA balance on a different basis from that expected by accounting standards.
Revaluation Reserve	Represents increases in valuations of assets since 1 April less amounts written off due to the 'additional depreciation' (including impairment due to consumption of economic benefit) arising because property, plant and equipment are carried at a revalued amount rather than historic cost. It can also include reductions in values to investment properties where the reductions are not considered to be permanent.
Revenue expenditure	The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, repairs, maintenance and supplies.
Revenue expenditure funded from capital under statute	Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to revenue and impact on council tax. These items are generally grant payments and expenditure on property not owned by the authority.
Scheme liabilities	The liabilities of a defined benefits pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.
Section 106 agreement	A legal agreement between Local Authorities and developers; these are linked to planning permissions and can also be known as planning obligations.
Section 278 agreement	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.

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

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTES TO THE COLLECTION FUND

NOTES TO THE CITY OF LONDON PENSION FUND

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CITY OF LONDON

THE CITY OF LONDON CORPORATION

Audited Statement of Annual Accounts for the City Fund Year Ended 31 March 2022

Contents

Preface

AN INTRODUCTION TO THE CITY OF LONDON CORPORATION

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

The City Corporation 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.

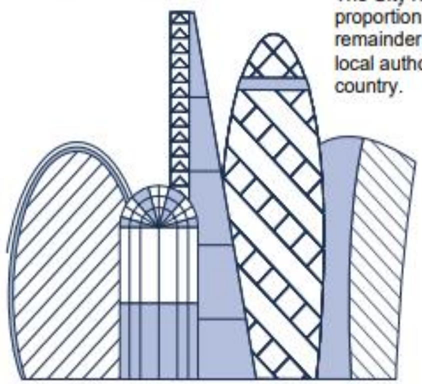
As the governing body of the Square Mile, we deliver the functions of a local authority and a police authority for our residents, workers, learners and visitors, as well as being the port health and animal health authorities for London. There are approximately 8,000 residents living in the Square Mile. However, in normal times we have a high daytime population in the Square Mile made up of approximately 550,000 workers daily.

The City contributes to the rest of the economy, generating

£1.2bn

in business rates. This represents **5% of England's total business rates collection.**

The City retains a small proportion locally, the remainder is distributed to local authorities across the country.



With more large firms than Manchester, Birmingham or Leeds, the City **generates more in business rates than all three combined.**

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.

Page 179

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

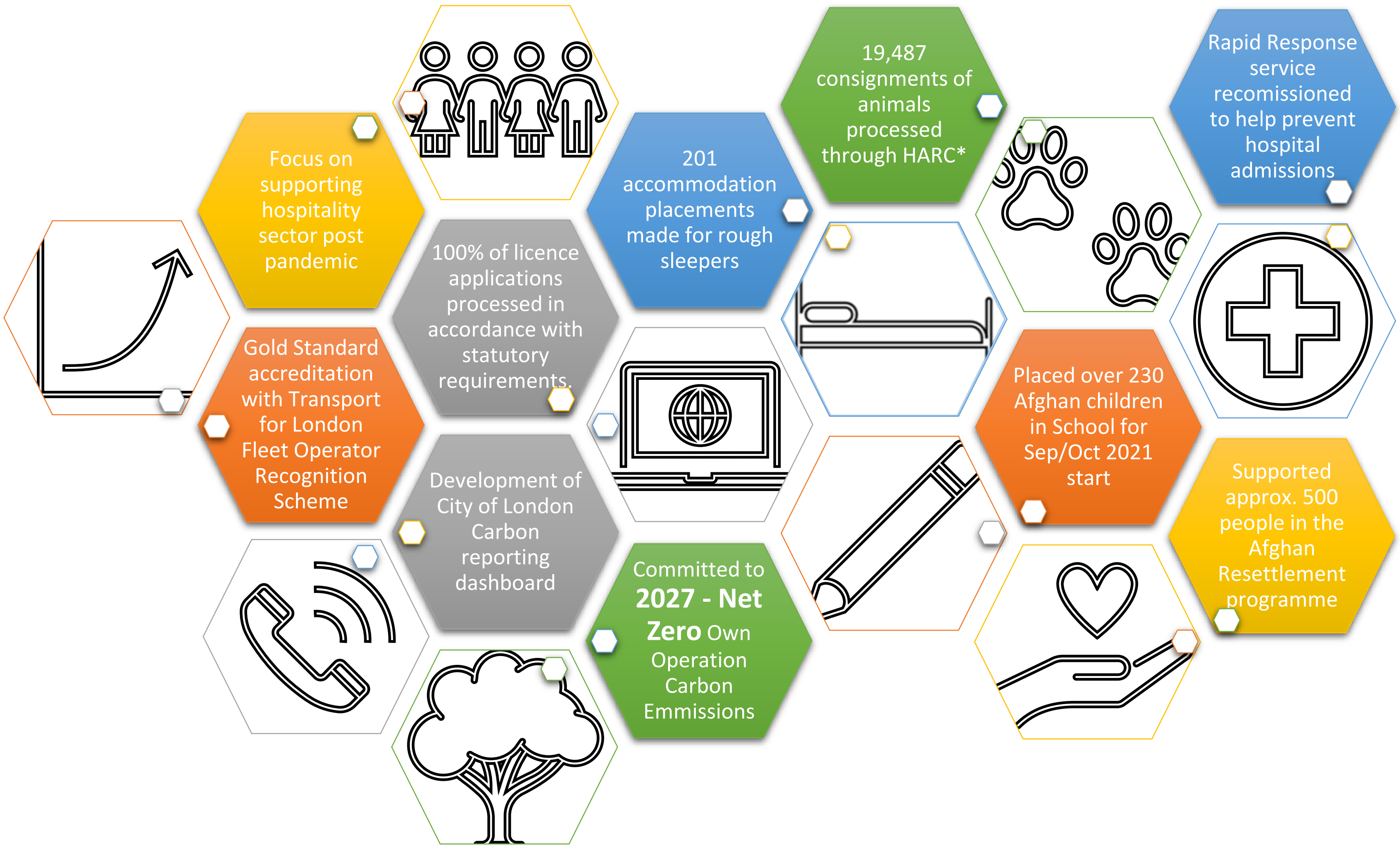
In common with other local authorities, City Fund receives funding via grants from central government, a share of business rates income and the proceeds of the local council tax. City Fund also generates rental and interest income to help finance its activities. A breakdown of these amounts for 2021-22 is shown below in the financial summary for the year.

Whilst collecting more than £1bn 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 via the business rate premium. For 2021/22 this was set at 0.8p in the £. These funds are used to support security objectives within the City with the majority being passed to the City of London Police. More information on the role and ongoing work of the City Corporation, can be found on the City's website at www.cityoflondon.gov.uk[1]

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

PERFORMANCE

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.



*Heathrow Animal Reception Centre

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. An external Risk Management Health Check was undertaken in 2021/22 which found that the City Corporations risk management approach aligns with best practice.

The key risks to the organisation relate to maintaining a safe and healthy environment and ensuring the financial sustainability of our operations as well as working to ensure the continued relevance of the services we provide to London and the UK following the Covid-19 pandemic.

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)	26
FTE trade union representative	26

Total pay bill and facility time costs 2021-22	£m
Total City of London pay bill	224.0
Total cost of facility time	0.1
Percentage of pay spend on facility time	0.04%

Percentage of working hours spend on facility time by union representative	No. of People
0% of working hours	22
1% to 50% of working hours	1
51% to 99% of working hours	3
100% of working hours	0
Total	**26**

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 and build a new headquarters for the City of London Police. 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:

- **Economic Outlook** – there is significant uncertainty in the economic outlook linked to the current high levels of inflation, the impact of the war in Ukraine and the ongoing recovery from the pandemic. These factors pose a risk to key revenue streams funding activity, and the demand and costs of providing public services.

- **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 on 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.

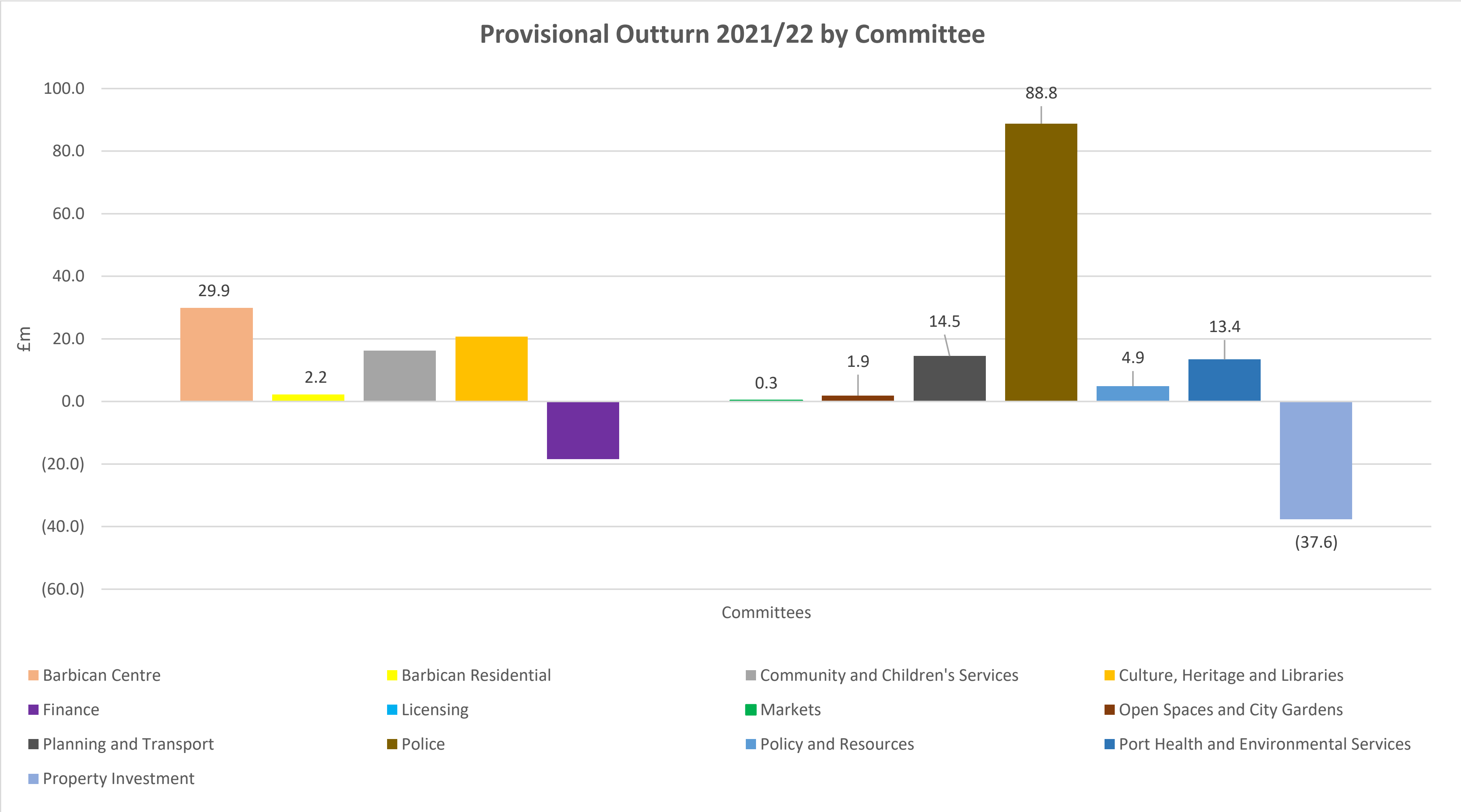
The below table sets out the current financial projections for City Fund across the medium-term planning horizon. City Fund is already committed to making savings due to cost pressures and its commitments to financing its major projects. Delivery of these savings will be essential to ensure City Fund remains in a financially sustainable position to deliver its corporate plan. City Fund maintains adequate levels of both general and earmarked reserves (£300.1m) to support its functions across the short to medium term. The projected deficit will require addressing as part of the financial planning process carried out in the autumn.

City Fund Medium Term Forecast	22/23	23/24	24/25	25/26	26/27
	£'000	£'000	£'000	£'000	£'000
City Fund Surplus/(Deficit) before savings	**15.7**	**14.8**	**0.4**	**(26.4)**	**(27.3)**
Forecast Savings	11.9	11.9	14.8	14.8	14.8
City Fund Surplus/(Deficit) after saving and contributions	**27.6**	**26.8**	**15.1**	**(11.6)**	**(12.5)**
Saving/Income opportunities to be identified	0.0	0.0	0.0	(11.6)	(12.5)

2021-22 FINANCIAL SUMMARY

Revenue Budget

Our budget for 2021-22 was agreed by the Court of Common Council (the City Corporation's primary decision-making body) in March 2021 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 2021-22 was set at 0.8p in the £. City Fund also benefits from a large property investment portfolio, overseen by the Property Investment Board, which generates additional income to fund our services. Within the year the City Corporation instigated a new Target Operating Model (TOM) to achieve savings required in ensure financial sustainability and better align its resources to organisational priorities. This has brought the overall cost of services down by £7m before accounting for any in-year variances. The below provide an overview of the 21-22 revenue outturn.



Provisional Outturn 2021/22 by Committee
100.0
80.0
60.0
40.0
20.0
0.0
(20.0)
(40.0)
(60.0)
£m
29.9
2.2
0.3
1.9
14.5
88.8
4.9
13.4
(37.6)
Committees
Barbican Centre
Barbican Residential
Community and Children's Services
Culture, Heritage and Libraries
Finance
Licensing
Markets
Open Spaces and City Gardens
Planning and Transport
Police
Policy and Resources
Port Health and Environmental Services
Property Investment

The adjacent table compares each committee outturn to its final budget for 2021-22, the City Fund recorded a £18.5m underspend for the year. The most material variances and the reason for these are:

- Barbican Centre – Additional funding of £7m provided to support the Barbican in its recovery from the pandemic was not fully required resulting in a £5.9m underspend.

- Finance – A reduction in the financing requirements for capital projects, repairs and maintenance, and the release of contingency funds which were not required resulted in a £9.3m underspend.

- Port Health and Environmental Services – vacancies held pending the restructure of the department and unbudgeted funding for the Fishmonger Hall inquest resulted in a £3.3m underspend for the department.

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

2020/21	2021/22 Budget v Outturn – City Fund Summary by Committee			
		Budget	Provisional	Variation (Better)/Worse
Outturn	*Net Expenditure (Income)*	Net	Outturn	Total
£m		£m	£m	£m
35.2	Barbican Centre	35.8	29.9	(5.9)
2.9	Barbican Residential	2.4	2.2	(0.2)
17.0	Community and Children's Services	15.3	16.3	1.0
21.2	Culture Heritage and Libraries	21.2	20.7	(0.5)
(21.6)	Finance	(9.2)	(18.5)	(9.3)
0.4	Licensing	0.1	0.2	0.1
(0.5)	Markets	(0.1)	0.3	0.4
1.9	Open Spaces	1.8	1.9	0.1
16.2	Planning and Transportation	15.5	14.5	(1.0)
93.8	Police	88.8	88.8	0.0
6.1	Policy and Resources	4.7	4.9	0.2
16.3	Port Health and Environmental Services	16.7	13.4	(3.3)
(39.7)	Property Investment Board	(37.5)	(37.6)	(0.1)
149.2	**City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves.**	**155.5**	**137.0**	**(18.5)**

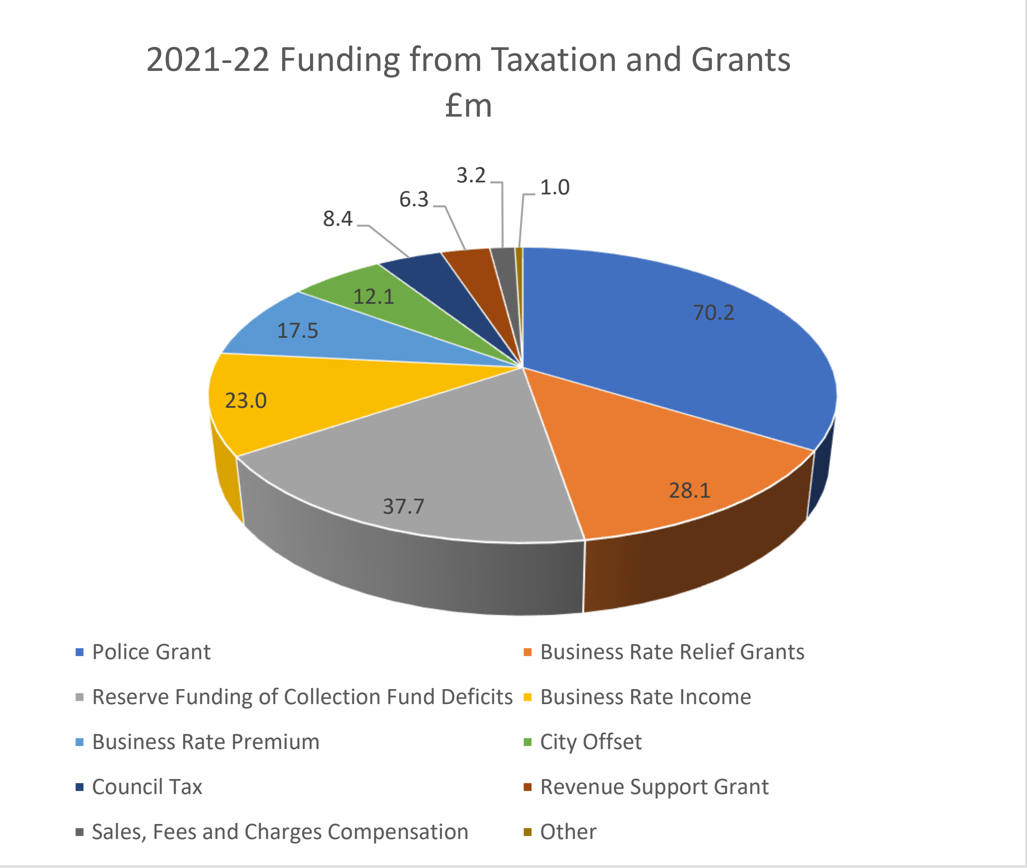
Where this funding relates to a specific service or activity, this is shown under the relevant committee heading. Where funding is non-specific, it is shown under the funding from taxation and grants heading. The key items to note for the year are:

- As part of its support to assist businesses recovering from the pandemic, the Govt continued its business rate relief scheme for the retail, leisure, and hospitality sector, which began in 2020-21. The scheme was amended from the previous year with eligible businesses receiving 100% relief for the first 3 months of the year and then 66% relief thereafter. This decision represents a loss of business rates income for which Govt provides compensation for in the form of a grant which totalled £28.1m. It should be noted that due to the structure of the business rates system, shortfalls in income collection create collection fund deficits which are recovered over the following 2 financial years. Therefore, £24.6m of this grant will be used to make good deficits to be accounted for between 2022-2024 and has been transferred into the Business Rate Equalisation reserve for this purpose. More details about Collection Fund losses can be found on pages 99-102.

- Business rate income is comparatively low for the year at £23m but this includes accounting for prior year collection fund deficits of £37.7m, which are more significant due to the reliefs described above enacted in 2020-21. This deficit is offset by funding held in the business rate equalisation reserve and is included in the adjacent chart to provide a truer picture of resources available in the year.

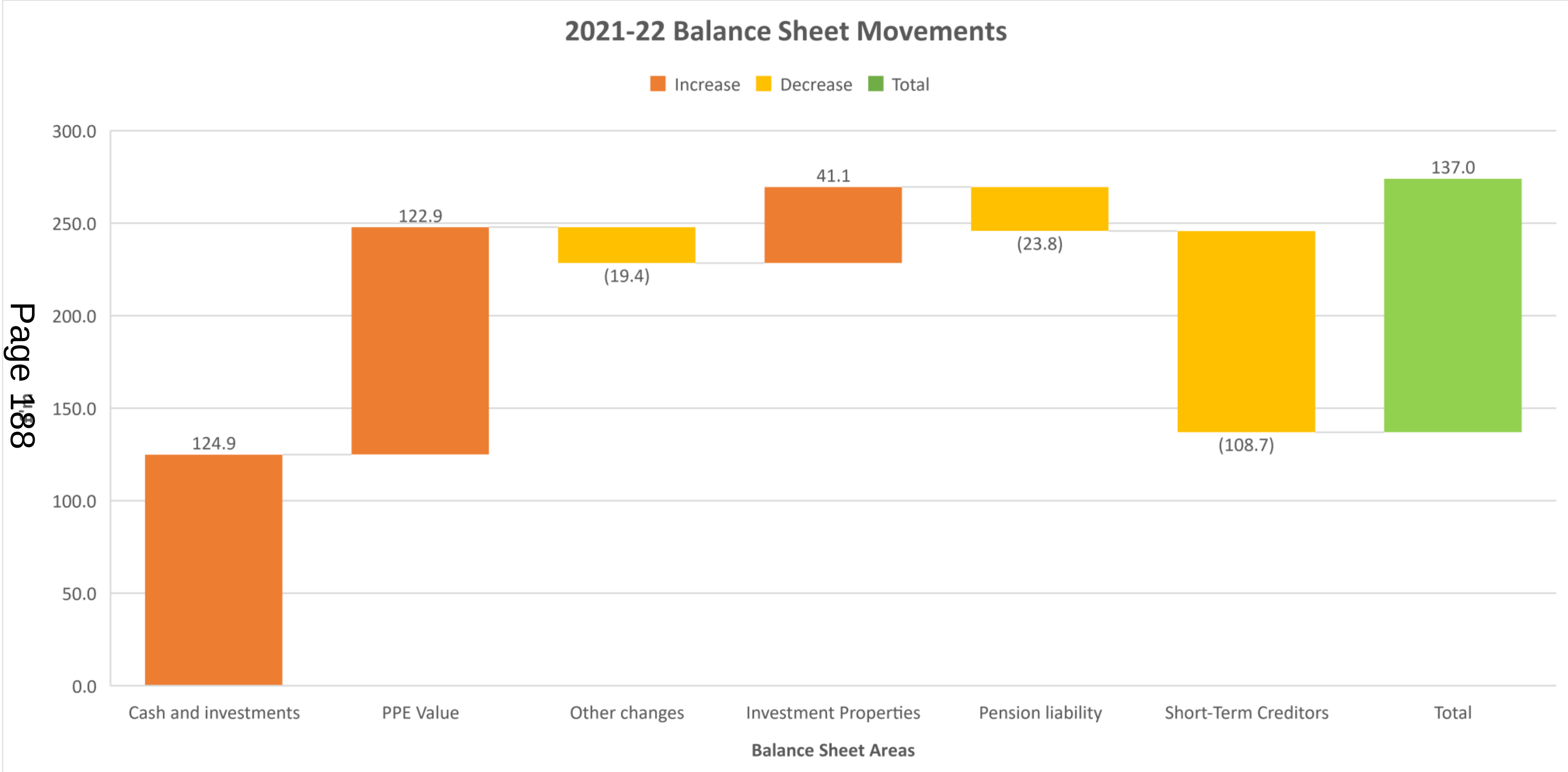
- In 2020-21 the Govt introduced a Sales, Fees and Charges compensation scheme, which compensated local authorities for income losses incurred due to COVID-19. Compensation was 75p in the £ after a deduction of 5% of the annual budget for that income stream. This scheme was extended to cover losses incurred in quarter 1 of 2021-22, which resulted in £3.2m being received. This scheme is now closed.

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



Balance Sheet

The City Corporation maintains a strong balance sheet position with net assets totalling £1,315.6m at year end. The key movements which have contributed to an overall balance sheet increase of £137.0m compared to the previous year are shown below. For more detail on these movements please refer to the following notes to the accounts: Cash and Investments – Notes 32-34, Property, Plant and Equipment (PPE) – Note 13, Investment Properties – Note 17, Pension Liabilities – Notes 23-26 and Short-Term Creditors – note 21.



2021-22 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 30) to the accounts provides further details on the critical judgments in preparing and applying 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 2021-22. 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 barring those related to infrastructure assets, which are set out on page 53 of these statements. However, the impact of the COVID-19 pandemic has continued throughout the year effecting how the organisation operates, impacting costs and revenues, and the future financial outlook. Some key areas of note within the 2021-22 statement of accounts 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 were first introduced during 2020-21 but have continued into 2021-22. Local Authorities have acted as the distribution mechanism for these grants, and where we have not played a part in determining the distribution of these grants, these have been treated as agency transactions and do not feature in the City Fund CI&ES.

- **Pension Liabilities** – Each year City Fund is required to update its assessment of the assets and liabilities is 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 an decrease in the net liability of £23.8m, which is a relatively small movement compared to the overall liability of £1,634.8m. Note 23-26 (page 66-76) provides more detail on this change, but it should be noted that 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 2021-22, a deficit of £141.2m remains for business rates (note this is the total deficit and City Fund's share is 30%)., 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 and 75% relief being awarded in 2021-22. In each case, the decision to award reliefs was taken after the estimate of business rate income was submitted to Govt (January each year) which provides a fixed point for accounting purposes upon which variances with actual collection is measured. These reliefs are funded by Govt, and these funds, current held in the business rate equalisation reserve, will be released in line with the release of the City Fund's share of collection fund deficits (30%). In 2020-21 the Government had allowed local authorities to spread any deficits outside of those caused by the relief issue mentioned above, over 3 years rather than the normal 2, acknowledging the impact COVID-19 has had on the collection of business rates and council tax. Pages 102-105 provide more details on the collection fund position.

- **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. In the previous 2 financial years some of these valuations had been subject to "material valuation uncertainty" linked to the impact of COVID-19 on the property market and the basis used for forming a valuation. These issues are no longer impacting the valuation process and therefore none of the 21/22 valuations were subject to this clause.

- **Recovery on outstanding debt** – Due to improved assumptions on the recovery of outstanding debt, the bad debt provision held has reduced 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 2021-22 ("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 2022.

Caroline Al-Beyerty – Chamberlain and Chief Financial Officer Date: XX October 2023

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Core Financial Statements

Comprehensive Income and Expenditure Statement

2020-2021				Notes	2021-22		
Gross Expenditure	Gross Income	Net Expenditure/ (Income)			Gross Expenditure	Gross Income	Net Expenditure/ (Income)
£m	£m	£m			£m	£m	£m
			Services				
158.1	(66.0)	92.1	Police		167.8	(76.9)	90.9
46.5	(7.0)	39.5	Barbican Centre		51.2	(17.8)	33.4
36.2	(16.9)	19.3	Community & Children's Services		38.6	(20.1)	18.5
29.9	(14.4)	15.5	Housing Revenue Account (HRA)		17.4	(14.1)	3.3
41.7	(28.9)	12.8	Planning & Transportation		39.7	(28.7)	11.0
32.6	(17.4)	15.2	Port Health & Environmental Services		34.2	(21.9)	12.3
24.8	(2.0)	22.8	Culture, Heritage and Libraries		24.6	(2.1)	22.5
31.3	(16.8)	14.5	Finance		67.6	(35.7)	31.9
15.2	(15.3)	(0.1)	Barbican Residential		16.1	(16.8)	(0.7)
21.5	(13.2)	8.3	Policy & Resources		27.1	(16.3)	10.8
2.9	(0.5)	2.4	Open Spaces and City Gardens		3.1	(0.6)	2.5
1.4	(0.5)	0.9	Property Investment Board		2.2	(1.2)	1.0
1.1	(0.6)	0.5	Licensing		1.1	(0.8)	0.3
26.1	0.0	26.1	London NNDR Pool Strategic Investment Pot		0.2	0.0	0.2
5.4	0.0	5.4	Pension Past Service Cost		4.8	0.0	4.8
9.0	0.0	9.0	Major Project Cost		16.6	0.0	16.6
433.7	**(199.5)**	**284.2**	**Cost of Services**		**512.3**	**(253.0)**	**259.3**
		(0.1)	Other Operating Income	7			5.8
		(0.3)	Financing & Investment Income & Expenditure	7			(122.6)
		(182.8)	Taxation & Non-Specific Grant Income	7			(215.4)
		101.0	**(Surplus)/Deficit on the Provision of Services**				**(72.9)**
		8.5	Surplus on the Revaluation of Property, Plant & Equipment	13			(27.8)
		299.6	Remeasurements of the Pensions Liability	26			(36.3)
		308.1	**Other Comprehensive (Income) & Expenditure**				**(64.1)**
		409.1	**TOTAL COMPREHENSIVE (INCOME) & EXPENDITURE**				**(137.0)**

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 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.

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 2021 carried forward*		**(254.3)**	**(0.2)**	**(56.4)**	**(39.5)**	**(2.0)**	**(352.4)**	**(826.2)**	**(1,178.6)**
Movement in reserves during 2020-21									
Total Comprehensive Income & Expenditure		**(75.6)**	**2.7**	**0.0**	**0.0**	**0.0**	**(72.9)**	**(64.1)**	**(137.0)**
Adjustments between accounting basis & funding basis under regulations	11	29.8	(2.7)	25.9	(6.7)	0.6	46.9	(46.9)	0.0
(Increase) or decrease in 2020-21		**(45.8)**	**0.0**	**25.9**	**(6.7)**	**0.6**	**(26.0)**	**(111.0)**	**(137.0)**
Balance at 31 March 2022 carried forward*		**(300.1)**	**(0.2)**	**(30.5)**	**(46.2)**	**(1.4)**	**(378.4)**	**(937.2)**	**(1,315.6)**

*The City Fund balance of £300.1m comprises unallocated revenue funds of £68.1m and earmarked revenue reserves of £232.0m (see note 12, page 49).

	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 49).

Balance Sheet

The Statement of Accounts was authorised for issue by the Chamberlain on XX October 2023. Events after the balance sheet date and up to XX October 2023 have been considered in respect of material impact on the financial statements. No adjustments have been made.

31 March 2021		Notes	31 March 2022
£m			**£m**
925.6	Property, Plant and Equipment	13	1,048.5
9.0	Heritage Assets	14	9.0
1,601.0	Investment Property	17	1,642.1
0.4	Intangible Assets		0.4
15.8	Long-Term Debtors	16	12.3
2,551.8	**Long-Term Assets**		**2,712.3**
873.6	Short-Term Investments		992.1
1.6	Assets Held for Sale		2.7
0.6	Inventories		0.5
0.0	Intangible Current Assets		0.0
139.5	Short-Term Debtors	20	154.9
26.9	Cash and Cash Equivalents		33.3
1,042.2	**Current Assets**		**1,183.5**
(286.8)	Short-Term Creditors	21	(395.5)
(91.3)	Grants and Contributions Received in Advance – Revenue	27	(131.9)
(45.8)	Provisions	22	(40.2)
(423.9)	**Current Liabilities**		**(567.6)**
(1,611.0)	Pensions Liability	26	(1,634.8)
(115.5)	Grants and Contributions Received in Advance - Capital	27	(94.8)
(197.6)	Rents Received in Advance	28	(225.9)
(67.4)	Other Long-Term Liabilities	29	(57.1)
(1,991.5)	**Long-Term Liabilities**		**(2,012.6)**
1,178.6	**NET ASSETS**		**1,315.6**
(352.4)	Usable Reserves		(378.4)
(826.2)	Unusable Reserves	31	(937.2)
(1,178.6)	**TOTAL RESERVES**		**(1,315.6)**

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 86-87) of the accounts. The cash and cash equivalent balance is held in bank current accounts held by the City Corporation.

2020-21		Notes	2021-22
£m			£m
101.0	Net (surplus)/deficit on the provision of services		(72.9)
(262.2)	Adjustments for non-cash movements	32	(33.7)
24.9	Adjustments for items that are investing and financing activities	32	70.9
(136.3)	**Net cash (inflows)/outflows from operating activities**		**(35.7)**
65.8	Investing activities	33	180.5
117.7	Financing activities	34	(151.2)
47.2	**Net (increase)/decrease in cash and cash equivalents**		**(6.4)**
(74.1)	Cash and cash equivalents at the beginning of the reporting period		(26.9)
(26.9)	**Cash and cash equivalents at the end of the reporting period**		**(33.3)**

Notes to the Core Financial Statements

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

In applying the accounting policies set out on p134, the City Corporation has had to make certain judgements about complex transactions or those involving uncertainty about future events. These are as follows:

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. After a thorough evaluation, we have determined that the Museum of London (MoL) should not be classified as a subsidiary, associate, or joint venture for accounting purposes. We therefore disclose this relationship as a related party in the relevant disclosure (note 35, page 89). This judgment is based on the following key considerations:

1. **Absence of Significant Control (IFRS 10):** CoLC does not exercise significant control over MoL's operations. While CoLC appoints board members, these members are legally obligated to act in MoL's best interests without being bound by CoLC's directives.

2. **Independent Legal Entity (Museum of London Act 1965):** MoL operates as a distinct legal entity under the Museum of London Act 1965, with its own statutory obligations, governance structure, and objectives.

<u>Alternative Judgment:</u>

In considering an alternative judgment, it could be argued that MoL should be classified as an associate based on the significance of CoLC's financial support and board appointments. This alternative judgment highlights the following points:

1. **Significance of Financial Support (IPSAS 36)**: CoLC provides annual funding to MoL, which plays a critical role in supporting MoL's operations. However, it is important to clarify that this financial support is not indicative of significant influence or control over MoL's activities. The financial support provided by CoLC is aligned with the cultural and historical preservation objectives of MoL, and it does not lead to decision-making authority over MoL's operations. The absence of specific directives or obligations in the Museum of London Act 1965, which established MoL, regarding the funding amount further emphasises that this financial support is not tied to conditions that would imply control. Instead, it serves the broader mission and independence of MoL in fulfilling its cultural and historical preservation responsibilities.

2. **Board Appointments:** CoLC appoints members to MoL's Board of Governors, contributing to the governance structure. While these members are legally bound to act in MoL's best interests, their appointment by CoLC could suggest a level of influence. However, it is crucial to note that their primary responsibility is to act in MoL's best interests, and they are not obligated to follow directives from CoLC. This legal framework ensures MoL's operational autonomy and independence in decision-making.

<u>Impact of the Alternative Judgment:</u>

If the alternative judgment were adopted, it would imply the consolidation of an appropriate share of MoL's financial figures, including Total Assets of £64.1m, Total Liabilities of £67.6m, Total Income of £49.4m, and Total Expenditure of £46.9m, into the City of London Corporation's financial statements.

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 items in the authority's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<table>
<tr><th>Item</th><th>Uncertainties</th><th>Effect if actual results differ from assumptions</th></tr>
<tr><td>Pensions Liability</td><td>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.</td><td>The total value of the Pensions Liability as at the end of March 2022 is £1,634.8m (consisting of City Fund £386.9m, Police Pension Scheme £1,245.0m and Judges Pension Scheme £2.9m). The estimation of the net liability to pay pensions depends on a number of complex assumptions used in the calculation of the liabilities. These include the discount rate used, the rate at which salaries are projected to increase, changes to retirement ages, mortality rates and expected returns on pension fund assets. Where the outcome is different to the assumptions this will impact on the pension liability. Variations in the key assumptions will have the following impact on the net liability:
<table>
<tr><th rowspan="2">Assumptions</th><th colspan="2">Movement in liability</th></tr>
<tr><th>Increase in assumption £m</th><th>Decrease in assumption £m</th></tr>
<tr><td>0.1% adjustment to discount rate</td><td>- 47.1</td><td>48.4</td></tr>
<tr><td>0.1% adjustment to salary increase rate</td><td>4.5</td><td>- 4.4</td></tr>
<tr><td>0.1% adjustment to Pension increase rate</td><td>43.6</td><td>- 42.4</td></tr>
<tr><td>1 year adjustment to life expectancy</td><td>111.2</td><td>- 105.7</td></tr>
</table>
</td></tr>
<tr><td>Property, plant and equipment</td><td>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. 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.</td><td>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. The net book value of non-current operational assets subject to potential revaluation as at the end of March 2022 is £847m (£768m as at the end of March 2021).If the value of the Corporation's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately c£85m.

An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and</td></tr>
</table>

Item	Uncertainties	Effect if actual results differ from assumptions
	Revaluations are carried out sufficiently regularly to ensure that their carrying value is not materially different from their value at the year end, list of assets that were valued as at the end of March 2022 are available on p55 of the accounts. The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Corporations external valuers.	Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for assets subject to depreciation would increase by £5m for every year that useful lives had to be reduced.
Valuation of Investment property	The Corporation's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the CI&ES. The net book value of investment properties as at the end of March 2022 is £1,642m (£1,601m as at the end of March 2021).If the value of the Corporation's investment properties were to reduce by 1%, this would result in a £16m 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.

Notes to the Comprehensive Income and Expenditure Statement

3. Expenditure and Funding Analysis

2020-21				2021-22		
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			
90.4	1.7	92.1	Police	88.8	2.1	90.9
35.2	4.3	39.5	Barbican Centre	29.9	3.5	33.4
17.7	1.6	19.3	Community and Children's Services	16.3	2.2	18.5
(0.1)	15.6	15.5	HRA	0.0	3.3	3.3
10.3	2.5	12.8	Planning and Transport	14.5	3.5	11.0
14.7	0.5	15.2	Port Health and Environmental Services	13.4	1.1	12.3
20.7	2.1	22.8	Culture, Heritage and Libraries	20.7	1.8	22.5
(21.0)	35.5	14.5	Finance	(18.5)	50.4	31.9
2.9	(3.0)	(0.1)	Barbican Residential	2.2	(2.9)	(0.7)
6.4	1.9	8.3	Policy and Resources	4.9	5.9	10.8
1.9	0.5	2.4	Open Spaces and City Gardens	1.9	0.6	2.5
(39.7)	40.6	0.9	Property Investment	(37.6)	38.4	1.0
0.4	0.1	0.5	Licensing	0.2	0.1	0.3
(0.5)	0.5	0.0	Markets	0.3	(0.3)	0.0
25.4	0.7	26.1	London NNDR Pool Strategic Investment Pot	0.0	0.2	0.2
0.0	5.4	5.4	Pension Past Service Cost	0.0	4.8	4.8
0.0	9.0	9.0	Major Project Cost	0.0	16.6	16.6
164.7	**119.5**	**284.2**	**Net Cost of Services**	**137.0**	**122.3**	**259.3**
(242.0)	58.9	(183.2)	Other Income and Expenditure	(182.8)	(149.4)	(332.2)
(77.3)	**178.4**	**101.0**	**(Surplus) or Deficit on the Provision of Services**	**(45.8)**	**(27.1)**	**(72.9)**
(177.0)			**Opening City Fund and HRA Balances**	**(254.3)**		
(77.3)			Add (Surplus) or Deficit on City Fund and HRA Balance in Year	(45.8)		
(254.3)			**Closing City Fund and HRA Balances at 31 March***	**(300.1)**		

* For a split of this balance between the City Fund and the HRA – see the Movement in Reserves Statement; page 26

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.

2020-21						2021-22				
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**
6.2	(5.3)	0.0	0.8	1.7	Police	5.6	4.4	0.0	(7.9)	2.1
0.0	4.0	0.0	0.3	4.3	Barbican Centre	0.0	3.5	0.0	0.0	3.5
0.0	1.5	0.0	0.1	1.6	Community and Children's Services	0.0	1.5	0.0	0.7	2.2
14.5	1.1	0.0	0.0	15.6	HRA	0.7	1.1	0.0	1.5	3.3
0.1	2.6	0.0	(0.2)	2.5	Planning and Transport	0.4	2.6	0.0	(6.5)	(3.5)
0.0	2.6	0.0	(2.1)	0.5	Port Health and Environmental Services	0.0	2.9	0.0	(4.0)	(1.1)
9.0	1.8	0.0	(8.7)	2.1	Culture, Heritage and Libraries	0.0	1.7	0.0	0.1	1.8
21.7	2.8	0.0	11.0	35.5	Finance	51.3	1.3	0.0	(2.2)	50.4
0.0	0.9	0.0	(3.9)	(3.0)	Barbican Residential	0.0	1.0	0.0	(3.9)	(2.9)
0.3	1.6	0.0	0.0	1.9	Policy and Resources	1.8	1.7	0.0	2.4	5.9
0.2	0.3	0.0	0.0	0.5	Open Spaces and City Gardens	0.2	0.4	0.0	0.0	0.6
0.1	0.1	0.0	40.5	40.6	Property Investment	0.0	0.1	0.0	38.5	38.6
0.0	0.1	0.0	0.0	0.1	Licensing	0.0	0.1	0.0	0.0	0.1
0.0	0.3	0.0	0.2	0.5	Markets	0.0	0.3	0.0	(0.6)	(0.3)
0.0	0.0	0.0	0.7	0.7	London NNDR Pool Strategic Investment Pot	0.0	0.0	0.0	0.2	0.2
0.0	5.4	0.0	0.0	5.4	Pension Past Service Cost	0.0	4.8	0.0	0.0	4.8
0.0	0.0	0.0	9.0	9.0	Major Project Cost	0.0	0.0	0.0	16.6	16.6
52.0	**19.8**	**0.0**	**47.7**	**119.5**	**Net Cost of Services**	**60.0**	**27.4**	**0.0**	**34.9**	**122.3**
0.5	29.8	82.1	(53.5)	58.9	Other Income and Expenditure	(140.8)	32.6	(12.2)	(29.0)	(149.4)
52.5	**49.6**	**82.1**	**(5.8)**	**178.4**	**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**	**(80.8)**	**60.0**	**(12.2)**	**5.9**	**27.1**

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.

Restated* 2020-21		**2021-22**
£'m		**£'m**
	Expenditure	
218.3	Employee expenses	231.8
195.9	Other service expenses	208.1
38.3	Support service recharges	36.4
47.0	Depreciation, amortisation and impairments*	66.8
29.5	Interest payments	32.0
0.5	Precepts and levies	0.5
305.4	Business rates tariff and levy payments to Government	304.7
0.6	Payments to Government's housing capital receipts pool	0.4
(1.6)	Gain on the disposal of assets	4.4
833.9	**Total expenditure**	**885.1**
	Income	
(153.8)	Fees, charges and other service income	(185.9)
(7.6)	Interest and investment income	(5.6)
(474.8)	Business rates and council tax income	(365.5)
(121.1)	Government grants and other grants, contributions and reimbursements	(282.0)
24.4	Unrealised (gains)/loss on revaluation of investment properties	(119.0)
(732.9)	**Total Income**	**(958.0)**
101.0	**(Surplus) or Deficit on the Provision of Services**	**(72.9)**

*In 2020-21, REFCUS expenditure (£11.2m) was erroneously included within Depreciation, amortisation and impairments. The prior year figures in the table above have been restated to correct this, REFCUS expenditure has been moved to the Other service expense line.

6. Grant Income

2020-21	Credited to Services	2021-22
£m	Revenue Grants (Government)	£m
	Home Office	
(16.8)	Police Pensions	(18.9)
(7.2)	Counter Terrorism	(7.1)
(0.9)	Covid-19 Surge Funding grant	0.0
(4.8)	National Cyber Security Programme	(8.4)
(4.4)	National Fraud Intelligence Bureau	(4.3)
(2.3)	National Lead Force for Fraud	(2.3)
(3.0)	Other	(4.4)
(6.6)	Action Fraud Managed Services	(6.8)
(2.5)	Economic Crime Capability	(2.5)
	Department for Work and Pensions	
(3.8)	Housing and Council Tax Benefit	(3.9)
(2.6)	Other	(8.5)
(6.2)	HM Courts and Tribunals Service	(6.5)
	Department for Education	
(3.2)	Dedicated Schools Grant	(3.4)
(0.7)	Other	(1.8)
	Ministry of Housing, Communities and Local Government	
(0.4)	Covid-19 Strategic Co-ordination Group grant	0.0
(1.0)	Covid-19 Contingency Fund Grant	0.0
(0.9)	Covid-19 Mortuary costs grant	0.0
(0.2)	Covid-19 Resilience Forum grant	0.0
(1.0)	Covid-19 Transition Management Board	0.0
(5.1)	Other	(5.2)

2020-21	Credited to Services	2021-22
£m	Revenue Grants (Government) Continued	£m
	Department for Health	
(1.6)	Public Health	(1.7)
(0.7)	Other	0.0
(3.7)	Transport for London	(2.6)
(0.7)	Greater London Authority	(0.9)
	Department for Business, Energy and Industrial Strategy	
(2.7)	Discretionary grants to Businesses	(5.7)
(0.3)	Other	(0.3)
(0.7)	Department for Environment, Food & Rural Affairs	(1.7)
(2.0)	Her Majesty's Revenue and Customs	(0.4)
(0.4)	Arts Council England	(0.4)
(2.6)	Other revenue grants (Government)	(2.8)
	Non-Government revenue grants and contributions	
(2.1)	S106/S278 and other developer contributions	(1.8)
(2.6)	UK Payments Administration Ltd	(3.6)
(3.8)	Association of British Insurers	0.0
(8.9)	Other	(16.8)
	Capital Grants and contributions (funding revenue expenditure under statute)	
(1.1)	Other	(4.6)
(107.5)	**Total**	**(127.3)**

7. Income and Expenditure below Cost of Services

2020-21		2021-22
Net Expenditure/ (Income)		Net Expenditure/ (Income)
£m		£m
(1.6)	Net Gain on Disposal of Fixed Assets	4.4
0.4	Inner and Middle Temple Precepts	0.4
0.1	Local levies	0.1
0.6	Payment to Government Housing Capital Receipts Pool	0.4
0.4	Pension Fund Administration Expenses	0.5
(0.1)	**Total Other Operating Income and Expenditure**	**5.8**
	Investment Properties	
(40.1)	Operational	(36.8)
24.4	(Gain)/loss on revaluation	(119.0)
(7.6)	Interest receivable and similar income	(5.7)
29.5	Pension Interest Cost	32.1
(0.2)	Contribution from Trading Services	0.0
0.6	Movement on bad debt provisions	(0.7)
(6.9)	Financial instrument (gain)/loss	7.5
(0.3)	**Total Financing and Investment Income and Expenditure**	**(122.6)**

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 £55.2m and operating expenses of £18.4m

Contribution from Trading Services comprises a turnover of £8.2m and expenditure of £8.2m.

2020-21		2021-22
Income		Income
£m		£m
1.7	Retained National Business Rates	(23.0)
(15.9)	City Fund Non-Domestic Rates Premium	(17.5)
(12.1)	City Fund Offset	(12.1)
(7.9)	Council Tax Income	(8.4)
	Non Ringfenced Government Revenue Grants	
(6.3)	Revenue Support Grant	(6.3)
(65.9)	Police Core Grant	(70.2)
(11.9)	Sales, Fees and Charges Compensation	(3.2)
(42.3)	Non-Domestic Rating Income S.31 Grant	(28.1)
(8.7)	Other	(1.0)
(0.2)	London NNDR Pool Strategic Investment Pot	0.0
	Capital Grants & Contributions	
(0.2)	Home Office	(4.0)
(0.1)	Greater London Authority	(1.1)
(1.5)	Transport for London	(1.9)
(1.4)	Ministry of Justice	(1.4)
(10.0)	Section 106/278 Contributions	(22.4)
(2.6)	Community Infrastructure Levy	(10.6)
2.5	Other Capital Grants and Contributions	(4.2)
(182.8)	**Total Taxation and Non-Specific Grant Income**	**(215.4)**
(183.2)	**Total Income and Expenditure below Cost of Services**	**(285.3)**

8. Dedicated Schools Grants

In 2021-22, the City Fund received a specific grant from the Department for Education, the Dedicated Schools Grant (DSG), of £3.6m (2020-21: £3.3m). 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 2021-22 are as follows:

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

2021-22	**Schools Budget Funded by DSG**		
	Central Expenditure	**Individual School Budget**	**Total**
	£m	**£m**	**£m**
Final DSG for 2021-22 before Academy recoupment	1.5	2.1	3.6
Academy Figure recouped for 2021-22	0.0	0.0	0.0
Total DSG after Academy recoupment for 2021-22	**1.5**	**2.1**	**3.6**
Plus: Brought forward from 2020-21	1.0	0.0	1.0
Less: Carry forward to 2021/22 agreed in advance	0.0	0.0	0.0
Agreed initial budgeted distribution in 2021-22	**2.5**	**2.1**	**4.6**
In year adjustments	0.0	0.0	0.0
Final budgeted distribution for 2021-22	**2.5**	**2.1**	**4.6**
Less: Actual central expenditure	(1.2)	0.0	(1.2)
Less: Actual ISB deployed to schools	0.0	(2.1)	(2.1)
Plus: Local authority contribution for 2020-21			
Carry forward to 2022-23	**1.3**	**0.0**	**1.3**

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 2021-22 and 2020-21 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 charged to City Fund				Proportion charged to City Fund		
Wholly charged		Partially Charged to		Wholly charged		Partially Charged to
2020-21			Salary Range	2021-22		
Police Officers	Other		£	Police Officers	Other	
183	72	119	50 - 54,999	203	52	95
105	59	88	55 - 59,999	126	38	94
51	25	54	60 - 64,999	71	16	41
57	23	68	65 - 69,999	58	13	72
22	13	23	70 - 74,999	29	6	28
8	12	32	75 - 79,999	5	8	19
6	6	9	80 - 84,999	3	4	13
4	5	15	85 - 89,999	5	3	10
7	2	5	90 - 94,999	9	0	7
1	3	3	95 - 99,999	5	2	8
0	2	6	100 - 104,999	1	3	3
1	1	1	105 - 109,999	0	0	4
0	0	0	110 - 114,999	1	0	4
2	0	7	115 - 119,999	1	0	1
0	1	2	120 - 124,999	1	1	2
0	1	4	125 - 129,999	1	0	3
0	0	3	130 - 134,999	0	2	1
0	0	0	135 - 139,999	0	0	0
0	0	0	140 - 144,999	0	0	1
0	1	1	145 - 149,999	0	0	0
447	**226**	**440**	**Total**	**519**	**148**	**406**

Table 2 – Senior Officer Remuneration

2021-22	Proportion charged to Local or Police Authority Activities	Total Salary	Salary (including fees & allowances)	Bonus	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
Salary is £150,000 or more a year									
Town Clerk & Chief Executive – J. Barradell	55%	266.0	146.0	0.0	0.0	0.0	146.0	31.0	177.0
Managing Director I&G – Brussels Office – N. Collier	100%	230.0	230.0	0.0	0.0	0.0	230.0	48.0	278.0
Chamberlain – C. Al-Beyerty (started May 2021)	60%	173.0	104.0	0.0	0.0	0.0	104.0	22.0	126.0
Police Commissioner – I. Dyson (left December 2021)	100%	155.0	155.0	61.0	0.0	5.0	221.0	0.0	221.0
Comptroller & City Solicitor – M.Cogher	65%	180.0	117.0	0.0	0.0	0.0	117.0	25.0	142.0
City Surveyor – P Wilkinson	40%	159.0	64.0	8.0	0.0	0.0	72.0	15.0	87.0
Salary is between £50,000 and £150,000									
Managing Director Barbican Centre (left September 2021)	100%	103.0	103.0	0.0	0.0	0.0	103.0	22.0	125.0
Managing Director Barbican Centre (acting up from September 2021)	100%	102.0	102.0	0.0	0.0	0.0	102.0	21.0	123.0
Managing Director Barbican Centre (acting up from September 2021)	100%	99.0	99.0	0.0	0.0	0.0	99.0	21.0	120.0
Police Commissioner (started January 2022)	100%	47.0	47.0	3.0	0.0	5.0	55.0	14.0	69.0
Executive Director of Environment (started August 2021)	100%	112.0	112.0	0.0	0.0	0.0	112.0	18.0	130.0
Director of Innovation & Growth	67%	146.0	98.0	0.0	0.0	0.0	98.0	20.0	118.0
Chief Operating Officer (started July 2021)	65%	133.0	87.0	0.0	0.0	0.0	87.0	18.0	105.0
Director of Community & Children's Services	100%	146.0	146.0	0.0	0.0	0.0	146.0	31.0	177.0
Chamberlain (left April 2021)	60%	37.0	22.0	0.0	36.0	0.0	58.0	1.0	59.0
Director of Markets & Consumer Protection (left December 2021)	55%	72.0	40.0	4.0	0.0	0.0	44.0	8.0	52.0
Director of Markets & Consumer Protection (started August 2021)	55%	74.0	41.0	0.0	0.0	0.0	41.0	8.0	49.0

2020-21	Proportion charged to Local or Police Authority Activities	Total Salary	Salary (including fees & allowances)	Bonus	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
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	149.0	31.0	180.0
Chamberlain – P. Kane	60%	198.0	119.0	3.0	0.0	0.0	122.0	26.0	148.0
Police Commissioner – I.Dyson	100%	191.0	191.0	1.0	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	210.0	44.0	254.0
Comptroller & City Solicitor – M.Cogher	65%	174.0	113.0	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	73.0	15.0	88.0
Executive Director of Mansion House & Old Bailey – V Annells	30%	152.0	45.0	2.0	46.0	0.0	93.0	10.0	103.0
Salary is between £50,000 and £150,000									
Director of Built Environment	100%	131.0	131.0	4.0	137.0	0.0	272.0	29.0	301.0
Director of Community & Children's Services	100%	135.0	135.0	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	63.0	13.0	76.0
Director of Open Spaces	30%	116.0	35.0	0.0	0.0	0.0	35.0	7.0	42.0

Page 218

Table 3 – Exit Packages charged to City Fund

2020-21					2021-22			
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)
5.0	8.0	13.0	67.4	£0 - £20,000	18.0	1.0	19.0	57.4
1.0	1.0	2.0	49.9	£20,001 - £40,000	2.0	2.0	4.0	123.6
0.0	0.0	0.0	0.0	£40,001 - £60,000	0.0	0.0	0.0	0.0
0.0	1.0	1.0	65.0	£60,001 - £80,000	0.0	0.0	0.0	0.0
0.0	1.0	1.0	94.0	£80,001 - £100,000	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	£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	0.0	£250,001 - £300,000	0.0	0.0	0.0	0.0
6.0	**11.0**	**17.0**	**276.3**	**Total**	**20.0**	**3.0**	**23.0**	**181.0**

10. Audit Fees

Estimated costs 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, are set out in the adjacent table. The 2021-22 audit will be carried out by our newly appointed auditor, Grant Thornton. Audit Fees of £25,000 (2020-21: £22,000) in respect of the City of London Pension Fund are met by the Pension Fund and are not included in the table.

2020-21		2021-22
£'000		£'000
111.0	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.	340.0
20.0	Certification of grant claims and returns by the appointed auditor	25.0
5.0	Non-audit fees – other grant and certification fees	0.0
136.0		**365.0**

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 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.

2021-22	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)	(59.0)	(1.1)				60.1
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	12.2					(12.2)
Holiday pay (transfers to or from the Accumulated Absences Reserve)	1.5					(1.5)
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)	49.2	(5.5)				(43.7)
Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account	13.1			(13.1)		0.0
Transfer of deferred non-current assets sale proceeds from revenue to the Deferred Capital Receipts Reserve	(2.7)					2.7
Transfer to the Pooled Investment Reserve	(7.6)					7.6
Total Adjustments to Revenue Resources	**6.7**	**(6.6)**	**0.0**	**(13.1)**	**0.0**	**13.0**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	20.1	0.9	(21.0)			0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.4)		0.4			0.0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6.8					(6.8)
Posting of HRA resources from revenue to the Major Repairs Reserve		3.0			(3.0)	0.0
Contribution from Community Infrastructure Levy to fund revenue expenditure	(3.4)			3.4		0.0
Total Adjustments between Revenue and Capital Resources	**23.1**	**3.9**	**(20.6)**	**3.4**	**(3.0)**	**(6.8)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			46.8			(46.8)
Use of the Major Repairs Reserve to finance capital expenditure					3.6	(3.6)
Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account)				3.0		(3.0)
Cash payments in relation to deferred capital receipts			(0.3)			0.3
Total Adjustments to Capital Resources	**0.0**	**0.0**	**46.5**	**3.0**	**3.6**	**(53.1)**
Total Adjustments	**29.8**	**(2.7)**	**25.9**	**(6.7)**	**0.6**	**(46.9)**

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**

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 2021-22.

	Notes	Balance at 31 March 2020	Transfers Out 2020-21	Transfers In 2020-21	Balance at 31 March 2021	Transfers Out 2021-22	Transfers In 2021-22	Balance at 31 March 2022
		£m	£m	£m	£m	£m	£m	£m
Highway Improvements	i	(42.7)	5.7	(10.1)	(47.1)	6.2	(10.7)	(51.6)
Major Projects Reserve	ii	(16.9)	9.4	(61.5)	(69.0)	51.6	(36.2)	(53.6)
Business Rate Equalisation	iii	0.0	0.0	(47.9)	(47.9)	37.7	(24.6)	(34.8)
City Fund Risk Reserve	iv	0.0	0.0	0.0	0.0	0.0	(30.0)	(30.0)
Build Back Better Reserve	v	0.0	0.0	0.0	0.0	1.1	(18.1)	(17.0)
London NNDR Pool SIP	vi	(34.1)	25.4	0.0	(8.7)	0.0	(0.5)	(9.2)
Crime Reduction Initiatives	vii	(1.4)	0.0	(0.8)	(2.2)	0.0	(6.8)	(9.0)
Police Future Expenditure	viii	(2.9)	2.9	(4.3)	(4.3)	2.6	(3.5)	(5.2)
Other Earmarked Reserves	ix	(16.7)	2.4	(4.5)	(18.8)	2.0	(4.8)	(21.6)
Total		**(114.7)**	**45.8**	**(129.1)**	**(198.0)**	**101.2**	**(135.2)**	**(232.0)**

(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) 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.

(iii) 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 business rate relief to retail, leisure and hospitality businesses during 2021-22 (£24.6m) and compensation received from Govt to assist local authorities with losses incurred in the collection of business rates and council tax.

(iv) City Fund Risk Reserve – This reserve is held to mitigate the additional financial risks brought about COVID-19 and the current economic climate including factors like inflation.

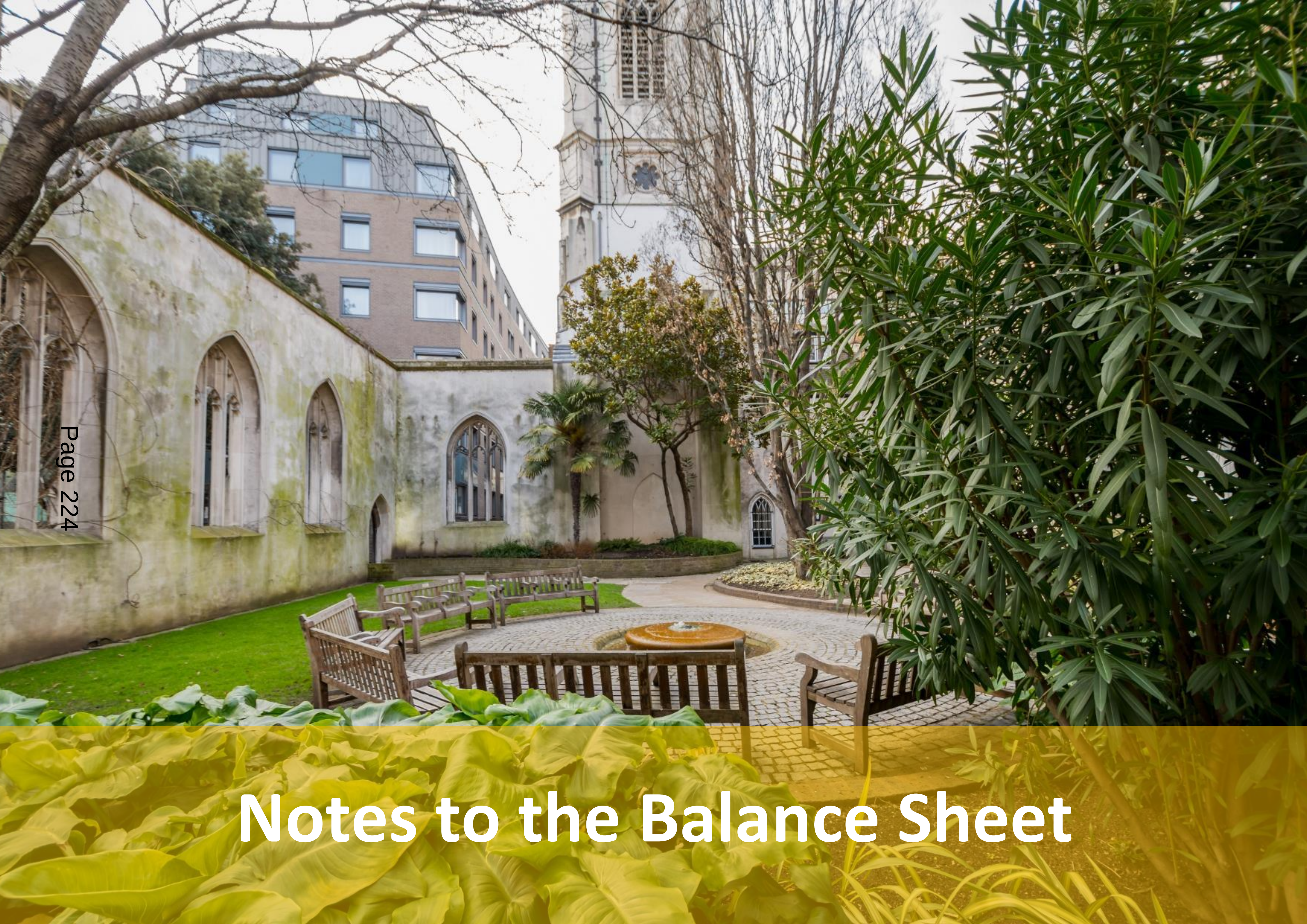
(v) Build Back Better Reserve – Funds set aside to finance the build back better programme which seeks to support the recovery in the City post COVID-19.

(vi) 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.

(vii) 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.

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

(ix) 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 2021-22	Council Dwellings	Other Land & Buildings	Leasehold Improvements	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation								
at 1 April 2021	**263.0**	**509.2**	**7.3**	**115.9**	**1.5**	**48.0**	**3.0**	**947.9**
Additions	1.9	3.3	0.6	5.4	0.0	52.0	0.0	**63.2**
Transfers	0.3	104.1	0.0	0.8	0.0	(4.5)	(1.8)	**98.9**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(5.7)	21.6	0.0	0.0	0.0	0.0	0.0	**15.9**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1.6)	(36.7)	0.0	0.0	0.0	0.0	0.0	**(38.3)**
Derecognition – disposals	(6.8)	0.0	0.0	(0.2)	0.0	0.0	(0.2)	**(7.2)**
at 31 March 2022	**251.1**	**601.5**	**7.9**	**121.9**	**1.5**	**95.5**	**1.0**	**1,080.4**
Accumulated Depreciation and Impairment								
at 1 April 2021	**(0.1)**	**(4.5)**	**(0.7)**	**(65.1)**	**0.0**	**0.0**	**(0.7)**	**(71.1)**
Depreciation Charge	(2.6)	(10.8)	(0.7)	(7.3)	0.0	0.0	0.0	(21.4)
Depreciation written out to the Revaluation Reserve	1.7	9.9	0.0	0.0	0.0	0.0	0.0	11.6
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.9	0.2	0.0	0.0	0.0	0.0	0.0	1.1
Derecognition – disposals	0	0.0	0.0	0.2	0.0	0.0	0.0	0.2
at 31 March 2022	**(0.1)**	**(5.2)**	**(1.4)**	**(72.2)**	**0.0**	**0.0**	**(0.7)**	**(79.6)**
Net Book Value								
at 31 March 2021	**262.9**	**504.7**	**6.6**	**50.8**	**1.5**	**48.0**	**2.3**	**876.8**
at 31 March 2022	**251.0**	**596.3**	**6.5**	**49.7**	**1.5**	**95.5**	**0.3**	**1,000.8**

Property, Plant and Equipment (Continued)

Movements on Balances 2020-21	Council Dwellings	Other Land & Buildings	Leasehold Improvements	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation								
at 1 April 2020	**303.7**	**505.6**	**7.0**	**108.4**	**1.5**	**21.6**	**3.8**	**951.6**
Additions	1.6	2.0	0.3	8.0	0.0	29.3	0.0	41.2
Transfers	1.1	2.3	0.0	(0.5)	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	(0.1)	(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	(17.0)
Derecognition – disposals	(5.0)	0.0	0.0	0.0	0.0	0.0	0.0	(5.0)
at 31 March 2021	**263.0**	**509.2**	**7.3**	**115.9**	**1.5**	**48.0**	**3.0**	**947.9**
Accumulated Depreciation and Impairment								
at 1 April 2020	**(0.1)**	**(4.0)**	**0.0**	**(58.4)**	**0.0**	**0.0**	**(0.7)**	**(63.2)**
Depreciation Charge	(2.7)	(13.1)	(0.7)	(6.7)	0.0	0.0	(0.2)	(23.4)
Depreciation written out to the Revaluation Reserve	1.6	11.9	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	1.8
Derecognition – disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
at 31 March 2021	**(0.1)**	**(4.5)**	**(0.7)**	**(65.1)**	**0.0**	**0.0**	**(0.7)**	**(71.1)**
Net Book Value								
at 31 March 2020	**303.6**	**501.6**	**7.0**	**50.0**	**1.5**	**21.6**	**3.1**	**888.4**
at 31 March 2021	**262.9**	**504.7**	**6.6**	**50.8**	**1.5**	**48.0**	**2.3**	**876.8**

Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code of Practice on infrastructure assets, this note does not include disclosure of gross costs and accumulated depreciation. This is due to historical reporting practices and resultant information deficits meaning that this would not faithfully represent the asset position to the users of the financial statements and would not provide the basis for these users to take economic or other decisions relating to infrastructure assets.

We have also utilised the provisions granted under The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 which allows for the derecognition of replaced elements of infrastructure assets to be assumed to be at nil value and confirms that prior year adjustments are not required in relation to this matter. This means that the figures presented below represent the spend and depreciation calculated for this asset class, but due the information deficits, may not accurately reflect the true value of these assets.

2020-21	Infrastructure Assets Movement on Balances	2021-22
£m		£m
51.6	**Opening Net Book Value at 1 April**	**48.8**
5.3	Additions	6.9
(8.1)	Depreciation	(8.0)
48.8	**Closing Net Book Value at 31 March**	**47.7**

Reconciliation of Property, Plant and Equipment

The below table reconciles the individual disclosure notes to the total property, plant and equipment balance on the face of the balance sheet

2020-21	Reconciliation of Property, Plant and Equipment	2021-22
£m		£m
876.8	Other PPE Assets	1,000.8
48.8	Infrastructure Assets	47.7
925.6	**Total PPE Assets Net Book Value**	**1,048.5**

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

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

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

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%. This factor has been adopted in establishing the Existing Use Value- Social Housing. The estimated vacant possession value of HRA dwellings is £712.4m which has been reduced by 75% to £179.7m 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.

Commitments

At 31 March 2022, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years budgeted to cost £40.6m. The major commitments are:

- £4.2m relating to Salisbury Square demolition and development scheme
- £3.3m relating to phase 4 works at Central Criminal Court (Old Bailey)
- £3.3m relating to the replacement of mechanical and electrical services and Walbrook Wharf Depot
- £1.6m outstanding in respect of the installation of sprinklers on the Avondale Square Housing estate
- £1.3m in respect of the Poultry Market roof
- £1.2m in respect of heating and hot water replacement schemes at York Way estate

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

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.

14. Heritage Assets

The carrying value of heritage assets currently held in the Balance Sheet at historic cost is £9.0m (2020-21 £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 77-80) 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 £33.3m reflects the recognition of £34.4m of additional borrowing requirement to fund capital schemes, partially offset by a £1.1m minimum revenue provision made in the year.

2020-21		2021-22
£m		**£m**
45.3	**Opening Capital Financing Requirement**	**53.4**
	Capital Investment	
46.5	Property, Plant and Equipment	70.1
3.9	Investment Properties	40.1
0.2	Intangible Assets	0.2
11.2	Revenue Expenditure Funded for Capital Under Statute	20.9
	Sources of Finance	
(1.1)	Minimum Revenue Provision	(1.1)
(23.8)	Capital Receipts	(46.9)
(13.0)	Capital grants, contributions and donations	(39.6)
(4.5)	Major Repairs Reserve	(3.6)
(11.3)	Direct revenue contributions	(6.8)
53.4	**Closing Capital Financing Requirement**	**86.7**

2020-21		2021-22
£m		£m
	Explanation of movement in year	
(1.1)	Minimum Revenue Provision	(1.1)
0.0	Assets acquired under finance leases	0.0
9.2	Increase in underlying need to borrow	34.4
8.1	**Increase/(decrease) in Capital Financing Requirement**	**33.3**

16. Long Term Debtors

31 March 2021		31 March 2022
£m		**£m**
12.1	Net Investment in Finance Leases	9.1
1.3	Loans to Museum of London (repayable by 2032)	1.2
2.2	Rent	1.8
0.1	Museum in Docklands Loan	0.1
0.1	Service Charge Loans	0.1
15.8	**Total**	**12.3**

17. Investment Properties

Page 231

2020-21		2021-22
£m		**£m**
1,621.5	Balance at start of the year	1,601.0
0.0	Transfers	(100.8)
	Additions:	
3.9	Purchases	40.1
0.0	Construction	0.0
0.5	Subsequent expenditure	0.0
0.0	Disposals	(17.2)
	Revaluations:	
(24.4)	Net gains from fair value adjustments	119.0
1,601.0	**Balance at end of the year**	**1,642.1**

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

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

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

The £100.8m transfer of investment property relates to the use of previously income generating property as part of the Combine Courts major project, which will provide a new headquarters for the City of London Police. As these properties are no longer held for income generation or capital appreciation, they do not meet the definition of an investment property and have been transferred to the other land and buildings heading.

The City Find Estate valuation includes £223.8m of lease adjustments 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 2.26% 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 2.75% to 6.06%) and +/- 5% change in market rents as appropriate. The Lease premiums adjustments of £223.8m have been add below but have 0% sensitivity due to receiving the funds upfront

Unobservable Inputs	Sensitivity Range	Yield Sensitivity Range	Value at 31 March 2022	Tolerance Range
	%	%	£m	£m
Investment property valued by Savills			**1,109.4**	
Yield Sensitivity	+/-0.25	2.26% - 7.01%	1,109.4	1,007.0 – 1,188.1
Market Rents	+/-5.0		1,109.4	1,069.8 – 1,112.5
Investment property valued by Cushman and Wakefield (Strategic estate)			**130.7**	
Yield Sensitivity	+/-0.25	2.75% - 5.52%	130.7	128.7 – 138.1
Market Rents	+/-5.0		130.7	124.9 – 136.2
Investment property valued by Cushman and Wakefield (non-Strategic estate)			**223.1**	
Yield Sensitivity	+/-0.25	4.52% - 6.06%	181.0	160.5-185.3
Market Rents	+/-5.0		181.0	164.0-180.4
Investment Property valued by Gerald Eve			**7.6**	
Yield Sensitivity			7.6	7.6-7.6
Market Rents			7.6	7.6-7.6
Investment Property - Lease Premiums			**223.8**	
Yield Sensitivity			223.8	223.8-223.8
Market Rents			223.8	223.8-223.8
Total Valuation			**1,652.5**	

Investment Property valued using L3 inputs as at 1 April 2021 was £1,412.8m and Investment Property valued using L3 inputs as at 31 March 2022 was £1,421.1m, and Investment Property valued using L1 inputs (lease premium adjustments) as at 1 April 2022 was £191.1m and the Investment Property valued using L1 inputs as at 31 March 2022 was £223.8m

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 21	31 March 21		31 March 22	31 March 22
£m	£m		£m	£m
		Investments		
0.0	380.1	Fair value through profit and loss	0.0	324.6
0.0	493.5	Amortised Cost	0.0	667.5
0.0	**873.6**	**Total Investments**	**0.0**	**992.1**
		Debtors		
15.8	41.9	Amortised Cost	12.3	89.5
15.8	**41.9**	**Total Debtors**	**12.3**	**89.5**
		Creditors		
0.0	(54.6)	Amortised Cost	0.0	(76.1)
0.0	**(54.6)**	**Total Creditors**	**0.0**	**(76.1)**
		Long Term Liabilities		
(5.4)	0.0	Amortised Cost	(4.9)	0.0
(5.4)	**0.0**	**Total Long Term Liabilities**	**(4.9)**	**0.0**

Investments

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

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.

Income, Expense, Gains and Losses

The gains and losses recognised in the CI&ES in relation to financial instruments are made up as follows:

2020-21		2021-22
£m		£m
(6.9)	Net(gain)/loss on financial assets at fair value through profit and loss	7.5
(6.9)	**Total net (gains)/losses in Surplus or Deficit on the Provision of Services**	**7.5**
(7.6)	Interest (income)/expenses from financial assets	(5.7)
(7.6)	**Total interest revenue in Surplus or Deficit on the Provision of Services**	**(5.7)**

31 March 2021			31 March 2022	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£m	£m		£m	£m
		Financial assets		
7.1	7.1	Long Term Debtors – investment properties	4.3	4.3
8.7	8.7	Long Term Debtors – other	8.0	8.0
873.6	873.6	Short Term Investments	992.1	992.1
41.9	41.9	Short Term Debtors	89.5	89.5
931.3	**931.3**	**Total financial assets**	**1,093.9**	**1,093.9**
		Financial liabilities		
(54.6)	(54.6)	Short Term Creditors	(76.1)	(76.1)
(5.4)	(5.4)	Long Term Liabilities	(4.9)	(4.9)
(60.0)	**(60.0)**	**Total financial liabilities**	**(81.0)**	**(81.0)**

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 public health measures taken in United Kingdom to mitigate the spread of the Covid 19 virus, and their effects on the economy in the UK in 2021-22, have not significantly increased the City Fund's exposure to credit or liquidity risks arising from financial instruments.

Credit Risk

Credit risk arises from deposits with banks, other financial institutions and other local authorities, as well as credit exposures to the City Fund's customers. Deposits are only made with banks with a minimum Fitch (a leading credit rating agency) "rating" of Long term A and Short term F1 or are building societies with assets over £10bn (or which have a minimum credit rating similar to that set for the banks). The City Fund also invests in money market funds, which are subject to a minimum credit rating of AAAmmf (Fitch) or equivalent. The City Fund also holds investments in in two Short Dated Bond Funds. These financial instruments typically do not obtain their own standalone credit rating. Instead, the funds will invest in a wide array of investment grade instruments, which the City Corporation actively monitors in terms of the fund's composition and credit quality of its underlying assets.

The creditworthiness of the counterparties on the City Fund's lending list is carefully monitored. The lending list is reviewed on a regular basis using advice from credit rating agencies and in-house judgements based partially on credit default swap rates. Security of the investments is the prime criteria when selecting investments with liquidity and yield being secondary and tertiary considerations. The lending limits attributable to HSBC, Barclays, Goldman Sachs International Bank, NatWest and Santander UK were maintained at maximum lending limits of £100m each during 2021-22, and Lloyds Bank was fixed at £150m (Lloyds being the City of London Corporation's banker). The lending limit for the Nationwide Building Society was maintained at £120m. The maximum duration for such loans is fixed at three years. The lending limits for the Yorkshire, Coventry, Skipton and Leeds Building Societies were maintained at £20m each and the duration for such loans is fixed at 1 year. The list also contains twelve foreign banks with individual limits of £100m with a maximum loan duration of three years. The included foreign banks are Australia and New Zealand Banking Group, National Australia Bank, Bank of Montreal, Royal Bank of Canada, Toronto-Dominion Bank, Landesbank Hessen-Thueringen Girozentrale, Cooperatieve Rabobank, DBS Bank, United Overseas Bank, Skandinaviska

Enskilda Banken, Swedbank, and Svenska Handelsbanken The lending list also includes five highly rated money market funds (Aberdeen Sterling Liquidity Fund, CCLA Public Sector Deposit Fund, Deutsche Managed Sterling Fund, Federated Short-Term Sterling Prime Fund, and Invesco Sterling Liquidity Portfolio); three highly rated Ultra-Short Dated Bond Funds (Federated Sterling Cash Plus Fund, Aberdeen Standard Investments Short Duration Managed Liquidity Fund and Payden Sterling Reserve Fund); and two Short Dated Bond Funds (Legal & General Short Dated Sterling Corporate Bond Index Fund and Royal London Investment Grade Short Dated Credit Fund). The City Corporation also lends to other UK local authorities with a limit of £25m to any individual authority.

The City Fund's maximum exposure to credit risk in relation to its investments in banks, building societies, local authorities and money market funds cannot be assessed generally, as the risk of any institution failing to make interest payments or failing to repay the principal amount borrowed would be specific to each individual institution. No credit limits were exceeded during the reporting period and the City Fund does not expect any losses from non-performance by any counterparty in relation to outstanding deposits. As at 31 March 2022, the City Fund had £1,022.0m in cash, cash equivalents and investments.

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

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 2022	<3 months	3-6 months	6-12 months	>1 year	Total
Expected loss rate	2%	11%	31%	50%	-
Gross carrying amount (£m)	16.6	3.9	2.6	4.1	27.2
Loss provision (£m)	0.3	0.4	0.8	2.1	3.6

Liquidity risk

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

Market risk

Interest rate risk

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

- investments at variable rates – the interest income credited to the 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:

2020-21		**2021-22**
£m		**£m**
	Increase in interest receivable on investments held at variable rates	
4.3	City Fund	4.6
0.0	HRA	0.0
4.3	**Total**	**4.6**

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 2022 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 2022, the Corporation estimates that a 1% increase (decrease) in interest rates will decrease (increase) their carrying value by £4.6m.

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. Short-term debtors

31 March 2021		31 March 2022
£m		**£m**
34.2	Central Government Bodies	35.2
8.8	Greater London Authority	3.4
23.5	London Business Rates Pool	41.1
	All Other Bodies	
25.3	Rents	20.4
10.8	Sundry	6.9
27.2	Trade Debtors	37.7
12.7	City Fund's Share of National Business Rates Arrears	10.7
8.9	Other	10.0
(11.9)	Less: Impairment allowances for expected credit losses and doubtful debts	(10.5)
139.5	Total	**154.9**

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 our activities and outstanding balances related to the London Business Rate Pool, where we act as the lead authority for London (more details can be found in note 38) . The remaining amounts relate to outstanding business rate arrears, rental income, fees and charges and Penalty Charge Notice income.

21. Short-term creditors

The adjacent table provides a breakdown of the outstanding creditor and receipt in advance balances for the year. The majority of these balances are held with other public entities and are predominantly due to movements linked to business rate income.

The remaining balances with Central Govt bodies and the GLA have been impacted by the reduction in collection fund deficits, detail of which can be found in the collection fund accounts section of the statement.

The London Business Rates Pool position relates to our role as lead authority so account for all the outstanding movement for the Pool. This balance reflects that pre-COVID business rate income estimates were used to assess contributions to the Pool, which are now lower due to the pandemic and therefore contributions require repayment (more details provided in note 38). This does not represent a draw on City Fund resources.

31 March 2021		31 March 2022
£m		£m
(30.3)	Central Government Bodies	(83.7)
(19.6)	Greater London Authority and Transport for London	(49.0)
(105.3)	London Business Rates Pool	(105.9)
(33.2)	City Fund's share of national business rates creditors and receipts in advance	(40.0)
(9.8)	Deposits	(8.3)
(61.2)	Sundry	(77.8)
(27.4)	Receipts in advance	(30.8)
(286.8)	**Total**	**(395.5)**

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. 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 2022 and an analysis of successful appeals and trends in 2021-22.

	National Business Rates	City Fund Premium on Business Rates	Total
	£m	£m	
Balance at 1 April 2021	**(43.9)**	**(1.9)**	**(45.8)**
Appeals settled in 2021-22	17.2	0.9	18.1
Provisions made in 2021-22	(11.9)	(0.6)	(12.5)
Balance at 31 March 2022	**(38.6)**	**(1.6)**	**(40.2)**

23. Pension Schemes

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

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

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the City Corporation. Notes 24 to 26 (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 Corporate Services Committee is responsible for personnel and administration matters, whilst its Pensions Committee is responsible for appointing fund managers and monitoring performance. These functions were previously carried out by the Establishment Committee and the Financial Investment Board.

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 2021	**31 March 2021**		**31 March 2022**	**31 March 2022**
£m	**£m**		**£m**	**£m**
(1,572.5)	(802.1)	1 April	(2,108.5)	(1,075.5)
(79.6)	(40.6)	Current Service Cost	(85.2)	(43.4)
(29.8)	(15.2)	Interest Cost	(41.5)	(21.2)
		Remeasurement gains/losses:		
18.0	9.2	Actuarial Gains/losses arising from demographic assumptions	50.9	25.9
(482.9)	(246.3)	Actuarial gains/losses arising from changes in financial assumptions	121.8	62.1
20.7	10.6	Other Actuarial Gains/Losses	1.3	0.7
(10.5)	(5.4)	Past Service Cost, including curtailments	(9.4)	(4.8)
(6.6)	(3.4)	Liabilities extinguished on settlements	0.0	0.0
45.5	23.2	Benefits paid	48.2	24.6
(11.2)	(5.7)	Contributions from scheme participants	(11.2)	(5.7)
0.4	0.2	Unfunded Pension Payments	0.4	0.2
(2,108.5)	**(1,075.5)**	31 March	**(2,033.3)**	**(1,037.1)**

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

b. Reconciliation of fair value of the scheme assets

CITY OF LONDON CORPORATION	CITY FUND SHARE 51%		CITY OF LONDON CORPORATION	CITY FUND SHARE 51%
31 March 2021	**31 March 2021**		**31 March 2022**	**31 March 2022**
£m	**£m**		**£m**	**£m**
936.9	477.9	1 April	1,188.8	606.4
14.6	7.5	Interest on Assets	22.8	11.6
		Remeasurement gains/losses:		
236.1	120.4	Return on Assets less interest	57.3	29.2
0.0	0.0	Other actuarial gains/losses	6.8	3.5
0.0	0.0	Change in proportion allocated to City Fund	0.0	0.0
(0.8)	(0.4)	Administration expenses	(1.0)	(0.5)
33.3	17.0	Contributions by Employer	37.4	19.1
11.2	5.7	Contributions by Scheme Participants	11.2	5.7
(45.9)	(23.4)	Benefits Paid	(48.6)	(24.8)
3.5	1.8	Settlement Prices Received/(Paid)	0.0	0.0
1,188.8	**606.4**	**31 March**	**1,274.7**	**650.2**

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

31 March 2021		31 March 2022
%		%
60	Equity Investments	59
1	Cash	1
12	Infrastructure	12
28	Absolute return portfolio	27
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 2021	**31 March 2021**		**31 March 2022**	**31 March 2022**
£m	**£m**		**£m**	**£m**
(635.6)	(324.1)	1 April	(919.7)	(469.0)
(536.0)	(273.4)	change in liabilities	75.2	38.4
251.9	128.5	change in assets	85.9	43.8
(919.7)	**(469.0)**	**31 March**	**(758.6)**	**(386.8)**

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:

2020-21		2021-22
	Mortality assumptions:	
	Life expectancy in years from age 65	
	Retiring today	
21.6	Men	21.6
24.3	Women	24.3
	Retiring in 20 years	
22.9	Men	23.0
25.7	Women	25.8
3.20%	Rate of Inflation – RPI	3.40%
2.85%	Rate of Inflation – CPI	3.25%
3.85%	Salary Increases	4.25%
2.85%	Pension Increases	3.25%
2.00%	Discount Rate	2.60%

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 2022				
	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	(67.6)	69.5	(47.1)	48.4
0.1% change in rate of increase in salaries	5.9	(5.9)	4.5	(4.4)
0.1% change in rate of increase in pensions	63.2	(61.4)	43.6	(42.4)
One year change in rate of mortality assumption	160.0	(152.0)	111.2	(105.7)

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 £386.8m 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 £37.4m (estimated City Fund Share £19.1m).

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.

The Police Pension liability represents the pension benefits Officers have accrued as at 31 March 2022 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 2021		**31 March 2022**
£m		**£m**
(935.1)	1 April	(1,139.3)
(16.9)	Current Service Cost	(28.8)
(21.6)	Interest Cost	(22.5)
	Remeasurement gains/losses:	
14.2	Actuarial Gains/losses arising from demographic assumptions	(6.1)
(208.0)	Actuarial gains/losses arising from changes in financial assumptions	44.1
0.2	Other Actuarial Gains/Losses	(123.1)
31.9	Benefits paid	34.9
0.0	Past Service Costs	0.0
(4.6)	Contributions from scheme participants	(4.9)
0.6	Injury Benefits Paid	0.5
(1,139.3)	**31 March**	**(1,245.1)**

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

2020-21	Mortality assumptions:	2021-22
	Life expectancy in years from age 65	
	Retiring today	
21.1	Men	21.1
23.3	Women	23.4
	Retiring in 20 years	
22.3	Men	22.4
24.8	Women	24.9
3.20%	Rate of Inflation – RPI	3.55%
2.80%	Rate of Inflation – CPI	3.25%
3.80%	Salary Increases	4.25%
2.80%	Pension Increases	3.25%
2.00%	Discount Rate	2.60%

Change in Assumptions at 31 March 2022

Impact on the Defined Benefit Obligation in the Scheme		
	Increase	Decrease
	£m	£m
0.1% change in rate for discounting scheme liabilities	(25.7)	26.3
0.1% change in rate of increase in salaries	3.0	(3.0)
0.1% change in rate of increase in pensions	23.1	(22.6)
One year change in rate of mortality assumption	60.2	(57.3)

Impact on the City Fund's Cash Flows

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £1,245.1m 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 £11.4m and the expected top up grant from the Government is £18.4m.

The scheme actuary has estimated that the weighted average combined duration of the defined benefit obligation for the schemes is 21 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 2021		31 March 2022
£m		£m
(2.7)	1 April	(2.8)
(0.2)	Current Service Cost	(0.2)
(0.1)	Interest Cost	(0.1)
	Remeasurement gains/losses:	
0.0	Actuarial Gains/losses arising from demographic assumptions	0.0
(0.4)	Actuarial gains/losses arising from changes in financial assumptions	0.1
0.5	Other Actuarial Gains/losses	0.0
0.1	Benefits paid	0.1
(2.8)	**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:

2020-21	Mortality assumptions:	2021-22
	Life expectancy in years from age 65	
	Retiring today	
21.6	Men	21.6
24.3	Women	24.3
	Retiring in 20 years	
22.9	Men	23.0
25.7	Women	25.8
3.45%	Rate of Inflation – RPI	3.55%
2.85%	Rate of Inflation – CPI	3.45%
3.85%	Salary Increases	4.45%
2.85%	Pension Increases	3.45%
1.85%	Discount Rate	2.65%

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 2022

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 £2.9m 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 2022 a loss of £1.0m (at 31 March 2021 it was a loss of £299.6m). 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 2021		31 March 2022
£m		£m
	Present Value of the defined benefit obligation	
(1,073.2)	City of London Pension Scheme – City Fund	(1,035.0)
(1,127.4)	Police Pension Schemes	(1,234.4)
(2.8)	Judges Pension Scheme	(2.8)
	Fair Value of plan assets	
606.4	City of London Pension Scheme – City Fund	650.2
	Present value of unfunded obligation	
(2.3)	City of London Pension Scheme – City Fund	(2.1)
(11.8)	Police Pension Schemes	(10.7)
(1,611.0)	Net liability on balance sheet	**(1,634.8)**

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:

2020-21					2021-22			
Police	**Judges**	**City of London City Fund**	**Total**		**Police**	**Judges**	**City of London City Fund**	**Total**
£m	**£m**	**£m**	**£m**		**£m**	**£m**	**£m**	**£m**
				Comprehensive Income & Expenditure Statement (CIES)				
				Cost of Services:				
16.9	0.2	40.6	57.7	Current service cost	28.8	0.2	43.4	72.4
0.0	0.0	5.4	5.4	Past service costs	0.0	0.0	4.8	4.8
0.0	0.0	1.6	1.6	(gain)/loss from settlements	0.0	0.0	0.0	0.0
				Other Operating Income				
0.0	0.0	0.4	0.4	Administration expenses	0.0	0.0	0.5	0.5
				Financing & Investment Income & Expenditure				
0.0	0.0	0.0	0.0	Current service cost	0.0	0.0	0.0	0.0
21.6	0.1	7.8	29.5	Interest cost	28.8	0.1	9.6	38.5
38.6	**0.3**	**55.8**	**94.6**	**Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services**	**57.6**	**0.3**	**58.3**	**116.2**
				Other Comprehensive Income & Expenditure				
				Remeasurement of the net defined benefit liability:				
0.0	0.0	(120.4)	(120.4)	Return on plan assets	0.0	0.0	(29.2)	(29.2)
(14.2)	(0.0)	(9.2)	(23.4)	Actuarial (gains) & losses – changes in demographic assumptions	6.1	0.0	(25.9)	(19.8)
208.0	0.4	246.3	454.7	Actuarial (gains) & losses – changes in financial assumptions	(44.1)	(0.1)	(62.1)	(106.3)
(0.2)	(0.5)	(10.6)	(11.3)	Actuarial (gains) & losses – Other	123.1	(0.0)	(4.1)	119.0
193.6	**(0.1)**	**106.1**	**299.6**	**Total Other Comprehensive Income & Expenditure**	**85.1**	**(0.1)**	**(121.3)**	**(36.3)**
232.1	0.2	161.9	394.1	Total Retirement Benefit Charged/(Credited) to the CIES	142.7	0.1	(63.1)	79.8
				Movement in Reserves Statement				
(232.1)	(0.2)	(161.9)	(394.2)	Reversal of net charges/credits for retirement benefits in accordance with the Code	(142.7)	(0.1)	63.1	(79.8)
27.8	**0.1**	**17.0**	**44.9**	**Actual amount charged against the City Fund and HRA Balances**	**30.5**	**0.1**	**19.1**	**49.7**

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 are as follows:

31 March 2021		31 March 2022
£m		£m
	Grants and Contributions Received in Advance - Capital (Long-term)	
(115.5)	S106 / S278 Contributions	(94.8)
	Grants and Contributions Received in Advance - Revenue (Short-term)	
(91.3)	S31 Grant for NNDR Reliefs due to Central Government	(67.5)
0.0	COVID Additional Relief Fund Receipt in Advance from Central Government	(64.4)
(91.3)	**Total**	**(131.9)**

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 £225.9m.

29. Other Long-term Liabilities

At the 31 March 2022 the City Fund has long term liabilities of £57.1m which consists of £52.2m (2020-21: £62.0m) of outstanding London NNDR Pool Strategic Investment Pot (SIP) project funding due to be released over the life span of agreed projects and £4.9m (2020-21: £5.4m) 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 2021		31 March 2022
£m		£m
	Property, Plant and Equipment	
14.4	Other Land and Buildings	13.6
2.2	Vehicles, Plant and Equipment	1.7
46.9	Investment Properties	43.6
63.5		**58.9**

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 2021		31 March 2022
£m		£m
3.2	Investment Property	3.2
2.2	Cleansing Vehicles	1.7
5.4	Long Term Liabilities	**4.9**

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 2021	31 March 2021		31 March 2022	31 March 2022
£m	£m		£m	£m
0.7	0.6	Not later than one year	0.7	0.6
2.1	1.6	Later than one year and not later than five years	1.6	1.1
13.1	3.2	Later than five years	13.0	3.2
15.9	**5.4**	**Total**	**15.2**	**4.9**

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

City Fund as Lessor

The gross investment is made up of the following amounts:

31 March 2021		31 March 2022
£m		£m
	Finance lease debtor (net present value of minimum lease payments)	
0.3	Current	0.3
11.8	non-current	8.8
29.7	Unearned finance income	17.3
0.0	Unguaranteed residual value of property	0.0
41.8	**Gross investment in the lease**	**26.4**

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

The 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 2021	31 March 2021		31 March 2022	31 March 2022
£m	£m		£m	£m
0.7	0.3	Not later than one year	0.6	0.3
2.4	1.1	Later than one year and not later than five years	2.0	1.1
38.7	10.7	Later than five years	23.8	7.7
41.8	**12.1**	**Total**	**26.4**	**9.1**

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 2021		31 March 2022
£m		£m
2.7	Not later than one year	2.7
8.9	Later than one year and not later than five years	6.9
16.9	Later than five years	16.2
28.5	**Total**	**25.8**

City Fund as Lessor

The City of London has granted leases in respect of several 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 2021		31 March 2022
£m		£m
52.7	Not later than one year	45.7
175.3	Later than one year and not later than five years	163.4
2,950.5	Later than five years	3,228.0
3,178.5	**Total**	**3,437.1**

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 2021		Note	31 March 2022
£m			£m
(330.7)	Revaluation Reserve	A	(346.4)
(2,151.2)	Capital Adjustment Account	B	(2,267.2)
1,611.0	Pensions Reserve	C	1,634.8
54.1	Collection Fund Adjustment Account	D	41.8
5.2	Accumulated Absences Account	E	3.8
(12.2)	Deferred Capital Receipts Reserve	F	(9.1)
0.2	Financial Instrument Revaluation Reserve	G	0.2
(2.6)	Pooled Investment Adjustment Account	H	4.9
(826.2)	**Total Unusable Reserves**		**(937.2)**

A. Revaluation Reserve

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

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

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

2020-21		2021-22	
£m		£m	£m
(348.4)	Balance at 1 April		(330.6)
(34.1)	Upward revaluation of assets	(36.1)	
42.7	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	8.3	
8.6	Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(27.8)
5.2	Difference between fair value depreciation and historical cost depreciation	5.5	
0.0	Assets reclassified as investments	0.0	
4.0	Accumulated gains on assets sold or scrapped	6.5	
9.2	Amount written off to the Capital Adjustment Account		12.0
(330.6)	**Balance at 31 March**		**(346.4)**

B. Capital Adjustment Account

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

2020-21			2021-22
£m		£m	£m
(2,176.1)	Balance at 1 April		(2,151.2)
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:		
48.0	Charges for depreciation, impairment and revaluation losses of non-current assets	69.7	
(1.2)	Revaluation gains on Property, Plant and Equipment	(3.2)	
0.2	Amortisation of intangible assets	0.2	
11.2	Revenue expenditure funded from capital under statute	21.0	
5.0	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	25.2	
63.2	**Total reversal of items relating to capital expenditure debited or credited to the CI&ES:**		**112.9**
(9.2)	Adjusting amounts written out of the Revaluation Reserve	(12.1)	
54.0	**Net written out amount of the cost of non-current assets consumed in the year**		**100.8**
	Capital financing applied in the year:		
(20.4)	Use of the Capital Receipts Reserve to finance new capital expenditure	(46.9)	
(4.4)	Use of the Major Repairs Reserve to finance new capital expenditure	(3.6)	
(14.4)	Capital grants, contributions & donations credited to the CI&ES that have been applied to capital financing	(36.4)	
(2.1)	Application of grants to capital financing from the Capital Grants Unapplied Account	(3.2)	
(1.1)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1.1)	
(11.3)	Capital expenditure charged against the City Fund & HRA balances	(6.8)	
(53.7)	**Total Capital financing applied in the year:**		**(98.0)**
24.4	Movements in the market value of Investment Properties debited or credited to the CI&ES		(119.0)
0.2	Museum of London loan principle		0.2
(2,151.2)	**Balance at 31 March**		**(2,267.2)**

C. Pension Reserve

2020-21		2021-22
£m		£m
1,261.8	Balance at 1 April	1,611.0
299.6	Remeasurements of the net defined benefit liability	(36.3)
94.5	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	109.8
(44.9)	Employer's pension contributions less direct payments to pensioners payable in the year	(49.7)
1,611.0	**Balance at 31 March**	**1,634.8**

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.

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 deficit of £41.8m has arisen in the account. This deficit is largely due to timing difference between our submission of estimated business rate income for the year, submitted in January for the preceding financial year, and the announcement of the continuation of business rate relief to the retail, leisure, and hospitality sectors occurring in March 2021. Whilst this decision on reliefs is funded by Govt, the ring-fence around the collection fund means it will receive less income than estimated, which creates a deficit to be released over the next two financial years. The £41.8m deficit represents City Fund's 30% share. Government funding of £34.8m has been set aside in the business rate equalisation reserve (see note 12, page 49) to offset this deficit as it unwinds over future financial years. The balance will be incorporated into the medium term financial plan. Further detail on the collection fund can be found in the Collection Fund Accounts (Page 102-105).

E. Accumulated Absences Account

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

F. 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.

G. 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 movement are realised.

Notes to the Cash Flow Statement

32. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following item:

2020-21		2021-22
£m		£m
(47.0)	Depreciation, impairments and impairment reversal	(66.9)
(132.5)	Increase/(Decrease) in creditors	5.2
(6.1)	Increase/(Decrease in debtors	24.7
0.1	Increase/(Decrease in inventories	(0.1)
(49.6)	Movement in pension liability	(60.1)
(5.0)	Carrying amount of non-current assets sold	(25.2)
(24.4)	Movement in investment property values	119.0
(1.1)	Deferred credits	(28.5)
3.4	(Increase)/Decrease in contributions to provisions	5.6
0.0	Other non-cash items charged to the net surplus or deficit on the provision of services	(7.4)
(262.2)	**Total**	**(33.7)**

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

2020-21		2021-22
£m		£m
(7.6)	Interest received	(5.7)

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

2020-21		2021-22
£m		£m
6.6	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	21.3
18.3	Capital grants credited to the net surplus or deficit on the provision of services	49.6
24.9		**70.9**

Page 261

33. Cash Flow Statement – Investing Activities

2020-21		2021-22
£m		**£m**
58.0	Purchase of property, plant and equipment, investment property and intangible assets	108.1
(1,885.9)	Proceeds from short-term and long-term investments	(1,918.3)
1,943.7	Purchase of short-term and long-term investments	2,044.5
(7.4)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(24.5)
(44.4)	Capital grants received	(36.0)
1.8	Other receipts from investing activities	6.7
65.8	**Net cash outflows/(inflows) from investing activities**	**180.5**

34. Cash Flow Statement – Financing Activities

2020-21		2021-22
£m		**£m**
117.2	Billing Authorities – Council Tax and NNDR Adjustments	(151.7)
0.5	Reduction in finance lease liability	0.5
117.7	**Net cash inflows from financing activities**	**(151.2)**

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 2021-22, including instances where their close family has made transactions with the City of London.

During 2021-22 the following transactions have been disclosed. This is where Members held positions of control or significant influence in related parties to City Fund are;

Related party	Connected party	2021-22 £000	2020-21 £000	Detail of transaction
Age UK London	The City Corporation nominates a Member to Age UK London	-	233	Digital outreach services paid by City Fund
Askonsas Holt Ltd	A member is the board chairman of Askonsas Holt	30	9	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.	(4,873)	(6,779)	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	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 Reserve Forces and Cadets Association	One member is nominated to the City of London Reserve Forces and Cadets Association	-	28	Purchase of training courses and uniforms paid by City Fund
CORAM (Thomas Coram Foundation for Children)	A member is appointed as a trustee	20/(44)	-	Provision of service costs received by City Fund
DLA Piper UK LLP	One member is an equity partner and one member is a consultant to DL A Piper UK LLP	(35)	-	Provision of service costs received by City Fund
Dr Johnson's House Trust	A member is nominated to Dr Johnson's House Trust by the City Corporation	8	13	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	56	79	Service costs paid by City Fund and catering and hire fees received by City Fund

Related party	Connected party	2021-22 £000	2020-21 £000	Detail of transaction
Hiscox Group	A Member is the Chief Executive of Hiscox Group	(10)	(11)	Contribution received by City Fund
Homerton University Hospital	A Member is nominated to Homerton University Hospital by the City Corporation.	-	83/0	IT enabler funding paid by City Fund and support costs received by the 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)	Rent and service charges received by City Fund during the year and an amount due at the balance sheet date
Local Government Association – General	The City Corporation nominates two members to the Local Government Association – General Assembly	-	18	Subscription fees paid by City Fund
London and Partners	A Member is nominated by the City Corporation to London and Partners	-	29	Letting, hire and storage fees paid by City Fund
Partnership for Young London	The City Corporation nominates a Member to the Partnership for Young London.	15/(14)	30	Service paid by City Fund and workshop; central support charges received by City Fund
Phoenix Group Holdings PLC	A Member is Chairman for Phoenix Group Holdings PLC	(50)	-	Strategic partnership costs paid to City of London
United Kingdom Accreditation Service	A Member is the Director of United Kingdom Accreditation Service	-	16	Assessment fees paid by City Fund

Page 264

The following transactions have been disclosed where Members have declared an interest in parties that have transactions with the City Fund during 2021-22.

Related party	Connected party	2021-22 £000	2020-21 £000	Detail of transaction
Bakers' Company	A member is a court assistant to Bakers' Company	12	-	Payment of Restart Grant by City Fund
CBRE	A member is employed by CBRE	160	-	Payment of rent and service charges by City Fund
Crossrail Ltd	A member is a consultant to Crossrail Ltd	(13)	-	Provision of service costs received by City Fund
Eight Members Club	A member is member to Eight members club	-	30/(3)	Government grants paid by City Fund
Lloyds	A Member is a Member for Lloyds	(219)	-	Contributions and sponsorships paid to City Fund in relation to NECVCU
London Borough of Lambeth	A member is employed by London Borough of Lambeth	29/(1,868)	-	Provision of service costs received by City Fund
London Symphony Orchestra	A member is a member of the Advisory Council for London Symphony Orchestra	3,539/(2,201)	-	Provision of service costs received by City Fund

Related party	Connected party	2021-22 £000	2020-21 £000	Detail of transaction
Moore Kingston Smith LLP	A Member is a consultant to Kingston Smith LLP	-	13	Fundraising services paid by City Fund
Named Members	One Members paid the City Fund	(12)	(36)	Rent received by City Fund
PWC LLP	A Member is an Advisor of PWC LLP	58	(11)	Consultancy services paid and room fees received by City Fund
Trinity House	A Member is a Member of Trinity House	32	-	Payment of Local Restrictions Support Grant and Restart Grant by City Fund
UBS	A Member has declared an interest in UBS.	-	6/(6)	Membership and licensing received by City Fund
Walbrook Club	A Member is a Member of Walbrook Club	12	16	Business rate relief
Worshipful Company of Butchers	Three members are Liverymen	18	-	Payment of Restart Grant by City Fund
WSP Group PLC	A member is a consultant for WSP Group PLC	89	-	Services purchased by City Fund

Related Party Transactions with the Museum of London

The Museum of London is financed by the City of London and the Greater London Authority with the latter being the major funder as a co-sponsor. The City of London's contribution in 2021-22 was £22.1m (2020-21: £14.6m) and the City Fund received £0.6m for rent, loan repayments and other services. At 31st March 2022 there was an outstanding receivable of £0.5m relating to rent and loan repayments. For 2022-23, 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 2021-22, City's Cash provided a grant to the HRA of £0.7m (2020-21: £0.5m). The Guildhall School of Music and Drama (City's Cash) paid £0.2m for provision of service costs. There were no significant transactions between City Fund and Bridge House Estates during the year or during the prior year and there were no outstanding balances at year end.

Related Party Transactions not disclosed elsewhere in the Accounts

The UK government has significant influence over the general operations of 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. Amounts due to and from central government departments at 31 March 2022 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 £14.1m (2021: £13.8m).

A Member of the City of London has declared that they are the Lead Non-Executive Director for the Home Office. Further details of the City Fund's Transactions with the Home Office can be found in Note 6 (page 38) and Note 20 (page 64).

In the City of London Police's role as lead force for cybercrime the City Corporation has assumed responsibility of National CRC Group Limited (company no 13027672), which is a company limited by guarantee tasked with promoting the effectiveness and efficiency of the Police Service in connection to the protection from and prevention of cybercrime through England and Wales. The City Corporation assumed this role from December 2021. As the only Member of the company this would be considered a subsidiary of the City Corporation, specifically of City Fund. However, due to the limited activity of the company to date and small financial value (total balance sheet value at 31 March 2022 was £2,624), no consolidation has taken place.

36. Members Allowances

In 2021, the Court of Common Council introduced an annual, flat rate, allowance for Members, based on the City Corporation's rate for inner-London Weighting. The allowance is optional and is intended to recompense Members for the duties they undertake on behalf of the City Corporation, while also enabling those who chose not to claim from the scheme to maintain their status as volunteers. During the year, £0.08m in remuneration from the City Fund was claimed for Members undertaking their duties (2020-21: £0.00m).

Members may also 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 £8,664 (2020-21: £237) across all of the City's activities. These costs were met from the endowment funds of the City Corporation and not charged to City Fund.

37. Contingent Liabilities

There are no contingent liabilities to disclose as at the 31 March 2022.

38. Agency Transactions

The City Fund carries out certain work on an agency basis for this it is 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, which involves aggregating business rate income from participating authorities and distributing funds on behalf of the pool. Whilst the pool did not operate during 2021-22, residual balances relating to prior year pool activity remain on the City Fund balance sheet pending completion of external audits of all members and finalisation/settlement of outstanding fund. These outstanding debtors and creditors balances 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 2022 £m
Short-Term Debtors	41.1
Cash & Cash Equivalents	64.8
Short-Term Creditors	(105.9)

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. Several such scheme continued into 2021-22, and we have again judged that City Fund has acted as an intermediary in these transactions and they are therefore not accounted for in the CI&ES. £20.4m of grants were distributed to businesses (2020-21: £38.1m) which were 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.

Income and Expenditure Statement

2020-21		Notes	2021-22	
£m			£m	£m
	Expenditure			
4.2	Repairs and maintenance		5.0	
8.0	Supervision and management		8.3	
3.1	Depreciation of non-current assets		2.9	
14.5	Revaluation (gain)/loss on HRA dwellings		0.7	
0.1	Movement in the allowance for bad debts	1	0.5	
29.9	**Total Expenditure**			17.4
	Income			
(10.3)	Dwelling rents		(10.4)	
(1.7)	Non-dwelling rents		(2.4)	
(2.6)	Charges for services and facilities		(1.1)	
0.2	Contributions towards expenditure		(0.2)	
(14.4)	**Total Income**			(14.1)
15.5	**Net Expenditure/(Income) of HRA Services as included in the City Fund CI&ES cost of services**			**3.3**
	HRA share of other income and expenditure included in the City Fund CI&ES			
(1.0)	Net (gain)/loss on Disposal of Fixed Assets			(0.6)
0.0	Interest and investment income			0.0
0.0	Investment property (gain)/loss on revaluation			0.0
14.5	**(Surplus)/deficit for the year on HRA Services**			**2.7**

Movement on the HRA Statement

2020-21		Notes	2020-21	
£m			£m	£m
(0.1)	Balance on the HRA at the end of the previous year			(0.2)
14.5	(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		2.7	
(14.6)	Adjustments between accounting basis and funding basis under statute	2	(2.7)	
(0.1)	(Increase)/decrease in year on the HRA			0.0
(0.2)	**Balance on the HRA at the end of the current year**			**(0.2)**

1. Impairment Allowance for Bad and Doubtful Debts

2020-21		2020-21
£m		£m
0.13	Provision at 1 April	0.22
(0.02)	Bad Debts written off	(0.01)
0.11	Decrease in Provision	0.38
0.22	Provision at 31 March	**0.58**

2. Adjustments between Accounting Basis and Funding Basis under Statute

Note 11 (page 46-48) 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 2022 the City Corporation's HRA rental stock was 1,864 dwellings. The HRA also includes costs and service charge income relating to properties sold on long leases of which there were 932 as at 31 March 2022 (2021: 927).

31 March 2021		31 March 2022
No.		**No.**
27	Houses and Bungalows	27
1,840	Flats	1,837
1,867	Total	**1,864**

31 March 2021		31 March 2022
No.		**No.**
1,872	Stock at 1 April	1,867
(5)	Sales	(5)
0	New Build	2
1,867	Stock at 31 March	**1,864**

4. Arrears of Rent, Service and Other Charges

As at 31 March 2022 the total arrears for rent, service charges and other charges were £3.5m (31 March 2021: £2.9m) as follows:

31 March 2021		31 March 2022
£m		**£m**
0.1	Former residential tenants	0.1
0.4	Current residential tenants	0.3
1.1	Commercial tenants	1.6
1.1	Service charges	1.3
0.2	Other charges	0.1
2.9	Total arrears	**3.5**

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 51-55) as some council dwellings are held outside of the HRA such as the Barbican Estate.

2020-21					2021-22			
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				
221.5	**43.2**	**12.3**	**277.0**	**at 1 April 2020 at 1 April 2021**	**184.1**	**40.0**	**21.3**	**245.4**
1.6	0.4	10.1	12.1	Additions	1.9	(0.0)	21.5	23.4
1.1	0.0	(1.1)	0.0	Transfers	0.3	0.0	(0.3)	0.0
(24.0)	(3.6)	0.0	(27.6)	Revaluation increase/(decrease) recognised in the Revaluation Reserve	4.4	0.0	0.0	**4.4**
(15.6)	0.0	0.0	(15.6)	Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	2.2	0.0	0.0	**2.2**
(0.5)	0.0	0.0	(0.5)	Derecognition – disposals	(0.3)	0.0	0.0	(0.3)
0.0	0.0	0.0	0.0	Assets reclassified (to)/from Held for Sale	0.0	0.0	0.0	0.0
184.1	**40.0**	**21.3**	**245.4**	**at 31 March 2021 at 31 March 2022**	**192.6**	**40.0**	**42.5**	**275.1**
				Accumulated Depreciation and Impairment				
(0.1)	(0.1)	0.0	(0.2)	**at 1 April 2020 at 1 April 2021**	**0.0**	**(0.2)**	**0.0**	**(0.2)**
(2.6)	(0.3)	0.0	(2.9)	Depreciation Charge	(2.6)	(0.3)	0.0	(2.9)
1.6	0.2	0.0	1.8	Depreciation written out to the Revaluation Reserve	0.0	0.0	0.0	0.0
1.1	0.0	0.0	1.1	Depreciation written out to the Surplus/Deficit on the Provision of Services	(0.8)	0.0	0.0	(0.8)
0.0	0.0	0.0	0.0	Derecognition – disposals	0.0	0.0	0.0	0.0
0.0	(0.2)	0.0	(0.2)	**at 31 March 2021 at 31 March 2022**	(3.4)	(0.5)	0.0	(3.9)
				Net Book Value				
221.4	**43.1**	**12.3**	**276.8**	**at 1 April 2020 at 1 April 2021**	**184.1**	**39.8**	**21.3**	**245.2**
184.1	**39.8**	**21.3**	**245.2**	**at 31 March 2021 at 31 March 2022**	**189.2**	**39.5**	**42.5**	**271.2**

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%.

The estimated vacant possession value of HRA dwellings is £712.4m which has been reduced by 75% to £179.7m to reflect social housing.

7. Major Repairs Reserve

2020-21		2021-22
£m		£m
(3.4)	Balance 1 April	(2.0)
	Transfer from HRA equal to depreciation	
(3.1)	dwellings	(2.9)
0.0	non dwellings	0.0
0.0	Additional contribution to/(from) HRA	0.0
4.5	Capital expenditure (dwellings)	3.6
(2.0)	Balance 31 March	**(1.3)**

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

8. HRA Capital Expenditure

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

2020-21		2021-22
£m		£m
	Expenditure in year	
	Fixed assets	
10.2	Assets under construction	21.5
1.6	Dwellings	1.9
0.4	Other	0.0
1.1	Revenue expenditure funded from capital under statute	1.4
13.2	**Total Expenditure**	**24.8**
	Methods of financing	
0.3	Capital Receipts	0.1
4.5	Major Repairs Reserve	3.6
8.4	Reimbursements and Donations	21.1
13.2	**Total Financing**	**24.8**

Collection Fund Account

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

Revenue Account

2020-21				Notes	2021-22		
Council Tax	Business Rates	Total			Council Tax	Business Rates	Total
£m	£m	£m			£m	£m	£m
			INCOME				
(8.7)		(8.7)	Council Tax Receivable		(9.0)		(9.0)
(0.2)		(0.2)	Transfer from City Fund (Reliefs)		(0.2)		(0.2)
	(1,135.6)	(1,135.6)	National Business Rates	1		(1,137.3)	(1,137.3)
	(39.4)	(39.4)	GLA Business Rate Supplement			(38.7)	(38.7)
	(17.8)	(17.8)	City Fund Business Rate Premium			(17.9)	(17.9)
(8.9)	**(1,192.8)**	**(1,201.6)**	**TOTAL INCOME**		**(9.2)**	**(1,193.9)**	**(1,203.1)**
			EXPENDITURE				
			Council Tax Precepts and Demands				
7.6		7.6	City Fund	2	7.8		7.8
0.7		0.7	GLA		0.7		0.7
0.2		0.2	Impairment of debt for Council Tax				0.0
			National Business Rates Precepts and Demands				
	363.2	363.2	City Fund			352.7	352.7
	447.9	447.9	GLA			435.0	435.0
	399.5	399.5	Central Government			388.0	388.0
	3.8	3.8	National Business Rates transitional protection payments			1.1	1.1
	38.2	38.2	Business Rate Supplement collected on behalf of GLA			39.0	39.0

Revenue Account Continued

2020-21				Notes	2021-22		
Council Tax	**Business Rates**	**Total**			**Council Tax**	**Business Rates**	**Total**
£m	**£m**	**£m**	**Expenditure Continued**		**£m**	**£m**	**£m**
	15.9	15.9	City Fund Business Rate Premium			17.5	17.5
	12.1	12.1	City Fund Offset	4		12.1	12.1
			Impairment of debts for Business Rates				
	31.1	31.1	National			(8.4)	(8.4)
	1.1	1.1	GLA			(0.3)	(0.3)
	0.5	0.5	Premium			(0.1)	(0.1)
			Impairment of appeals for Business Rates				
	83.0	83.0	National			39.8	39.8
	1.3	1.3	Premium			0.6	0.6
			Cost of Collection Allowance				
	2.0	2.0	National Business Rates			2.0	2.0
	0.0	0.0	GLA Business Rate Supplement			0.1	0.1
			Contributions towards previous year's estimated Collection Fund Surplus/(Deficit)				
1.2	19.2	20.4	City Fund		0.6	(37.7)	(37.1)
0.1	10.8	10.9	GLA		0.1	(51.6)	(51.5)
	8.4	8.4	Central Government			(45.8)	(45.8)
9.8	**1,438.0**	**1,447.6**	**Total Expenditure**		**9.3**	**1,143.9**	**1,153.1**
0.9	245.2	246.1	(Surplus)/Deficit for Year	5	0.1	(50.1)	(50.0)
(1.5)	(53.9)	(55.4)	Balance 1 April		(0.6)	191.3	190.7
(0.6)	**191.3**	**190.7**	**Balance 31 March**		**(0.5)**	**141.2**	**140.7**

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 2021-22 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 2021-22 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 2022 was £2.576bn.

2020-21		2021-22
£m		£m
(1,341.2)	National Business Rates	(1,324.7)
52.6	Less: Voids	86.5
22.8	Mandatory and discretionary relief	21.0
128.7	Expanded retail, leisure, and hospitality relief	77.9
1.5	Partly occupied allowance	2.0
(1,135.6)	**Net income from national business rates**	**(1,137.3)**

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 £952.91 for a Band D property, inclusive of a 3% adult social care precept. There was no increase in council tax.

To this £952.91 is added £96.53 in respect of the precept from the Greater London Authority to arrive at the total Council Tax of £1,049.44 for a Band D property in 2021-22. 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	699.62
B	7/9	816.23
C	8/9	932.83
D	9/9	1,049.44
E	11/9	1,282.65
F	13/9	1,515.86
G	15/9	1,749.06
H	18/9	2,098.88

3. Tax Bases 2021-22

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

BAND	MIDDLE TEMPLE	INNER TEMPLE	CITY AREA EXCLUDING TEMPLES	TOTAL CITY AREA
A	0.00	0.00	2.33	2.33
B	0.00	0.00	148.33	148.33
C	0.00	0.00	415.53	415.53
D	0.00	0.00	779.20	779.20
E	9.47	1.22	3,068.88	3,079.57
F	30.69	23.83	1,670.21	1,724.73
G	24.17	60.83	1,941.43	2,026.43
H	0.00	4.00	419.50	423.50
AGGREGATE RELEVANT AMOUNTS	64.33	89.88	8,445.41	8,599.62
COLLECTION RATE	95%	95%	95%	
TAX BASES	61.11	85.39	8,023.14	8,169.64

Page 279

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 2021-22 (2020-21: £12.1m).

5. (Surplus)/Deficit for the year

A business rates surplus of £50.1m was achieved for the year, but this was in large part due to the recovery of large a deficit created in the previous year of £245.2m. After adjusting for the recovery, the in-year position was a £85m deficit, the majority of which related to the continuation of business rate relief for the retail, leisure, and hospitality sectors at a rate of 75% (down from 100% in the previous year). Due to the timing of this announcement, which was after the submission of estimated business rate income in January 2021, a mismatch has occurred between expected and actual income creating a deficit in the collection fund. These reliefs are funded from Govt so the release of this element of the deficit into City Fund will be matched with funds held in the business rate equalisation reserve. The below table tracks the movement of business rate collection fund surplus/deficit position across the 3 preceptors.

Breakdown of Business Rate Collection Fund Deficit	Total	City	GLA	Central Govt
Percentage Allocation		30%	37%	33%
Opening Collection Fund Deficit	**191.3**	**54.6**	**63.3**	**73.4**
Part Recovery of 20-21 Deficit in 21-22	(135.1)	(37.7)	(51.6)	(45.8)
21-22 Deficit due to retail, leisure, and hospitality reliefs	77.9	23.4	28.8	25.7
Other 21-22 variances	7.1	2.1	2.6	2.3
Closing Deficit	**141.2**	**42.4**	**43.2**	**55.6**

Police Pension Fund

Police Pension Fund Account for the year ended 31 March 2022

2020-21		2021-22	
£m		£m	£m
	Contributions receivable		
	- from employer		
(10.7)	normal	(11.2)	
0.0	early retirements	0.0	
(4.5)	- from members	(4.9)	
(15.2)			**(16.1)**
(0.3)	Transfers in from other Police Authorities		**(0.3)**
	Benefits payable		
26.0	- pensions	27.0	
6.2	- commutations and lump sums	7.8	
32.2			**34.8**
	Payments to and on account of leavers		
0.0	- Transfers out to other Police Authorities	0.5	
0.0	- Other	0.0	
0.0			**0.5**
16.7	Sub-total: Net amount payable for the year before transfer from Police Authority		**18.9**
(16.7)	Additional contribution from Police Authority		(18.9)
0.0	**Net amount payable/receivable for the year**		**0.0**

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

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

iii. The fund's financial statements have been prepared using the accounting policies adopted for the City Fund financial statements set out on pages 134 to 151. 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 66-76).

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 2022

2020-21		Notes	2021-22
£m			£m
	Dealings with members, employers and others directly involved in the Fund		
(47.3)	Contributions	7	(51.4)
(2.6)	Transfers in from other pension funds		(3.4)
(49.9)			**(54.8)**
49.8	Benefits	8	52.8
1.9	Payments to and on account of leavers	9	1.9
51.7			**54.7**
1.8	**Net (additions)/withdrawals from dealings with members**		**(0.1)**
9.1	Management expenses	10	10.9
10.9	**Net withdrawals including fund management expenses**		**10.8**
	Returns on investments		
(3.4)	Investment income	11	(4.0)
(279.9)	Profit and losses on disposal of investments and changes in the value of investments	12	(93.8)
(283.3)	**Net return on investments**		**(97.8)**
(272.4)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(87.0)**
(1,028.7)	Opening net assets of the scheme		(1,301.1)
(1,301.1)	**Closing net assets of the scheme**		**(1,388.1)**

Net Asset Statement as at 31 March 2022

2020-21		Notes	2021-22
£m			£m
0.2	Long-term investments		0.2
1,294.4	Investment assets	12	1,368.9
1,294.6	**Total net investments**		**1,369.1**
7.4	Current assets	19	20.4
(0.9)	Current liabilities	20	(1.4)
1,301.1	**Net assets of the Fund available to fund benefits at the end of the reporting period**		**1,388.1**

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 2022				31 March 2021
	Current contributors	Beneficiaries in receipt of pension	Deferred members	Total	Total
	No.	No.	No.	No.	No.
ADMINISTERING AUTHORITY					
City of London Corporation	4,332	4,232	4,282	12,846	12,521
	4,332	**4,232**	**4,282**	**12,846**	**12,521**
SCHEDULED BODIES:					
Museum of London	258	268	636	1,162	1,140
Magistrates Court	0	18	13	31	31
Multi Academy Trust	12	0	1	13	4
	270	**286**	**650**	**1,206**	**1,175**
ADMITTED BODIES:					
Irish Society	4	10	2	16	16
City Arts Trust	0	0	0	0	1
Parking Committee for London	0	6	6	12	12
Guildhall Club	0	4	4	8	8
City Academy - Southwark	95	11	134	240	218
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	14	1	15	30	29
Westminster Drug Project	1	0	1	2	2
Agilysis	5	5	14	24	24
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	3	1	1	5	5
	127	**47**	**186**	**360**	**338**
TOTAL	**4,729**	**4,565**	**5,118**	**14,412**	**14,034**

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 2022. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. For 2021/22, employer contribution rates range from 15.0% to 21.0% of pensionable pay.

d) Benefits

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

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

2. Basis of preparation

The statement of accounts summarises the Fund's transactions for the 2021/22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* (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.

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). 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 net asset statement 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.

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

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

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

The items in the net assets statement at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied. This uncertainty relates solely to the disclosures made in Note 18 and does not impact on the Net Asset Statement or Pension Fund Account.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: • a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £47m • 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 £100m.
Private equity investments (Note 13)	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and use valuation techniques that rely on unobservable inputs.	Private equity investments are valued at £34m 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)	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 £69m and £101m, 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

2020-21		2021-22
£m		£m
(12.1)	Employees' contributions	(12.1)
	Employers' contributions	
(24.6)	Normal contributions	(24.3)
(9.0)	Deficit recovery contributions	(9.0)
(1.6)	Pensions strain contributions	(6.0)
(35.2)	**Total employers' contributions**	**(39.3)**
(47.3)		**(51.4)**

By type of employer

2020-21		2021-22
£m		£m
(44.0)	Administering authority	(48.2)
(2.2)	Scheduled bodies	(2.2)
(1.1)	Admitted bodies	(1.0)
(47.3)		**(51.4)**

8. Benefits payable

By Category

2020-21		2021-22
£m		£m
40.9	Pensions	43.1
7.7	Lump sum retirement benefits	8.8
1.2	Lump sum death benefits	0.9
49.8		**52.8**

By type of employer

2020-21		2021-22
£m		£m
46.7	Administering authority	49.9
2.8	Scheduled bodies	2.5
0.3	Admitted bodies	0.4
49.8		**52.8**

9. Payments to and on account of leavers

2020-21		2021-22
£m		£m
1.8	Individual transfers out	1.8
0.1	Refunds to members leaving service	0.1
1.9		**1.9**

10. Management expenses

2020-21		2021-22
£m		£m
0.6	Administration expenses	0.7
8.2	Investment management expenses	9.8
0.3	Oversight and governance*	0.4
9.1		**10.9**

*Includes audit fees of £21,500 that have been charged to the Pension Fund (2020/21: £25,300). The 2021-22 audit will be carried out by our newly appointed auditor; Grant Thornton and the fee payable is estimated to be £35,000.

a. Investment management expenses

2020-21					2021-22			
Management Fees	Performance Related Fees	Transaction Costs	Total		Management Fees	Performance Related Fees	Transaction Costs	Total
£m	£m	£m	£m		£m	£m	£m	£m
0.7	0.0	0.0	0.7	Infrastructure funds	0.6	2.1	0.0	2.7
4.4	0.9	0.3	5.6	Pooled investments**	4.7	0.3	0.0	5.0
0.5	0.0	0.0	0.5	Pooled property investments	0.5	0.0	0.0	0.5
0.4	1.0	0.0	1.4	Private equity	0.4	1.2	0.0	1.6
6.0	**1.9**	**0.3**	**8.2**	**Total**	**6.2**	**3.6**	**0.0**	**9.8**

**Included £1.1m charged to the Pension Fund by the London CIV regional asset pool (£1.1m in 2020/21).

11. Income from investments

2020-21		2021-22
£m		£m
(0.8)	Infrastructure funds	(0.5)
(0.1)	Interest	(0.0)
(2.4)	Pooled property investments	(2.3)
(0.1)	Private equity	(1.2)
(3.4)	**Total**	**(4.0)**

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

12. Investments

Market Value 31-03-2021		Market Value 31-03-2022
£m		£m
	Investment assets	
	Pooled funds	
243.2	Diversified growth funds	257.3
562.4	Global equity	590.3
117.3	Multi asset credit	120.2
182.3	UK equities	197.2
1,105.2		**1,165.0**
	Other investments	
62.8	Infrastructure funds	68.7
88.2	Pooled property investments	101.1
38.0	Private equity funds	34.1
189.0		**203.9**
0.2	Investment income due	0.0
1,294.4	**Total investment assets**	**1,368.9**
	Long-term investments	
0.2	Equities	0.2
1,294.6	**Net investment assets**	**1,369.1**

a. *Reconciliation of movements in investments*

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

	Market Value 31-03-2021	Purchases During the Year	Sales During the Year	Change in Value	Market Value 31-03-2022
	£m	£m	£m	£m	£m
Infrastructure funds	62.8	0.3	(7.9)	13.5	68.7
Long-term investments	0.2	0.0	0.0	0.0	0.2
Pooled investments	1,105.2	121.6	(126.5)	64.7	1,165.0
Pooled property investments	88.2	6.6	(0.6)	6.9	101.1
Private equity funds	38.0	0.2	(12.8)	8.7	34.1
	1,294.4	**128.7**	**(147.8)**	**93.8**	**1,369.1**
Investment income due	0.2				0.0
Net investment assets	**1,294.6**				**1,369.1**

	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	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**

b. Investments analysed by fund manager

Market value 31-03-2021		Market value 31-03-2022
£m		£m
	Investments managed by the London CIV	
183.9	LCIV Global Alpha Growth Fund*	171.7
117.3	LCIV MAC Fund	0.0
0.0	LCIV Alternative Credit Fund*	120.2
0.2	London CIV	0.2
301.4		**292.1**
	Investments managed outside the London CIV	
58.7	Alternative assets	51.7
94.4	Artemis Institutional Equity Income Fund*	104.3
29.5	Aviva Lime Property Fund	32.6
140.9	C Worldwide Global Equities*	156.6
106.6	Harris Associates Global Equity Fund*	113.4
42.1	IFM Global Infrastructure (UK)	51.1
48.3	Lindsell Train UK Equity Fund	50.9
29.0	M&G UK Residential Property Fund	36.3
29.7	M&G Secured Property Income Fund	32.2
39.6	Liontrust UK Equity Fund	42.0
136.7	Pyrford Global Total Return Fund*	142.8
106.5	Ruffer Absolute Return Fund*	114.5
131.0	Veritas Global Focus Fund*	148.6
993.0		**1,077.0**
1,294.4	**Total**	**1,369.1**
0.2	Investment income due	0.0
1,294.6	**Net investment assets**	**1,369.1**

*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 2022.

	Assessed valuation range	Market value 31-03-2022	Value on increase	Value on decrease
	(+/-)	£m	£m	£m
Private equity funds	10%	34.1	37.5	30.7
Pooled property investments	10%	101.1	111.2	91.0
Infrastructure funds	10%	68.7	75.6	61.8
		203.9	**224.3**	**183.5**

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 2021					Values as at 31 March 2022			
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	62.8	62.8	Infrastructure funds	0.0	0.0	68.7	68.7
0.0	0.0	0.2	0.2	Long-term investments	0.0	0.0	0.2	0.2
0.0	1,105.2	0.0	1,105.2	Pooled investments	0.0	1,165.0	0.0	1,165.0
0.0	0.0	88.2	88.2	Pooled property investments	0.0	0.0	101.1	101.1
0.0	0.0	38.0	38.0	Private equity funds	0.0	0.0	34.1	34.1
0.0	**1,105.2**	**189.2**	**1,294.4**	**Total investment assets**	**0.0**	**1,165.0**	**204.1**	**1,369.1**
0.2	0.0	0.0	0.2	Investment income due	0.0	0.0	0.0	0.0
0.2	**1,105.2**	**189.2**	**1,294.6**	**Net investment assets**	**0.0**	**1,165.0**	**204.1**	**1,369.1**

b. Reconciliation of fair value measurements within level 3

The table below shows the movements in level 3 disclosures for 2021/22

Disclosures for level 3	Market value at 31-03-2021	Transfers into level 3	Transfers out of level 3	Purchases at cost	Sales	Unrealised gains / (losses)	Realised gains / (losses)	Market value at 31-03-2022
	£m	£m	£m	£m	£m	£m	£m	£m
Private equity	38.0	0.0	0.0	0.2	(12.8)	6.1	2.6	34.1
Pooled property investments	88.2	0.0	0.0	6.6	(0.6)	6.9	0.0	101.1
Infrastructure	62.8	0.0	0.0	0.3	(7.9)	11.4	2.1	68.7
Long term investment	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Total level 3	**189.2**	**0.0**	**0.0**	**7.1**	**(21.3)**	**24.4**	**4.7**	**204.1**

14. Financial Instruments

a. Classification of financial instruments

at 31 March 2021					at 31 March 2022			
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				
62.8	0.0	0.0	**62.8**	Infrastructure funds	68.7	0.0	0.0	**68.7**
0.0	0.2	0.0	**0.2**	Long-term investments	0.0	0.2	0.0	**0.2**
1,105.2	0.0	0.0	**1,105.2**	Pooled investments	1,165.0	0.0	0.0	**1,165.0**
88.2	0.0	0.0	**88.2**	Pooled property investments	101.1	0.0	0.0	**101.1**
38.0	0.0	0.0	**38.0**	Private equity funds	34.1	0.0	0.0	**34.1**
0.0	7.2	0.0	**7.2**	Cash	0.0	19.9	0.0	**19.9**
0.0	0.2	0.0	**0.2**	Investment income due	0.0	0.0	0.0	**0.0**
0.0	0.1	0.0	**0.1**	Other debtors*	0.0	0.0	0.0	**0.0**
1,294.2	**7.7**	**0.0**	**1,301.9**		**1,368.9**	**20.1**	**0.0**	**1,389.0**
				Financial liabilities				
0.0	0.0	(0.1)	**(0.1)**	Creditors*	0.0	0.0	(0.1)	**(0.1)**
1,294.2	**7.7**	**(0.1)**	**1,301.8**	**Total**	**1,368.9**	**20.1**	**(0.1)**	**1,388.9**

*The table above excludes debtors valued at £0.5m (31 March 2021: £0.1m) and creditors valued at £1.3m (31 March 2021: £0.8m) 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 below.

b. Net (Gains) and Losses on Financial Instruments

2020-21		**2021-22**
£m		£m
	Financial Assets	
279.9	Fair value through profit and loss	93.8
279.9		**93.8**

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 2022	Change	Value on increase	Value on decrease
	£m	%	£m	£m
Developed market global equities	745.6	18.9%	886.5	604.7
Emerging market global equities	42.1	28.6%	54.1	30.1
Diversified growth funds	257.3	11.8%	287.7	226.9
Multi asset credit	120.2	10.8%	133.2	107.2
UK property (proxy for residential property)	36.3	9.9%	39.9	32.7
Long lease UK property	64.8	16.5%	75.5	54.1
Private equity	34.1	24.8%	42.6	25.6
Unlisted infrastructure	68.7	16.2%	79.8	57.6
Total	**1,369.1**		**1,599.3**	**1,138.9**

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**

Interest rate risk

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

The Fund's indirect exposure to interest rate movements as at 31 March 2022 and 31 March 2021 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 2021	Change	Value on increase	Value on decrease	Assets exposed to interest rate risk	Value as at 31 March 2022	Change	Value on increase	Value on decrease
£m	%	£m	£m		£m	%	£m	£m
7.2		7.2	7.2	Cash and cash equivalents	19.9		19.9	19.9
231.5	1.00%	230.2	240.2	Bonds	245.9	1.00%	241.2	250.7
238.7		**237.4**	**247.4**	**Total**	**265.8**		**261.1**	**270.6**

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 2022			
	Value	Change	Value on increase	Value on decrease
	£m	%	£m	£m
United States Dollar	417.7	2.41%	427.8	407.6
Euro	123.2	1.54%	125.1	121.3
Japanese Yen	37.7	2.67%	38.7	36.7
Australian Dollar	31.1	2.32%	31.8	30.4
Swiss Franc	17.1	2.00%	17.4	16.8
Hong Kong Dollar	14.9	2.37%	15.3	14.5
Taiwanese Dollar	11.4	2.08%	11.6	11.2
Indian Rupee	10.7	3.11%	11.0	10.4
Swedish Krona	10.3	1.97%	10.5	10.1
Indonesian Rupiah	10.1	2.18%	10.3	9.9
Other overseas	57.1	1.85%	58.2	56.0
Overseas total	**741.3**		**757.7**	**724.9**
Sterling	627.8			
Net investment assets	**1,369.1**			

The table above summarises the position as at 31 March 2022, and the comparable position as at 31 March 2021 is shown below. The analysis uses historical currency volatility data sourced from the fund custodian, BNY Mellon.

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**			

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 2022, liquid investment assets were £1,165.0m representing 85% of total fund assets (£1,105.4m at 31 March 2021 representing 85% 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. A more recent valuation was undertaken as at 31 March 2022, and employer contribution rates resulting from this exercise will apply from 1 April 2023.

The main funding assumptions which follow were incorporated into the funding model used in the 31 March 2019 and the 31 March 2022 valuations (Consumer Price Inflation has been used as basis to reflect the actuarial assumption in real terms):

	March 2019		March 2022	
	% p.a.	% p.a.	Real % p.a.	Real % p.a.
Financial assumptions				
Discount rate	5.1	2.5	4.6	2.9
Retail Price Inflation	3.6	1.0	3.2	1.0
Consumer Price Inflation	2.6	-	2.9	-
Pension increases	2.6	-	2.9	-
Pay increases	3.6	1.0	3.9	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 and 31 March 2022.

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

Future assumed returns at 31 March 2022	Percentage of Fund	Return Assumption	Real (relative to CPI)
	%	%	%
Equities	55.0	6.9	5.2
Property and infrastructure	15.0	6.4	4.7
Absolute return fund - inflation plus 3.7%	30.0	4.9	3.2
Expenses (deduction)		(0.2)	(0.2)
Neutral estimate of discount rate based on long-term investment strategy		**6.0**	**4.3**
Prudence allowance		(1.4)	(1.4)
Discount rate		**4.6**	**2.9**

Demographic assumptions

The assumed life expectancy from age 65 is shown below for the 31 March 2019 valuation and 31 March 2022 valuation.

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

Life expectancy from age 65		31 March 2022
Retiring today	Male	21.0
	Female	23.5
Retiring in 20 years	Male	22.3
	Female	24.9

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

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Funding Position at Valuation date

The valuation at 31 March 2019 and 31 March 2022 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	March 2022
Past service liabilities	**£m**	**£m**
Active members	(383.7)	(448.0)
Deferred pensioners	(236.7)	(286.0)
Pensioners	(555.3)	(670.0)
Total	**(1,175.7)**	**(1,404.0)**
Assets	1,062.9	1,371.0
Deficit	**(112.8)**	**(35.0)**
Funding level	**90%**	**98%**

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

	March 2019	March 2019
	Contribution rate %	**Contribution rate %**
Future service funding rate	15.0	18.5
Past service adjustment	5.5	2.5
Total contribution rate	**20.5**	**21.0**

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. This deficit recovery plan was maintained at the 31 March 2022 valuation (i.e. the secondary rates established in 2022 aim to restore 100% funding over 11 years).

Whilst the Fund level contribution rate is now 21.0% 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%).

Following the 31 March 2022 valuation, most employers will continue to pay contribution rates of 21.0% for the three years commencing 1 April 2023 apart from the City Academy and the Multi Academy Trust (17.1%); the Museum of London (16.1%) and the London CIV (15.0%).

18. Funded Obligation of the Overall Pension Fund

31 March 2021		31 March 2022
£m		**£m**
(2,304.4)	Present Value of the defined benefit obligation*	(2,201.1)
1,301.1	Fair Value of Fund Assets (bid value)	1,388.1
(1,003.3)	Net Liability	**(812.9)**

*The present value of the funded obligation consists of £2,171.4m in respect of vested obligations and £29.6m in respect of non-vested obligations (2020/21: £2,262.4m and £42.0m respectively).

The above figures show the total net liability of the Fund as at 31 March 2022 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 2021		Assumptions	at 31 March 2022	
% p.a.	**Real % p.a.***		**% p.a.**	**Real % p.a.***
2.85	-	CPI increase	3.20	-
3.85	1.00	Salary increase	4.20	1.00
2.85	-	Pension increase	3.20	-
2.00	-	Discount Rate	2.60	-

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

Life expectancy from age 65		31 March 2021	31 March 2022
Retiring today	Males	21.6	21.0
	Female	24.3	23.5
Retiring in 20 years	Males	22.9	22.3
	Female	25.7	24.9

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 2022.

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 £19.9m at 31 March 2022 (£7.2m at 31 March 2021) and accruals for contributions of £0.5m (£0.2m at 31 March 2021).

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 2021		Market Value at 31 March 2022
£m		£m
2.1	Prudential	2.1
0.6	Standard Life Investments	0.6
0.2	Utmost Life and Pensions	0.1
2.9		2.8

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 2021/22 (2020/21: £0.44m).

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, the administering authority incurred salary expenses amounts to £0.6m (2020/21: £0.6m) which were recharged to the Pension Fund.

The Corporation is also the single largest employer of members of the Pension Fund and the employer contributions paid by it was £31.2m in 2021/22 (2020/21: £31.3m).

23. Key management personnel

The key management personnel of the Fund as at 31 March 2022 were the 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.

2020-21		2021-22
£m		£m
0.2	Short-term benefits	0.2
0.2		**0.2**

24. Contingent liabilities and contractual commitments

The Fund had external outstanding capital commitments relating to property amounting to £38.6m as at 31 March 2022 (31 March 2021: £0m), which are expected to be called down in the next 12-18 months. Further outstanding capital commitments at 31 March 2022 totalled £6.9m (31 March 2021: £8.0m). 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.

Accounting Policies

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

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 summarises the authority's transactions for the 2021-22 financial year and its position at the year end of 31 March 2022. The Statement of Accounts have been prepared on the base that the Corporation will remain a "going-concern" and will continue to operate in the foreseeable future. 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 2021-22 (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.

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 (except for infrastructure assets) 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.

For infrastructure assets, the provisions under The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 allow for the derecognition of replaced elements of infrastructure assets to be assumed to be at nil value. This provision has been utilised in forming the statement of accounts. In the event that a disposal proceed was received for an infrastructure asset, the accounting treatment described above would be utilised for this receipt.

(f) Depreciation

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

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

(g) Components

Assets other than Housing Revenue Account (HRA) Dwellings

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

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

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

HRA Dwellings

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

1.21. Fair value measurement

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

(a) In the principal market for the asset of 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 borough together the business rates generated across the 32 London Boroughs, the City Corporation and the GLA. The City of London has continued this role on 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.

Annual Governance Statement

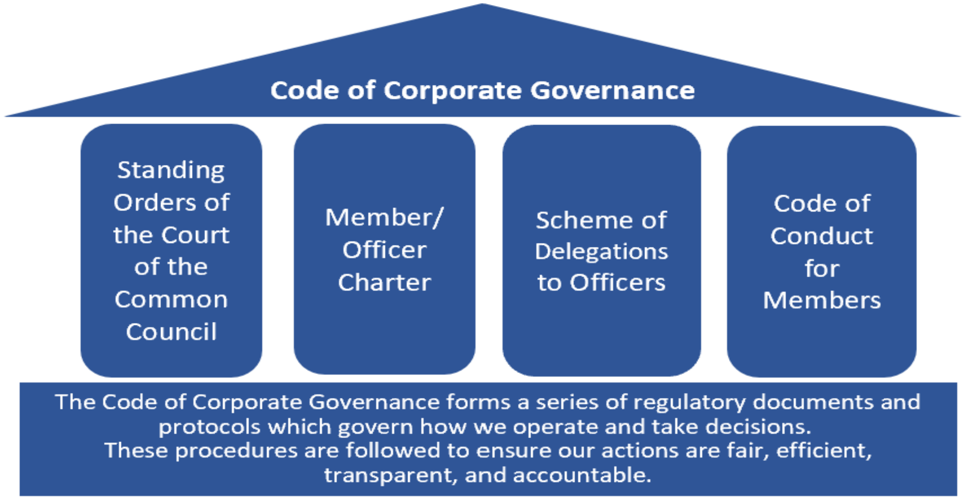
Executive Summary

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.*
2. 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.
3. 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.
4. **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.**

Page 327

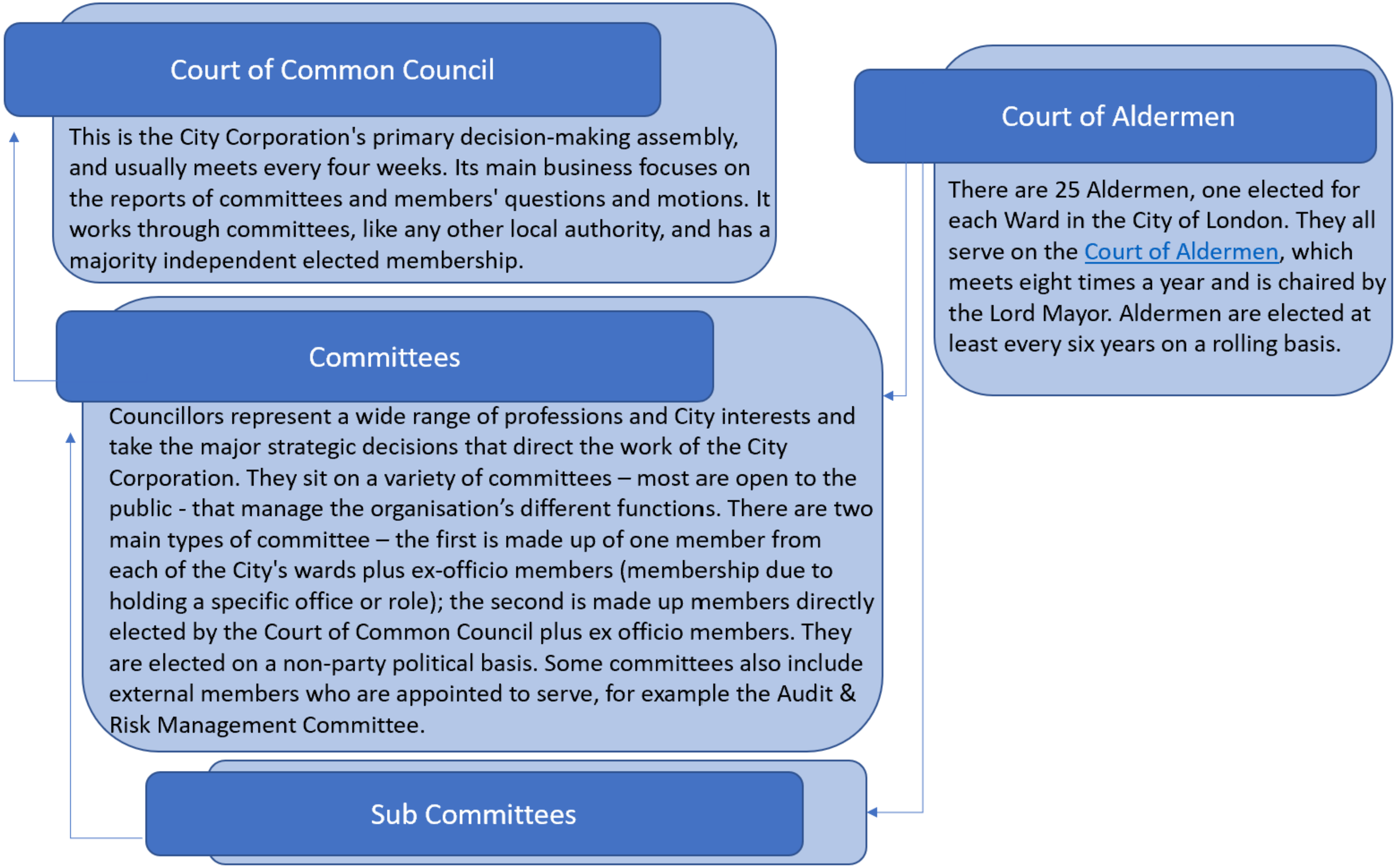
Code of Corporate Governance

5. 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 Corporations web pages at the following location: [Corporate Governance - City of London]



The [Standing Orders of the Court of the Common Council] outline how the court shall be run.
Our [Member/Officer Charter,] in conjunction with the City Corporation's Member and Employee codes of conduct, ensures that appropriate working relationships and mutual expectations are more clearly established and promoted between Members and Officers.
The Court of Common Council has agreed the principle that authority should be delegated to Chief Officers (and their nominated Deputies or Assistants) under the [Scheme of Delegations to Officers] for carrying out the day-to-day management of all services and for the discharge of specific statutory and non-statutory functions.
The [Code of Conduct for Members] states members shall have regard for the Seven Principles of Public Life: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

6. Our decision-making arrangements operate on a committee-based system whereby elected Members (Councillors) are appointed annually to serve on our many committees and sub committees. These committees, the principal governing body being the Court of Common Council, meet regularly throughout the year.



7. Key features of the City Corporation's Governance Framework include effective leadership, scrutiny and review, and robust decision making and risk management.

Key Elements of the Governance Framework

Members, Committees and Policy Chair

Provide leadership and set policy to maintain the City's global standing as a vibrant and thriving City, supporting a diverse and sustainable London within a globally successful UK

Scrutiny and Review

Committees scrutinize and review the City Corporation's policy, plans and performance:

- Audit and Risk Management Committee
- Efficiency and Performance Sub (Finance) Committee
- Finance Committee
- Policy and Resources Committee
- Police Authority Board
- Bridge House Estates Board

Risk Management

Corporate risks are considered quarterly by the Executive Leadership Board and reported to the Audit and Risk Management Committee

Decision making

Committee meetings are held in public and recordings are available on City of London Corporation – YouTube channel for up to one year

Decisions are recorded on the City Corporation website

Town Clerk and Chief Executive, Deputy Town Clerk and Chief Officers

The Town Clerk and Chief Executive is the Head of Paid Service and responsible for City Corporation staff and for leading the Chief Officer executive leadership team.

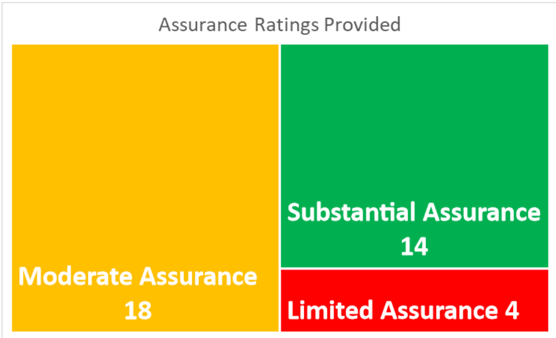
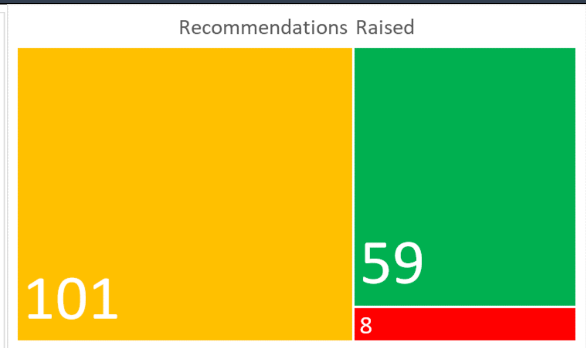
The Deputy Town Clerk is responsible for servicing meetings of the Court of Common Council and Court of Aldermen, their committees, sub-committees and working parties, acting as the Electoral Registration Office and being responsible for the City of London Corporation's Communications.

The Chamberlain and Chief Finance Officer is the City Corporation's s.151 Officer responsible for ensuring the City Corporation's financial position.

The Corporate Plan 2018-23

8. The City of London Corporation Corporate Plan 2018-23 provides the framework for the delivery of our services. We aim to contribute to a flourishing society, support a thriving economy and shape outstanding environments. Our annual Business Planning process is aligned to the Corporate Plan outcomes, with the objective of focusing the City Corporation's ambition, resources and performance on the achievement of twelve strategic outcomes. Development of the Corporate Plan 2025-30 is underway under the direction of the new Chief Strategy Officer, appointed in 2021.

Review of Effectiveness

Governance Key Performance Indicators	Outcome
Internal Audit Work: 38 Internal Audit reviews were completed in 2021/22, 50% of which resulted in a Moderate Assurance opinion, a small minority of Limited Assurance opinions were given with the remainder of areas reviewed receiving Substantial Assurance. A total of 168 recommendations were raised by Internal Audit, more than half of which were given an Amber priority rating, requiring prompt attention from Management. Less than 5% of recommendations raised were Red (critical) priority, all of which have been promptly resolved.	 
Fraud identification: proven fraudulent activities carried out by members or staff	None in 2021/22
Outcomes of investigations carried out by Monitoring Officer or Standards Committee	None in 2021/22
s151 formal issues raised	None in 2021/22
Local Government Ombudsman referrals (where upheld)	None in 2020/21 (update when the 2021/22 data is available)
Meeting statutory deadlines/targets as per Electoral Commission Performance Standards	Achieved
Freedom of Information and Environmental Information Regulations	2021: 95.5% of FOI and EIR requests responded to within the statutory compliance deadline. Information Commissioners Office target: 90% of FOIs responded to in time. Complaints received concerning request responses: 9% upheld, 13% partially upheld, 77% not upheld.

The Governance Review

9. 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 review was scrutinised by the Court of Common Council through regular Member Engagement Sessions; each aspect of the review and the Court's decision-making arrangements was explored in detail and views were sought on revising the committee structure and governance arrangements to be a more effective, efficient and relevant decision-making structure. Initially, up until 31 March 2021, consideration had 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 the now-named Competitiveness Advisory Board as well an Emergency Committee to provide Member oversight in emergency

situations in future. In December 2021, further changes were agreed upon by Court and full implementation of a revised structure will take place after the 2022 Ward elections. This will see a wholesale restructure of the Court's Committees, in line with the Review recommendations. Committees will then be responsible for enacting changes with respect to their sub-committees. There will still be ongoing development in some areas of governance, such the City's Planning and housing functions. The Court of Common Council has agreed to review all new Governance arrangements after two years, however, if any areas are identified as problematic, an urgent focused assessment will be conducted to recommend changes to the appropriate body. Work undertaken by Internal Audit during 2020/21 did not identify any material issues or weaknesses, though various recommendations have been made to improve governance arrangements within individual operational areas. These recommendations do not form part of the Annual Governance Statement action plan but remain within the oversight of Internal Audit and the Audit and Risk Management Committee.

Independent Panel

10. The review of the Standards regime resulted in the abolition of the previous Standards Committee and the Standards Appeal Committee and the creation of an Independent Panel. The new Panel comprises a diverse group of independent persons only appointed by the Court of Common Council following a transparent advertising and recruitment process. Its purpose is to receive allegations of misconduct, determine whether to investigate, consider the outcome of investigations and if necessary, hold a hearing and only appeal and present recommendations to the Court. The new regime involves a three-stage process, an assessment stage, a hearing stage and an appeal stage. The new Panel is also responsible for considering requests for dispensations. 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

11. Work had previously started on a Corporate Performance Framework (CPF) aiming to capture around 300 organisational performance indicators from data streams collated from across the organisation. This work was paused in Q2 2021 while the Corporate Strategy and Performance Team (CSPT) went through its Target Operating Model (TOM) review. Following the TOM restructure work remained on hold as a consequence of staff changes and recruitment, recommencing at the end of 2021, once the new Assistant Director for Corporate Performance & Analysis was in post. An informal review of existing CPF activity has been completed. Findings indicated that the original performance indicators identified may be of value to some areas of the organisation where they relate to specific work programmes. However, collectively they fall short of providing overarching strategic performance indicators for City Corporation. The Framework also lacked any way of delivering strategic oversight of organisational activity. Nor did the CPF provide a means of visualising organisational activity or progress over time. A shift towards performance indicators measuring outcomes – especially when these are specific, measurable, achievable,

relevant and timebound – and ways of visualising data to make it more accessible, and allow for increased analysis, is necessary to provide more depth to corporate understanding of performance and use this data to inform strategic decision making.

12. In late March 2022 a discussion took place on the CPF at the Executive Leadership Board. Agreement was reached that it was necessary to refocus previous activity in order to deliver a workable solution for the CPF. This iteration of the framework aims to be focussed on identifying ways of tracking relevant strategic outcomes, developing ways of using data that underpin this to visualise activity for City Corporation. The updated CPF will also be designed for continuous improvement, with ongoing feedback on content encouraged. This work is being developed in tandem with the new Corporate Plan so as to ensure alignment of performance and strategic plans – however, parts of the CPF will be available in 2022, in advance of the new plan.

Financial Management Arrangements

13. 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. CIPFA's 2010 Statement on the Role of the Chief Financial Officer in Local Government 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. Compliance with CIPFA's Financial Management Code has been reviewed and areas for action in relation to this have been determined.

14. The City Corporation culture is to maximise returns from its resources and seek value for money. It assesses the scope for improvements in efficiency/value for money 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. 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. 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.

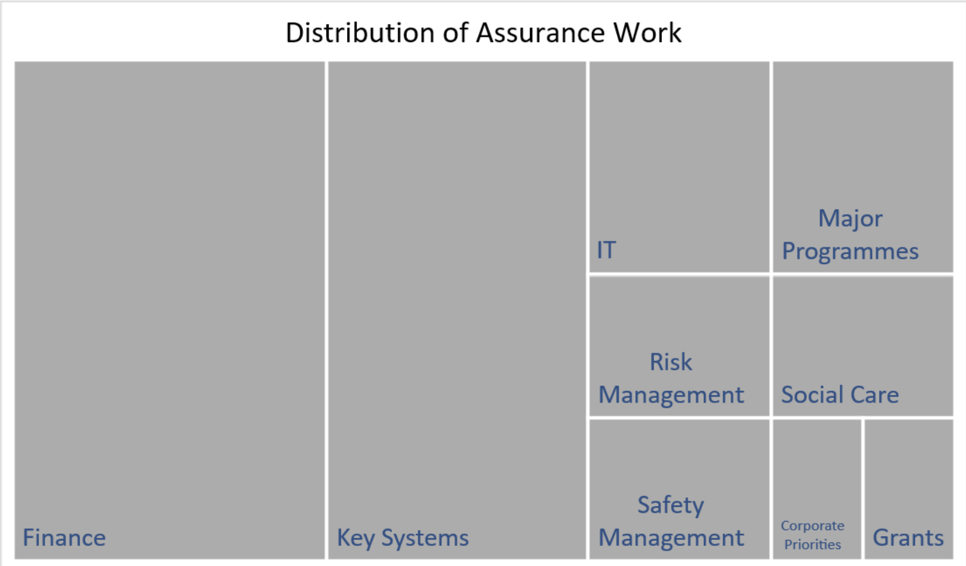
Risk Management

15. 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, through the Chief Officer Risk Management Group, 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.
16. 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 corporate risks on a rolling basis. The Committee also continued to operate the Informal Risk Challenge process, meeting with Chief Officers individually to evaluate their approach to managing risk within their operations.
17. An external Risk Management Health check was undertaken in 2021/22 which found that:

> "Overall, the Health Check review found that the City Corporation's risk management approach aligns with best practice, it strives for continuous improvement, recognising that there are always improvements that can be made to its effectiveness."

Role of Internal Audit

18. 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 continued impact of the Target Operating Model review, with work being reprioritised and rescheduled accordingly. The diagram below indicates the broad categorisation of assurance work within the Internal Audit programme of work and the key themes emerging from Audit findings:



Key themes emerging:

- Roles and Responsibilities (ambiguity)
- Compliance and Enforcement (2nd Line of Defence)
- Education and Awareness
- Poorly Defined Deliverables (and reporting against)
- Governance (accountability, ownership, structure,
- Lessons Learned

19. 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.

Audit and Risk Management Committee

20. The Audit & Risk Management Committee has a wide-ranging but focused brief that underpins the City of London Corporation's governance processes. It 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.

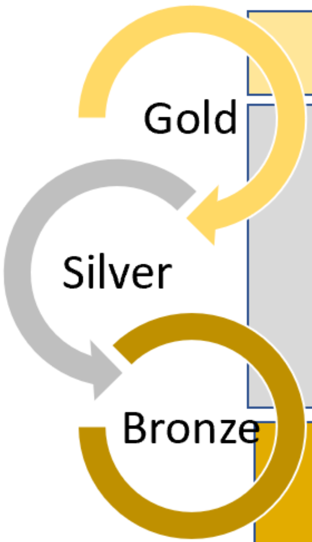
Headline outcomes for the year include:

- 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

COVID-19

21. 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 as we enter a new period post the pandemic emergency.
22. The introduction of temporary emergency measures enabled formal decision-making meetings to be undertaken 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. 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. Decisions taken in this manner usually involves consultation with just the Chairman and Deputy Chairman of a committee, but the process was extended so all Members of a committee had the opportunity to comment before a decision was taken. The arrangements were lifted but temporarily re-imposed from 16 December 2021 to 27 January 2022 due to the Omicron outbreak.
23. 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 Audit and Risk Management Committee received detail of all the COVID-19 risks.



A City Corporation-wide Gold group had been established at the start of the pandemic to oversee the response across all its areas.

A Silver group was established in Community and Children's Services, chaired by the Director of Community and Children's Services, comprising the Department Leadership Team and relevant external stakeholders such as Health Colleagues and the voluntary and community sector. Meeting weekly throughout lockdown periods and when there were significant pandemic pressures, the group was responsible for identifying vulnerable groups and the mobilisation of critical support including the safeguarding of adults and children. Assistant Director of People's Services was the responsible lead for ensuring that access to social care and rough sleeping services were maintained. Assistant Director for Commissioning and Partnerships was responsible for maintaining our commissioned services and flexing these up where necessary.

A bronze group of Service Managers, chaired by the Assistant Director, Housing and Barbican, was established and brought together working knowledge of the impact of the pandemic on residents and services, proposed responses to this and raised any risks in maintaining services for vulnerable people to the Silver group.

24. Throughout the period, the City Corporation ensured that access to services was maintained for vulnerable people and that additional support was provided where required.
25. Since March 2020, the City has been delivering a range of Grant support to City Businesses, primarily focussed on the Retail, Hospitality and Leisure Sectors, on behalf of Central Government. The City's own City Business Support Grant scheme has delivered around £15m to SME Retail, Hospitality and Leisure businesses.

26. The City's Business Rate Enhanced Retail and Hospitality Relief scheme, gave 100% relief from business rates to businesses in these sectors in the first three months of 2021/22 financial year, followed by a 66% reduction for the remainder of the year.

Electoral arrangements

27. The City Corporation administers electoral registration and elections in the City of London and maintains a database of organisations and individuals in the City of London who are eligible to register to vote. Three separate registers are maintained: the Common Hall Register of Liverymen, the Ward Lists and the Electoral Register. Information on the electoral process and how to vote is published on the City Corporation website. 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. Sheriffs support the Lord Mayor in their official duties undertaken on behalf of the City Corporation.
28. City-wide elections due to be held in 2021 were delayed to March 2022. The COVID-19 pandemic had impacted on Ward List voter registration, businesses and workers were not present in the City, and it was uncertain whether it would be possible for the City of London Corporation to physically arrange and hold elections. At the time of making this decision to alter the electoral term for serving Members it was both unknown and unpredictable how long or far reaching the impacts of the pandemic would be on the city and its citizens. Delays to elections are rare and only happen in exceptional circumstances; this unusual and difficult decision was not taken lightly and it was the first time it had happened since the time of World War II. T, which illustrates how fundamental the City of London Corporation regarded it to be. Other governance changes were made due to the impacts of the pandemic to permit Alderman to continue to serve until the age of 75 and for the incumbent Lord Mayor to extend his 1 year term by 12 months.
29. A campaign to improve the voter statistics for the City, and a dedicated Speak for the City website that enabled voter registrations and provided information on how to stand as a candidate, meant workers and residents who were entitled to vote in the March 2022 election were not disenfranchised because of the effects of the pandemic. The City's electoral register for the March 2022 elections stood at its highest level for seven years with almost 20,000 voters, up nearly 50% on the previous year. 38 new members and 62 returning members were elected to the Court of Common Council. Of these, 32 were women – an increase of eight on the figure from 2017 (24). More than half of new candidates were either women or people from black, Asian or minority ethnic backgrounds. Aldermanic elections will resume after the publication of the Ward Lists in 2022.

Equality Diversity & Inclusion

30. Equality, Diversity & Inclusion (EDI) needs continued to gain increased prominence and recognition in the Corporation. The Tackling Racism Taskforce proposed 35 recommendations including on tackling historical issues such as statues and landmarks, that the City Corporation implemented to promote economical, educational, and social inclusion, and put diversity and inclusivity front and centre in everything it does, from staffing and governance arrangements to its family of schools, the City of London Police and its close relationship with the City's financial and professional services sector. The Corporation worked closely with Barbican Centre to respond to the publication of Barbican Stories, acting quickly to put in place an External Review by employment and equality law specialist Lewis Silkin LLP, and a HR Audit of working practices at the Barbican and beyond. The Barbican EDI Plan was updated and a dedicated Interim Director of Equity, Inclusion and Diversity was appointed. The Nominations, Effectiveness and Inclusions Committee oversees the Barbican Centre's EDI policies. In November 2021, funding of a small but focussed team to support the City Corporation's Head of Equality, Diversity & Inclusion (EDI) was agreed. The dedicated EDI function will provide access to professional expertise and specialist knowledge in the areas of Leadership, Culture, Line management, Behaviours, Career progression, Policies and practices, Customer satisfaction and Supply chain involvement. It will also be critical to the City Corporation in ensuring it meets its requirements under the Equality Act 2010. Executive Leadership Board approval was given to establish a pool of EDI reps in the organisation who will assist the City Corporation in meeting its requirements on EDI.

31. The City Corporation continued its upward progress in the Social Mobility Employer Index, moving up 10 places in 2021 to rank 40th in the national league table of organisations which work to attract and progress talent from a wide range of backgrounds. The City Corporation continued to lead the Government-commissioned Socio-Economic Diversity Taskforce, which has over 100 employers represented across UK financial and professional services. The City Corporation has identified some newly emerging recruitment and retention challenges that are related to the impacts of the pandemic, and that are also being widely experienced by other sectors, and its Target Operating Model implementation. Action to mitigate this is being taken forward by Chief Officers.

Target Operating Model

31. Implementation of a new Target Operating Model (TOM) for the Corporation was taken forward in 2021/22 to align activity and resources and build competence and capability to better enable the organisation to achieve Corporate Plan outcomes and drive competitiveness in the sectors where it operates. TOM Programme Office oversight of five workstreams - Tier 1 Restructure / Talent & Leadership, Organisational Design, Enabling Functions, Ways of Working, Institutions, and Behaviours & Culture - came to an end in March 2022 with oversight transferring to the Chief Strategy Officer. Effective governance was provided by the Design Advisory Board, TOM Steering Group, and Establishment Committee. All departments and institutions produced Committee proposals to align their structures with the TOM Organisational Design principles. The approved proposals mean that the financial target of the TOM has been met. Success measures and metrics are being developed for the Target Operating Model whilst Departments continue to seek agreement to implement further phases of change, and transition to business as usual. A post implementation Review will be undertaken in 2023.

Afghanistan

32. In September 2021 the City Corporation was informed that the government had secured two “bridging hotels” in the Square Mile to provide temporary homes to families evacuated from Afghanistan. The urgency with which this operation was delivered meant there was little early clarity in terms of the host local authority’s responsibilities or role. Early in the placement of these families the government asked the City Corporation to provide “wrap around” support. The support aims to ensure families health and welfare needs are being met, that people are safe, that children and young people get school and college places, and families can access to health, welfare benefits and other support. The delivery of this role was supported by government funding to the City Corporation. A Gold group established at the outset period to provide leadership and decision making to secure immediate resource and delivery was replaced by a humanitarian assistance working group chaired by the Executive Director – Community and Children’s Services. It brought together internal and external stakeholders to provide co-ordination and accountability. It is supported by an operations group. The department’s Head of Finance and two Assistant Directors form a finance group to assess and approve requests for funding to deliver services and ensure funding is used effectively and in line with the guidance of government. A policing group meets to review incidents and intelligence to ensure guests remain safe. The City Corporation also participates in London Councils’ Afghan Bridging Hotels group, where all London authorities hosting bridging hotels convene to identify common issues and share information

Ukraine

33. Following the Russian Invasion of Ukraine the UK has imposed a range of sanctions on Russia in addition to those which have been in place since 2020. A Gold Group chaired by the Chief Operating Officer was put in place in March 2022 to ensure that the City Corporation is compliant. The City Corporation’s City Bridge Trust is also helping Ukrainian refugees receive a warm and safe welcome.

Accountability and Action Plans

34. Progress has been taken to taken to address key governance issues identified in the Annual Governance Statement 2020-21:

Issue identified	Action Taken	Outcome
Work to further develop, refine, implement and embed a Corporate Performance Framework will resume once a team is in place (initiated in Nov 2021). 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.	Recruitment action was successfully completed through the end of 2021/22, enabling a review of the Corporate Performance Framework to be undertaken. Work on the CPF remains ongoing, with the future approach having been agreed by the Executive Leadership Board in March 2022.	Ongoing
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.	Included as a regular item in the Executive Leadership Board Forward Plan for 2022.	✓
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.	Officer governance and the route whereby issues can be escalated through the reshaped Senior Leaders Forum and Executive Leadership Board is included on the City Corporation intranet.	✓
Review of the decision-making process to be carried out to create more sustainable decision-making processes using hybrid meetings.	The Court of Common Council has agreed to review all new Governance arrangements after two years.	✓
Further consideration of the findings of the Lisvane review and implementation of recommendations as appropriate.	The Court of Common Council considered each aspect of the review, and changes agreed in December 2021, will see a revised committee structure put in place after the 2022 Ward elections. An Independent Panel, a Competitiveness Advisory Board and an Emergency Committee have been implemented.	✓
Risk management maturity exercise to be undertaken.	An external Risk Management Review by Risk Management Partners (RMP) in mid-2021 provided assurance to Executive Leadership Board and to the Audit and Risk Management Committee as to the effectiveness of risk management arrangements.	✓

35. The City Corporation proposes over the coming year to take the following actions to address these key governance issues:

- Refining the Corporation's annual Business Planning Process, to ensure the development of the City of London Corporation Corporate Plan 2025-30

  Lead:
  Chief Strategy Officer

- A redesign of the Corporate Performance Framework so it aligns to the development of the City of London Corporation Corporate Plan 2025-30

  Lead:
  Chief Strategy Officer

- Further work on developing new Corporate Risks

  Lead:
  Chief Strategy Officer

- Continuing to strengthen Equality, Diversity & Inclusion

  Lead:
  Chief Operating Officer

- Establishing the agreed new Committee Structure and governance arrangements to conclude the implementation of the Lisvane Review

  Lead:
  Deputy Town Clerk

- Ensure compliance with the CIPFA Financial Management Code

  Lead:
  The Chamberlain and Chief Finance Officer

- Ensuring new Operating Model transition to business as usual and providing an assessment of its effectiveness via a Continuous Improvement and Review process.

  Lead:
  Chief Strategy Officer

36. This annual governance statement was approved by the City Corporation's Audit and Risk Management Committee on 12th July 2022.

John Barradell
Town Clerk and Chief Executive
Date: 12 July 2022

Christopher Hayward
Chair, Policy and Resources Committee
Date: 12 July 2022

Further Information

City's Cash	The existence of City's Cash can be traced back to the fifteenth century and it has built up from a combination of properties, lands, bequests and transfers under statute since that time. It is accounted for separately and does not form part of the City Fund statements, although references are made to City's Cash in certain parts of the statements. The fund is now used to finance activities mainly for the benefit of London as a whole but also of relevance nationwide. These services include the work of the Lord Mayor in promoting UK trade overseas, numerous green spaces and work in surrounding boroughs supporting education, training and employment opportunities.
Creditors	Individuals or organisations to which the City Fund owes money at the end of the financial year.
Collection Fund	Statutory account showing transactions in relation to the collection of Council Tax, payments to the Greater London Authority and the administration of the National Non-Domestic Rate.
Community assets	Assets that the City of London intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and gardens or historic buildings.
Current asset	An asset which will be consumed or cease to have value within the next accounting period; examples are stock and debtors.
Current liability	An amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.
Current service cost (pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
Curtailment (pensions)	For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include: • termination of employees' services earlier than expected, for example as a result of discontinuing an activity, and • termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.
Debtors	Individuals or organisations that owe the City Fund money at the end of the financial year.
Deferred capital receipts	These result mainly from loans to the Museum of London plus outstanding loans in respect of past sales of council dwellings to tenants who were unable to obtain a building society loan or other external means of financing. Their indebtedness is reflected in the balance sheet under long term debtors. This account shows the amount to be paid on deferred terms and is reduced each year by repayments made.

Defined benefit scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme 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	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to: • the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.
Provision	An amount set aside in the accounts for liabilities of uncertain timing or amount that have been incurred. Provisions are made when: • the City of London has a present obligation (legal or constructive) as a result of a past event; • it is probable that a transfer of economic benefits will be required to settle the obligation; and • a reliable estimate can be made of the amount of the obligation.

Reserves	Reserves are reported in two categories in the Balance Sheet of local authorities: • Usable reserves - surpluses of income over expenditure and amounts set aside outside the definition of a provision and which can be applied to the provision of services. Certain reserves are allocated for specific purposes and are described as earmarked reserves. • Unusable reserves - those that cannot be used to provide services. This category of reserves include adjustment accounts which deal with situations where statutory requirements result in income and expenditure being recognised against the City Fund or HRA balance on a different basis from that expected by accounting standards.
Revaluation Reserve	Represents increases in valuations of assets since 1 April less amounts written off due to the 'additional depreciation' (including impairment due to consumption of economic benefit) arising because property, plant and equipment are carried at a revalued amount rather than historic cost. It can also include reductions in values to investment properties where the reductions are not considered to be permanent.
Revenue expenditure	The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, repairs, maintenance and supplies.
Revenue expenditure funded from capital under statute	Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to revenue and impact on council tax. These items are generally grant payments and expenditure on property not owned by the authority.
Scheme liabilities	The liabilities of a defined benefits pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.
Section 106 agreement	A legal agreement between Local Authorities and developers; these are linked to planning permissions and can also be known as planning obligations.
Section 278 agreement	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.

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

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTES TO THE COLLECTION FUND

NOTES TO THE CITY OF LONDON PENSION FUND

Grant Thornton

The Audit Findings Report City of London Pension Fund

Year ended 31 March 2022

October 2023

Page 349

Contents

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Page 350

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of City of London Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

Page 351

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed on site/remotely during November 2022 – February 2023. Our findings are summarised on pages 4 to 12. We have identified no adjustments to the financial statements that have resulted in an adjustment to the Pension Fund's reported financial position. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- completion of the 2020/21 financial statements audit by your predecessor auditor and our review of their workpapers;
- receipt of management representation letter;
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

Note this report was issued in March 2023 at the Audit and Risk Management Committee changes to the report are identified in blue text for ease of review. Note there has been one change to the report since March. This relates to the Actuarial disclosures which have materially changed. The reason for this change is that due to the audit ongoing until after the latest triennial valuation, as required by the auditing standards we required management to assess if this data should be used to revalue the liability at the 31st March 2022. As this led to material changes in the financial statements this was required to be updated. This change led us to undertaking further work in reviewing the updated Actuarial reports and testing the data's accuracy that was used in the triennial review.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be discussed with the Audit and Risk Management Committee .

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the completion of the following items:

- completion of the 2020/21 financial statements audit by your predecessor auditor and our review of their workpapers;
- receipt of management representation letter;
- review of the Annual report; and
- review of the final set of financial statements.
- consideration of any post balance sheet events that arise prior to the sign off date.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

Page 353

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 16 January 2023.

We detail in the table below our determination of materiality for City of London Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	13,881,000	This represents 1% of the Net Assets reported at 31 March 2022.
Performance materiality	9,716,700	This represents 70% of the Materiality threshold above.
Trivial matters	694,000	This represents 5% of the overall materiality.

2. Financial Statements - Significant Matters

Significant Matter	Commentary
Pension Triennial valuation Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. These valuations also provide updated information for the net pension liability on employer balance sheets. We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample of this data and found the source data to be complete and accurate/or include a summary of findings. This additional testing is only required after each triennial review, rather than annually. This has resulted in additional work in the 2021-22 Pension Fund audit on both the updated IAS 26 report, the data used and the key assumptions within the report.	We have: • Reviewed the updated IAS 26 report. • Using our expert tested the key assumptions within the report. • Sample tested the completeness and accuracy of the data used in the triennial report. • Tested the relevant disclosures within the accounts regarding the updated valuation. We have not identified any issues regarding the updated disclosures and report from our work, however, this did lead to additional work on this area. This is a national issue and we have determined a fee increase of £6k for all Pension Fund audits for the work related to this.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.	We have: • Evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determine the criteria for selecting high risk unusual journals. • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our work has not identified any issues except for the ongoing control deficiency identified in 2021/22 financial statements audit by the predecessor auditor. Our work is now complete and we have no other items to bring to your attention regarding this matter,

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 investments You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date. By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £189m) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. We therefore have identified Valuation of Level 3 Investments as a significant risk.	We have: • evaluated management's processes for valuing Level 3 investments and gain an understanding over the role of the custodian in the valuation process; • reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • independently requested year-end confirmations from investment managers and the custodian; • for the private equity (£34.1m) and infrastructure funds (£68.7m), obtained audited financial statements for the investments as at 31 December 2021 and we have reconciled any cash movements between the intervening period to 31 March 2022. 89% of the private equity funds and 100% of the infrastructure funds were tested; • performed additional testing for the full pooled property investments (£101.1m) by using indices obtained externally to benchmark against those used by the Fund Manager. The indices reports we have used are from Gerald Eve and from the GT Real Estates Team. • evaluated the competence, capabilities and objectivity of the valuation expert; and • review investment manager service auditor report on design and operating effectiveness of internal controls. Our audit work has not identified any issues in respect of the valuation of Level 3 investments.

Page 356

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £1,165m	The Pension Fund have investments in pooled funds that in total are valued on the balance sheet as at 31 March 2022 at £1,165m, which is an increase of £60m from 2020/21. The underlying investments are traded on an open exchange/market although the pooled valuation of the investment is subjective. The Fund obtains valuations from the fund manager and custodian to ensure that valuations are materially fairly stated.	From the procedures undertaken: • We have reviewed the estimation process for the Level 2 investments and are satisfied that these are in line with industry standards. • We have compared the valuations provided by the fund managers with the custodian and are satisfied that there are no significant differences in the valuations. • We have reviewed the accounting policies and valuation techniques stipulated within the financial statements and these are in line with expectations. Our audit work has not identified any issues in respect of the valuation of Level 2 investments.	Light purple

Page 357

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £203.9m	The Pension Fund has investments in the following: • Infrastructure funds that in total are valued on the balance sheet as at 31 March 2022 at £68.7m; • Private equity funds that in total are valued on the balance sheet as at 31 March 2022 at £34.1m; and • Pooled property investments that in total are valued on the balance sheet as at 31 March 2022 at £101.1m; Management have reviewed the year end valuations provided by the Fund Managers and have treated them as management experts. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. The value of the investment has increased by £14.9m from 2020/21, largely due to the increase in Pooled property investments by £12.9m in year.	From the procedures undertaken: • We have deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments. • We have obtained audited accounts for all Infrastructure and Private Equity funds and are satisfied that the movements between 31 December 2021 and 31 March 2022 are reconciled to appropriate and known movements in the intervening period. • We have performed additional testing for pooled property investments by using indices obtained externally to benchmark against those used by the Fund Manager. • We are satisfied that the method, data and assumptions used by management to derive the accounting estimate is appropriate. • We are satisfied that the disclosure of the estimate in the Fund's financial statements is sufficient. • We have reviewed the accounting policies and valuation techniques stipulated within the financial statements and these are in line with expectations. Our audit work has not identified any issues in respect of the valuation of Level 3 investments.	Light Purple

Page 358

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Risk Management Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Pension Fund to be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to your custodian, fund managers and banks. This permission was granted and the requests were sent.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements subject to review of the senior management.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

Our responsibility

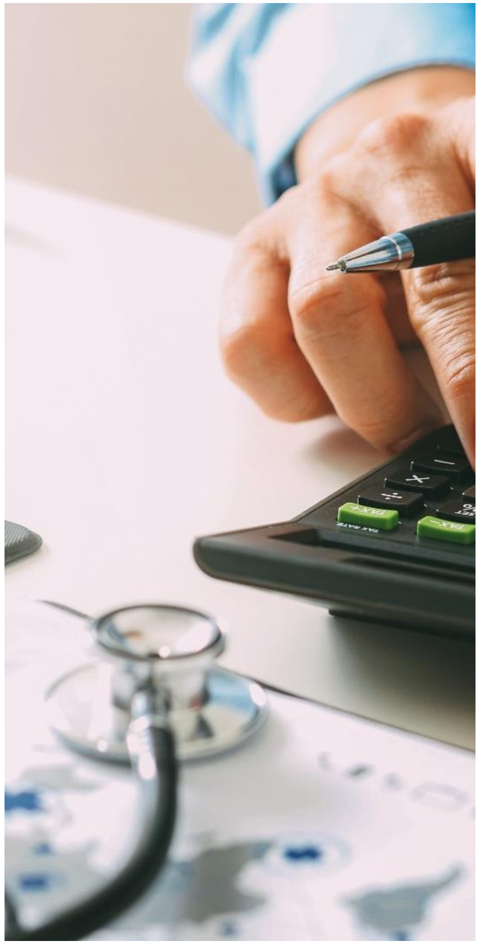
As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Page 360

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We expect to issue our 'consistency' opinion on the Pension Funds Annual Report alongside the opinion of the financial statements.



Page 361

3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

3. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified which were charged from the beginning of the financial year to February 2023 as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Non-audit Related			
IAS19 Assurance letters for Admitted Bodies	7,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,000 in comparison to the total fee for the audit of £35,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Risk Management Committee. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 4 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Timeliness of revocation of user access in Oracle EBS. For a sampled leaver in Oracle EBS, it was identified that their access to the system was revoked six days after their termination date. Additional procedures verified that the user had not accessed the system since their termination date. Risk Where system access for leavers is not disabled in a timely manner, there is a risk that former employees will continue to have access and can process erroneous or unauthorised access transactions. There is also a risk that these accounts may be misused by current system users to circumvent internal controls.	It is recommended that for all leavers, logical access to Oracle EBS is disabled on their leave date. Where this is not possible, access should be disabled no later than the next working day. This will help prevent unauthorised access to the network, applications and underlying data. **Management response** The Oracle Team currently receive a weekly leavers list from HR - the leavers on the HR report have to be compared to a list of Oracle users, in order to identify which leavers have an Oracle user account that requires action. This list is actioned on the same day as it is received - leavers' responsibilities are removed to prevent them from using Oracle until their user account can be closed, during which time only their Worklist remains accessible which shows notifications such as approvals for Requisitions/POs, unmatched Aps and AP Invoice Price Variances. If we are made aware (by other means) that a person is due to leave in the future, we place a future end date on their responsibilities. The closing of the user account itself necessarily takes longer as there are a number of steps, starting with the employee account, that have to be made before the user account can be closed. The processing of a daily HR leavers list would be quite onerous and the removal of responsibilities largely mitigates the risk until the user account can be closed.

Page 365

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	Management of generic database administrator accounts. Whilst the passwords for privileged generic accounts for both the Oracle EBS application and supporting Oracle database are held in a KeePass password manager, we were unable to verify whether access to the password manager is restricted to the DBA team as it is held in a shared network drive. Risk Without effective restriction of access to the passwords for privileged generic accounts, the misuse of such accounts could result in financial data being changed or deleted without authorisation, impacting on its completeness and accuracy	Management should implement suitable controls to restrict access to the KeePass password manager. This could be through limiting access (i.e. a specific network folder or SharePoint site) to the KeePass password manager to only authorised members of the DBA team. Management response The password database is itself password protected so regardless of where it lives on the network only persons who know the password (the current 3 dbas) have the ability to open it. The password database has now been moved to the DBA SharePoint site..

Page 366

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

The predecessor auditor identified the following issues in the audit of City of London Pension Fund's 2020/21 financial statements, which resulted in 4 recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and note 1 is still to be completed. Our work on the other two open recommendations are ongoing and as such, we are not able to conclude on this.

Page 367

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Journals authorisation The predecessor auditor has identified that there is no evidence is retained in the management's review of journals.	As part of our journals testing, we have determined that this is not resolved, and we recommend that management implement a control where all journals over £100k are sent over approvals and the approval logs are reviewed on a frequent basis. This control should also be documented to ensure a clear audit trail.
✓	Bank Reconciliation The prior year ISA 260 report (unsigned version) includes the following deficiency on the Pension Fund's bank reconciliation process. There is an unexplained £15 in the bank reconciliation at year end. Bank reconciliation is a key control for good financial governance. All reconciling differences should be investigated in a timely manner.	This issue has been addressed by management and no longer applies.
✓	Oracle EBS - CBIS – IT General Controls The prior year ISA 260 report (unsigned version) includes 7 deficiencies in relation to the Oracle EBS – CBIS identified as part of the IT General Controls work.	We have engaged Grant Thornton's IT audit team to complete a review of the Oracle EBS system and their findings are listed within pages 17 to 18.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Page 368

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Issue Identified	Adjusted?
Management and Financial Performance Report	Scheme administration report paragraph states that there are 4,6729 active members. This should read 4,729 to be consistent with Note 1.	✓
Management expenses	Disclosure includes audit fees of £21,500 that have been charged to the Pension Fund, with the fee relating to 20/21 audit. Per the CIPFA code, the Pension Fund is required to accrue for the audit fee (par 3.4.4.1.7). This would be the audit fee per the audit plan of £35,000 for 2021/22.	✓
Actuarial disclosures – note 17 and 18	Note 17 has been updated to reflect the assumptions and figures coming out of the updated triennial valuation report. Note 18 which states the overall liability has been updated for the key assumptions and overall liability figure in the same way. This updated valuation did not lead to any change in the asset value but did lead to the present value of the defined obligation decreasing from £2,292.7m to £2,201.1m, a £92.6m decrease in the gross liability. We note this note was not inappropriately stated in the draft accounts but has been updated to reflect more accurate information coming available during the audit period. From our work we are satisfied the updated balances are appropriate, the data used in the triennial valuation is accurate and the note has been updated appropriately to reflect the changes identified.	✓

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Proposed Final fee
Pension Fund Audit	£35,000	£41,000
Total audit fees (excluding VAT)	**£35,000**	**£41,000**

Page 369

The reason for the fee increase is the additional work required on the triennial Pension Valuation. This meant we had to test the triennial data used and also recomplete our work on the Actuarial disclosures with the updated figures.

Non-audit fees for other services	Proposed fee	Final fee
IAS19 Assurance letters for Admitted Bodies	£7,000	£7,000
Total non-audit fees (excluding VAT)	**£7,000**	**£7,000**

Grant Thornton

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THE CITY OF LONDON CORPORATION

Statement of Accounts for the City Fund Year Ended 31 March 2023

Contents

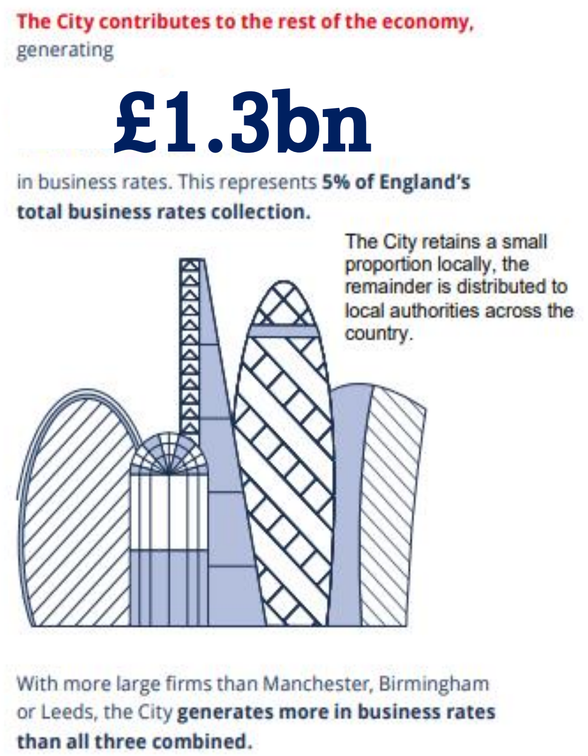
Preface

AN INTRODUCTION TO THE CITY OF LONDON CORPORATION

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

The City Corporation 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, we have a high daytime population in the Square Mile, which is up to 550,000 workers daily.



CORPORATE STRATEGY

The City of London Corporation's Corporate Plan provides the strategic framework for the delivery of our services. A five-year Corporate Plan 2024-29 is in the process of being developed, to start in April 2024.

Corporate Plan 2018-23 has three aims which will continue through 2024 to contribute to a flourishing society, support a thriving economy and shape outstanding environments - which in turn are broken down into 12 outcomes (shown below).

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.

Our Corporate Plan provides the 'golden thread' enabling us to align everything we do to one or more elements of the Plan. Our corporate strategies, service level business plans, team plans and staff appraisal forms link to the aims and outcomes we have identified.

We aim to nurture a thriving, sustainable and connected city for all people who live, work, study and visit here. Some of our priorities and strategies that help deliver this ambition are:

- As a signatory to the **UN Global Compact,** the City of London Corporation supports the UN Sustainable Development Goals (SDGs). An **Ethical Policy Statement** sets out our commitment to treating people fairly, being transparent and honest, respecting human rights and the environment and complying with the law and regulation.
- The City of London Corporation aspires to be one of the most inclusive employers in the UK and an employer of choice. Its dedicated **Equality Diversity and Inclusion** (**EDI)** function covers workforce, service delivery, elected Member diversity, social mobility and other strategic EDI priorities. The **Social Mobility Strategy 2018-28:** aims to bridge and reduce 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.
- The new local plan, called **City Plan 2040,** and an **Infrastructure Strategy,** in development, will set out the City of London Corporation's vision, developed with stakeholder input, for how the Square Mile will develop and change up to 2040, and the utilities infrastructure it needs.
- **Transport Strategy 2019-2044:** provides a 25-year framework for future investment in and management of the City's streets, as well as measure to reduce the social, economic and environmental impact of motor traffic and congestion.
- **Destination City:** drives the Square Mile's recovery from the pandemic, enhancing its vibrancy, revitalising its streets, reinvigorating its businesses, and boosting its attractiveness to talent.
- **Climate Action Strategy 2020-2027:** commits the City of London Corporation to net zero emissions in its operations by 2027 and encourages others across the Square Mile to follow its lead by 2040.
- **Competitiveness Strategy 2021-2025:** aims to strengthen the UK's competitiveness as the world's leading global hub for Finance and Professional Services (FPS) to support a thriving economy.
- **Helping start-up businesses and SMEs** in the City through our Small Business Research & Enterprise Centre**.** A SME Strategy, in development, will aim to further strengthen the SME ecosystem and connect small businesses and institutions working with SMEs across the City.
- **Engagement with Residents and stakeholders:** a concerted campaign to ensure that we can reach more of our residents more easily, irrespective of where they live, with 8 resident meetings held each year, and wider activities to promote resident engagement.
- A new **People Strategy** for the City of London Corporation**,** will ensure that it can attract, develop and retain dedicated, capable and dynamic people, who work to deliver its Corporate Plan outcomes.

OUR FUNDING STRUCTURE

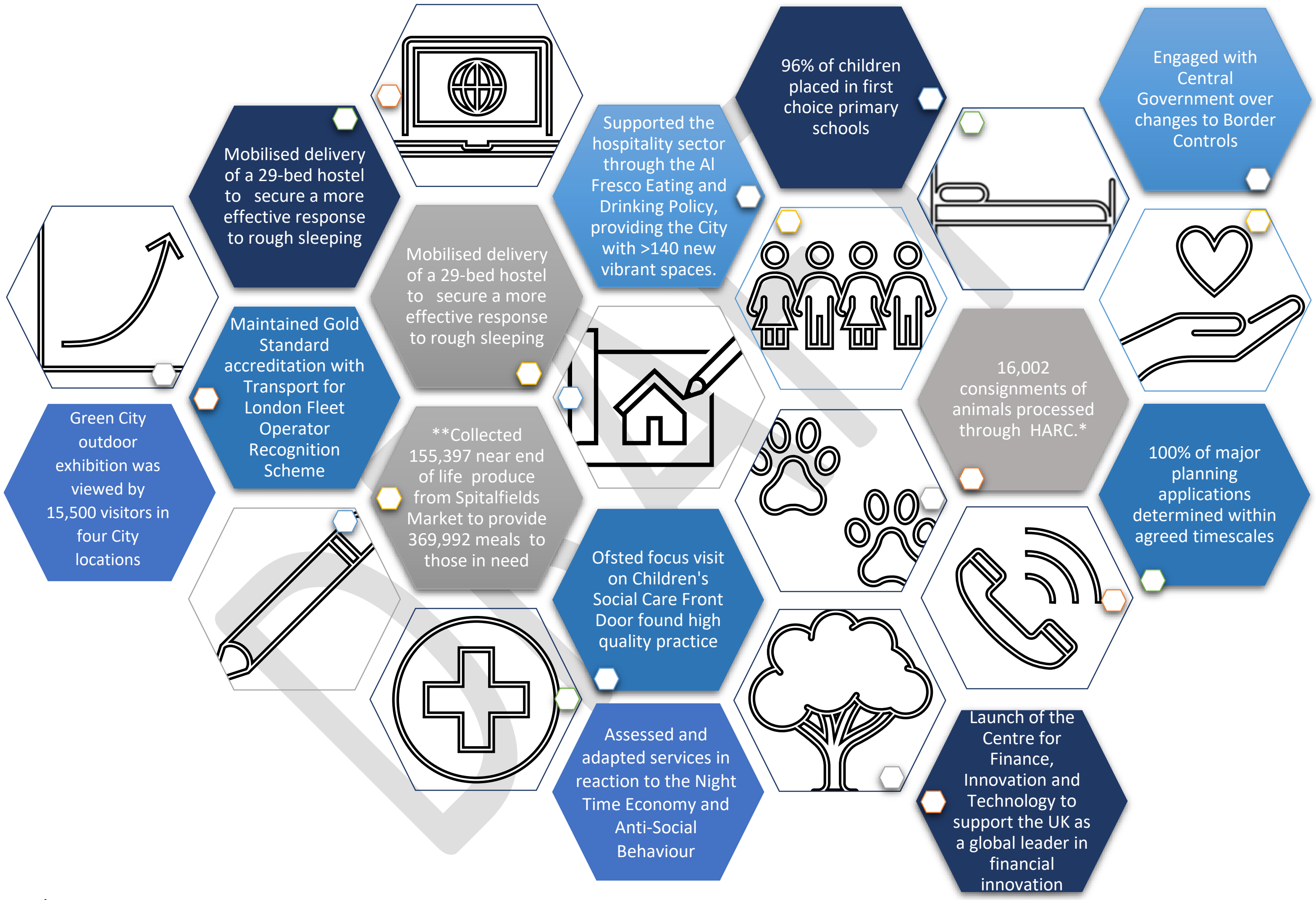
In common with other local authorities, City Fund receives funding via grants from central government, a share of business rates income and the proceeds of the local council tax. City Fund also generates rental and interest income to help finance its activities. A breakdown of these amounts for 2022-23 is shown below in the financial summary for the year (page 12).

Whilst collecting £1.3bn 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 via the business rate premium. For 2022-23 this was set at 1.2p in the £. These funds are used to support security objectives within the City with the majority being passed to the City of London Police. More information on the role and ongoing work of the City Corporation, can be found on the City's website at www.cityoflondon.gov.uk[1]

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

PERFORMANCE

We have sought to further the aims and objectives set out in our corporate plan. The below highlight some of our achievement during this year.



*Heathrow Animal Reception Centre
**City Harvest

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. Our risk management processes help us identify and manage the risks to the organisation. The Audit and Risk Management Committee monitors and oversees the City of London Corporation's risk management strategy and that there is a satisfactory risk assurance framework in place. At an officer level, the Chief Officer Risk Management Group, a sub-committee of the Executive Leadership Board, meets every two months to review the City of London Corporation corporate and red departmental risk registers and ensure that the right risks and mitigations are being recorded and appropriately addressed.

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)	30
FTE trade union representative	30

Total pay bill and facility time costs 2022-23	£m
Total City of London pay bill	237.0
Total cost of facility time	0.1
Percentage of pay spend on facility time	0.04%

Percentage of working hours spend on facility time by union representative	No. of People
0% of working hours	13
1% to 50% of working hours	14
51% to 99% of working hours	3
100% of working hours	0
Total	**30**

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 (funded by City's Cash), which will relocate the Magistrates court to a new world class facility and build a new headquarters for the City of London Police. 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:

- **Economic Outlook** – there is significant uncertainty in the economic outlook linked to the current high levels of inflation, the impact of the war in Ukraine and the ongoing recovery from the pandemic. These factors pose a risk to key revenue streams funding activity, and the demand and costs of providing public services.

- **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 has been delayed due to COVID-19 and we are awaiting confirmation from Government on 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.

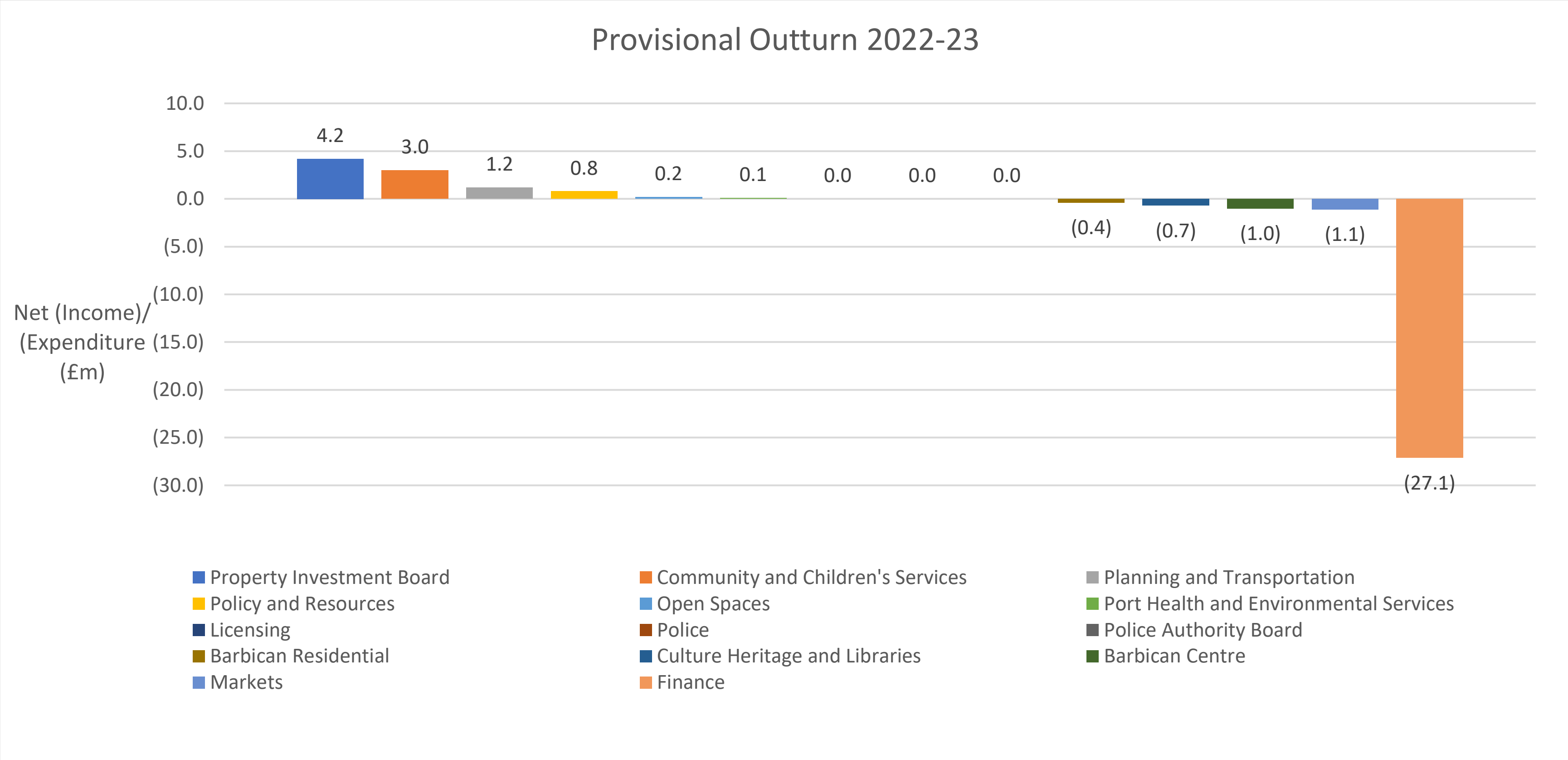
The below table sets out the current financial projections for City Fund across the medium-term planning horizon. City Fund is already committed to making savings due to cost pressures and its commitments to financing its major projects. Delivery of these savings will be essential to ensure City Fund remains in a financially sustainable position to deliver its corporate plan. City Fund maintains adequate levels of both general and earmarked reserves (£262.2m) to support its functions across the short to medium term. The projected deficits in 2025-26 and 2026-27 will require addressing as part of the financial planning process carried out in the autumn.

City Fund Medium Term Forecast	23/24	24/25	25/26	26/27
	£m	£m	£m	£m
City Fund Surplus/(Deficit) before savings	**10.2**	**(4.3)**	**(31.0)**	**(31.9)**
Forecast Savings	11.9	14.8	14.8	14.8
Funding changes	4.6	4.6	4.6	4.6
City Fund Surplus/(Deficit) after saving and contributions	**26.8**	**15.1**	**(11.6)**	**(12.5)**
Saving/Income opportunities to be identified	0.0	0.0	(11.6)	(12.5)

2022-23 FINANCIAL SUMMARY

Revenue Budget

Our budget for 2022-23 was agreed by the Court of Common Council (the City Corporation's primary decision-making body) in March 2022 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 2022-23 was set at 1.2p in the £. City Fund also benefits from a large property investment portfolio, overseen by the Property Investment Board, which generates additional income to fund our services. Within the year the City Corporation instigated a new Target Operating Model (TOM) to achieve savings required in ensure financial sustainability and better align its resources to organisational priorities. This has brought the overall cost of services down by £9m before accounting for any in-year variances. The charts below provide an overview of the 22-23 revenue outturn.



Budget Outturn

The adjacent table compares each committee outturn to its final budget for 2022-23 Taking into account service expenditure and funding from taxation and grants, the City Fund recorded a £26.1m underspend for the year. The most material variances and the reason for these are:

- Finance (£27.1m) – Delays in drawing down central contingencies contributed to an underspend along with slippage on supplementary revenue projects

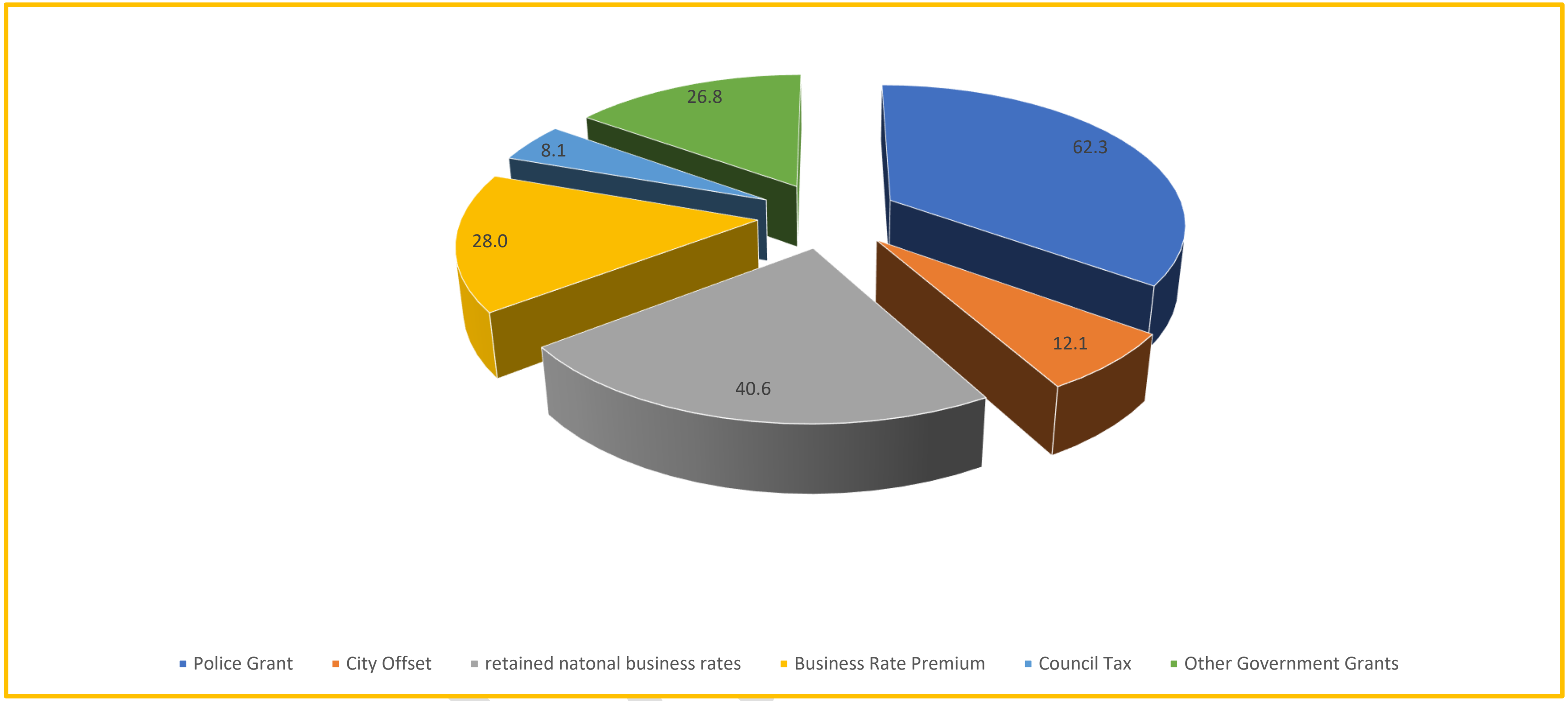
- Property Investment Board (£4.2m) – Shortfall in rental income due to empty rates in respect of Fleet Street Estate and 15/17 Eldon Street/6 Board St Place developments

- Community and Children's Services (£3.0m) – ongoing pressures in relation to child social care and unaccompanied asylum seekers

2021-22	2022-23 Budget v Outturn - City Fund Summary by Committee			
Outturn		Budget	Provisional Outturn	Variation (Better)/Worse
	Net Expenditure (Income)			
£m		**£m**	**£m**	**£m**
29.9	Barbican Centre	31.8	30.8	(1.0)
2.2	Barbican Residential	2.3	1.9	(0.4)
16.3	Community and Children's Services	15.2	18.2	3.0
20.7	Culture Heritage and Libraries	22.9	22.3	(0.7)
(18.5)	Finance	(1.5)	(28.6)	(27.1)
0.2	Licensing	0.3	0.3	0.0
0.3	Markets	(0.3)	(1.4)	(1.1)
1.9	Open Spaces	1.8	2.0	0.2
14.5	Planning and Transportation	14.7	15.9	1.2
88.8	Police	95.7	95.7	0.0
0.0	Police Authority Board	1.0	1.0	0.0
4.9	Policy and Resources	5.8	6.6	0.8
13.4	Port Health and Environmental Services	16.2	16.3	0.1
(37.6)	Property Investment Board	(33.4)	(29.1)	4.2
137.0	**City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves**	**172.5**	**151.8**	**(20.7)**

Funding from taxation and grants

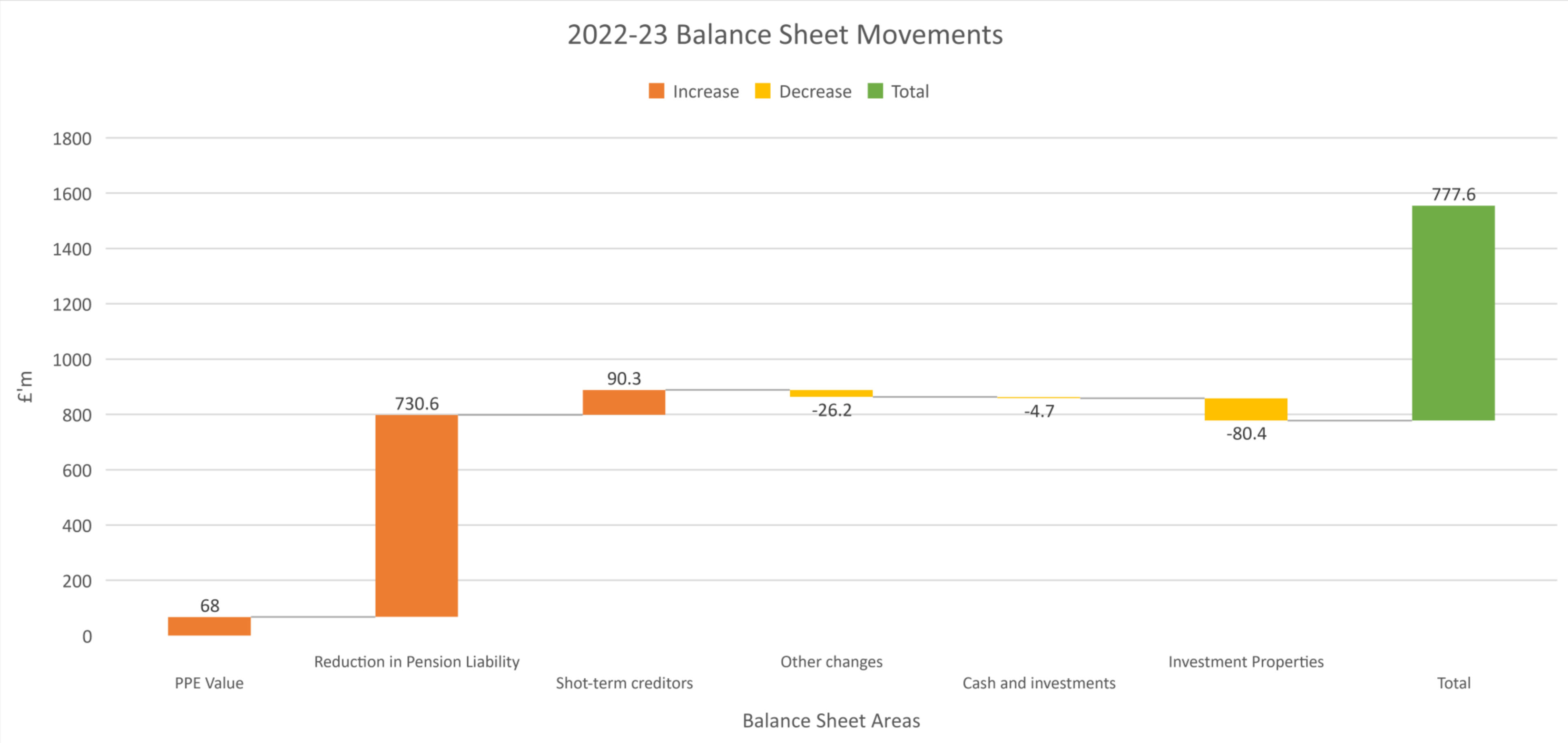
A breakdown of the City Fund taxation and grants income for 2022-23 can be seen in the chart below:



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.

Balance Sheet

The City Corporation maintains a strong balance sheet position with net assets totalling £1,869.4m at year end. The key movements which have contributed to an overall balance sheet increase of £777.6m compared to the previous year are shown below. For more detail on these movements please refer to the following notes to the accounts: Cash and Investments – Notes 32-34, Property, Plant and Equipment (PPE) – Note 13, Investment Properties – Note 17, Pension Liabilities – Notes 23-26 and Short Term Creditors – note 21.



EXPLANATION OF THE FINANCIAL STATEMENTS

The Statement of Accounts sets out the Corporations's income and expenditure for the year, and its financial position at 31 March 2023. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022-23, which in turn is underpinned by International Financial Reporting Standards.

The **Statement of Responsibilities** sets out the respective responsibilities of the Council and Director of Resources.

The **Auditor's Report** gives the auditor's (Grant Thornton) opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

The **Core Statements** are:

- The **Comprehensive Income and Expenditure Statement (CIES)** – records the Corporations's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.
- The **Movement in Reserves Statement (MiRS)** is a summary of the changes to the Corporations's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific legal or accounting purposes.
- The **Balance Sheet** is a summary of the Corporations's assets, liabilities, cash balances and reserves at the year-end date.
- The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long-term liabilities).

The Supplementary Statements are:

- The **Housing Revenue Account** – separately identifies the Corporation's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.
- The **Collection Fund**, which summarises the collection and redistribution of council tax and business rates income.
- The **Police Pension Fund,** which reports the contributions received, payments to pensioners from the Police Pension Fund.
- The **Pension Fund Account**, which reports the contributions received, payments to pensioners and the value of net assets invested in the Local Government Pension Scheme.
- The **Annual Governance Statement** which sets out the governance structures of the Corporation and its key internal controls.

A **Glossary** of key terms can be found at the end of this publication.

STATEMENT OF RESPONSIBILITIES

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/Chief Financial Officer (CFO).
- 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 2022-23 ("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

The audit of the 2020-21 & 2021-22 statement of accounts are yet to be completed owing to a national issue regarding the accounting for infrastructure assets and the historic accounting treatment applied to lease premiums by the Corporation. These remain the only outstanding issues from the 2020-21 & 2021-22 audits. I can therefore certify that the Statement of Accounts give 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 2023 except for those amounts recorded under infrastructure assets and investment properties, which are subject to final review for 2020-21 & 2021-22.

Caroline Al-Beyerty - Chamberlain and Chief Financial Officer

Date: 12th July 2023

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

2021-22				Notes	2022-23		
Gross Expenditure	Gross Income	Net Expenditure/ (Income)			Gross Expenditure	Gross Income	Net Expenditure/ (Income)
£m	£m	£m			£m	£m	£m
			Services				
167.8	(76.9)	90.9	Police		197.8	(94.7)	103.1
0.0	0.0	0.0	Police Authority Board		1.0	0.0	1.0
51.8	(18.4)	33.4	Barbican Centre		62.6	(28.7)	33.9
38.6	(20.1)	18.5	Community & Children's Services		39.3	(19.4)	19.9
17.4	(14.1)	3.3	Housing Revenue Account (HRA)		23.4	(16.5)	6.9
39.7	(28.7)	11.0	Planning & Transportation		47.4	(35.9)	11.5
34.2	(21.9)	12.3	Port Health & Environmental Services		33.3	(19.1)	14.2
24.6	(2.1)	22.5	Culture, Heritage and Libraries		25.0	(1.9)	23.1
67.6	(35.8)	31.8	Finance		29.0	(16.6)	12.4
16.1	(16.8)	(0.7)	Barbican Residential		19.8	(20.8)	(1.0)
27.1	(16.3)	10.8	Policy & Resources		26.9	(13.9)	13.0
3.1	(0.6)	2.5	Open Spaces and City Gardens		2.7	(0.5)	2.2
2.2	(1.2)	1.0	Property Investment Board		0.0	(0.1)	(0.1)
1.1	(0.8)	0.3	Licensing		1.2	(0.7)	0.5
0.2	0.0	0.2	London NNDR Pool Strategic Investment Pot		4.6	0.0	4.6
4.8	0.0	4.8	Pension Past Service Cost		1.8	0.0	1.8
16.6	0.0	16.6	Major Project Cost		20.1	0.0	20.1
512.9	**(253.7)**	**259.2**	**Cost of Services**		**535.9**	**(268.8)**	**267.1**
		5.8	Other Operating Income	7			(20.7)
		(122.6)	Financing & Investment Income & Expenditure	7			75.1
		(215.4)	Taxation & Non-Specific Grant Income	7			(278.2)
		(73.0)	**(Surplus)/Deficit on the Provision of Services**				**43.3**
		(27.8)	Surplus on the Revaluation of Property, Plant & Equipment	13			(37.6)
		(36.3)	Remeasurements of the Pensions Liability	26			(786.5)
		(64.1)	**Other Comprehensive (Income) & Expenditure[2]**				**(824.1)**
		(137.1)	**TOTAL COMPREHENSIVE (INCOME) & EXPENDITURE**				**(780.8)**

[2] Majority of the increase in Other Comprehensive Income and Expenditure in 22-23 compared to 21-22 is a result of a reduction in the Pension Liability in 22-23, further details are available in Note 26.

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 2022 carried forward*		**(300.1)**	**(0.2)**	**(30.5)**	**(46.2)**	**(1.4)**	**(378.4)**	**(937.3)**	**(1,315.7)**
Movement in reserves during 2022-23									
Total Comprehensive Income & Expenditure		**37.0**	**6.3**	**0.0**	**0.0**	**0.0**	**43.3**	**(824.1)**	**(780.8)**
Adjustments between accounting basis & funding basis under regulations	11	(34.2)	(6.3)	(20.2)	4.0	1.7	(55.0)	55.0	0.0
Net (increase)/decrease before Transfers to Earmarked Reserves		**2.8**	**0.0**	**(20.2)**	**4.0**	**1.7**	**(11.7)**	**(769.1)**	**(780.8)**
Transfer to/(from) - earmarked reserves		30.5	0.0	0.0	(30.5)	0.0	0.0	0.0	0.0
(Increase) or decrease in 2022-23		**33.3**	**0.0**	**(20.2)**	**(26.5)**	**1.7**	**(11.7)**	**(769.1)**	**(780.8)**
Balance at 31 March 2023 carried forward*		**(266.8)**	**(0.2)**	**(50.7)**	**(72.7)**	**0.3**	**(390.1)**	**(1,706.4)**	**(2,096.5)**

*The City Fund balance of £262.2m comprises unallocated revenue funds of £46.1m and earmarked revenue reserves of £216.1m (see note 12, page 46).

	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 2021 carried forward*		**(254.3)**	**(0.2)**	**(56.4)**	**(39.5)**	**(2.0)**	**(352.4)**	**(826.2)**	**(1,178.6)**
Movement in reserves during 2021-22									
Total Comprehensive Income & Expenditure		**(75.7)**	**2.7**	**0.0**	**0.0**	**0.0**	**(73.0)**	**(64.1)**	**(137.1)**
Adjustments between accounting basis & funding basis under regulations	11	16.7	(2.7)	25.9	6.5	0.6	47.0	(47.0)	0.0
Net (increase)/decrease before Transfers to Earmarked Reserves		**(59.0)**	**0.0**	**25.9**	**6.5**	**0.6**	**(26.0)**	**(111.1)**	**(137.1)**
Transfer to/(from) - earmarked reserves		13.2	0.0	0.0	(13.2)	0.0	0.0	0.0	0.0
(Increase) or decrease in 2021-22		**(45.8)**	**0.0**	**25.9**	**(6.7)**	**0.6**	**(26.0)**	**(111.1)**	**(137.1)**
Balance at 31 March 2022 carried forward*		**(300.1)**	**(0.2)**	**(30.5)**	**(46.2)**	**(1.4)**	**(378.4)**	**(937.3)**	**(1,315.7)**

*The City Fund balance of £300.1m comprises unallocated revenue funds of £68.1m and earmarked revenue reserves of £232.0m (see note 12, page 46).

Balance Sheet

31 March 2022		Notes	31 March 2023
£m			£m
1,048.5	Property, Plant and Equipment	13	1,116.5
9.0	Heritage Assets	14	9.0
1,642.1	Investment Property	17	1,560.3
0.4	Intangible Assets		2.9
12.3	Long-Term Debtors	16	11.5
2,712.3	**Long-Term Assets**		**2,700.2**
992.1	Short-Term Investments		964.8
2.7	Assets Held for Sale		8.6
0.5	Inventories		0.6
154.9	Short-Term Debtors	20	147.6
33.3	Cash and Cash Equivalents		29.5
1,183.5	**Current Assets**		**1,151.1**
(395.5)	Short-Term Creditors	21	(382.1)
(131.9)	Grants and Contributions Received in Advance - Revenue	27	(57.0)
(40.2)	Provisions	22	(21.4)
(567.6)	**Current Liabilities**		**(460.5)**
(1,634.8)	Pensions Liability	26	(913.2)
(94.8)	Grants and Contributions Received in Advance - Capital	27	(103.7)
(225.9)	Rents Received in Advance	28	(224.5)
(57.0)	Other Long-Term Liabilities	29	(52.9)
(2,012.5)	**Long-Term Liabilities**		**(1,294.3)**
1,315.7	**NET ASSETS**		**2,096.5**
(378.4)	Usable Reserves		(390.1)
(937.3)	Unusable Reserves	31	(1,706.4)
(1,315.7)	**TOTAL RESERVES**		**(2,096.5)**

The Statement of Accounts was authorised for issue by the Chamberlain on 12th July 2023. Events after the balance sheet date and up to 12th July 2023 have been considered in respect of material impact on the financial statements. No adjustments have been made.

Cash Flow Statement

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

2021-22		Notes	2022-23
£m			£m
(73.0)	Net (surplus)/deficit on the provision of services		43.3
(33.6)	Adjustments for non-cash movements	32	(86.2)
70.9	Adjustments for items that are investing and financing activities	32	94.9
(35.7)	**Net cash (inflows)/outflows from operating activities**		**52.0**
180.5	Investing activities	33	(43.4)
(151.2)	Financing activities	34	(4.8)
(6.4)	**Net (increase)/decrease in cash and cash equivalents**		**3.8**
(26.9)	Cash and cash equivalents at the beginning of the reporting period		(33.3)
(33.3)	**Cash and cash equivalents at the end of the reporting period**		**(29.5)**

Notes to the Core Financial Statements

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

In applying the accounting policies set out on p134, the City Corporation has had to make certain judgements about complex transactions or those involving uncertainty about future events. These are as follows:

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. After a thorough evaluation, we have determined that the Museum of London (MoL) should not be classified as a subsidiary, associate, or joint venture for accounting purposes. We therefore disclose this relationship as a related party in the relevant disclosure (note 35, page 89). This judgment is based on the following key considerations:

1. **Absence of Significant Control (IFRS 10):** CoLC does not exercise significant control over MoL's operations. While CoLC appoints board members, these members are legally obligated to act in MoL's best interests without being bound by CoLC's directives.

2. **Independent Legal Entity (Museum of London Act 1965):** MoL operates as a distinct legal entity under the Museum of London Act 1965, with its own statutory obligations, governance structure, and objectives.

<u>Alternative Judgment:</u>

In considering an alternative judgment, it could be argued that MoL should be classified as an associate based on the significance of CoLC's financial support and board appointments. This alternative judgment highlights the following points:

1. **Significance of Financial Support (IPSAS 36)**: CoLC provides annual funding to MoL, which plays a critical role in supporting MoL's operations. However, it is important to clarify that this financial support is not indicative of significant influence or control over MoL's activities. The financial support provided by CoLC is aligned with the cultural and historical preservation objectives of MoL, and it does not lead to decision-making authority over MoL's operations. The absence of specific directives or obligations in the Museum of London Act 1965, which established MoL, regarding the funding amount further emphasises that this financial support is not tied to conditions that would imply control. Instead, it serves the broader mission and independence of MoL in fulfilling its cultural and historical preservation responsibilities.

2. **Board Appointments:** CoLC appoints members to MoL's Board of Governors, contributing to the governance structure. While these members are legally bound to act in MoL's best interests, their appointment by CoLC could suggest a level of influence. However, it is crucial to note that their primary responsibility is to act in MoL's best interests, and they are not obligated to follow directives from CoLC. This legal framework ensures MoL's operational autonomy and independence in decision-making.

<u>Impact of the Alternative Judgment:</u>

If the alternative judgment were adopted, it would imply the consolidation of an appropriate share of MoL's financial figures, including Total Assets of £64.1m, Total Liabilities of £67.6m, Total Income of £49.4m, and Total Expenditure of £46.9m, into the City of London Corporation's financial statements.

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 items in the authority's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<table>
<tr><th>Item</th><th>Uncertainties</th><th>Effect if actual results differ from assumptions</th></tr>
<tr><td>Pensions Liability</td><td>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.</td><td>The total value of the Pensions Liability as at the end of March 2023 is £1,634.8m (consisting of City Fund £72.7m, Police Pension Scheme £838.1m and Judges Pension Scheme £2.3m). The estimation of the net liability to pay pensions depends on a number of complex assumptions used in the calculation of the liabilities. These include the discount rate used, the rate at which salaries are projected to increase, changes to retirement ages, mortality rates and expected returns on pension fund assets. Where the outcome is different to the assumptions this will impact on the pension liability. Variations in the key assumptions will have the following impact on the net liability:
<table>
<tr><th rowspan="2">Assumptions</th><th colspan="2">Movement in liability</th></tr>
<tr><th>Increase in assumption £m</th><th>Decrease in assumption £m</th></tr>
<tr><td>0.1% adjustment to discount rate</td><td>- 24.8</td><td>25.5</td></tr>
<tr><td>0.1% adjustment to salary increase rate</td><td>2.4</td><td>- 2.4</td></tr>
<tr><td>0.1% adjustment to Pension increase rate</td><td>23.5</td><td>- 22.9</td></tr>
<tr><td>1 year adjustment to life expectancy</td><td>58.9</td><td>- 56.5</td></tr>
</table>
</td></tr>
<tr><td>Property, plant and equipment</td><td>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. 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</td><td>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. The net book value of non-current operational assets subject to potential revaluation as at the end of March 2023 is £880m (£848m as at the end of March 2022).If the value of the Corporation's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately c£88m.</td></tr>
</table>

Item	Uncertainties	Effect if actual results differ from assumptions
	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, list of assets that were valued as at the end of March 2022 are available on p55 of the accounts. The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Corporations external valuers.	An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for assets subject to depreciation would increase by £3m for every year that useful lives had to be reduced.
Valuation of Investment property	The Corporation's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the CI&ES. The net book value of investment properties as at the end of March 2023 is £1,560m (£1,642m as at the end of March 2022).If the value of the Corporation's investment properties were to reduce by 1%, this would result in a £16m 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.

Notes to the Comprehensive Income and Expenditure Statement

3. Expenditure and Funding Analysis

2021-22				2022-23		
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			
88.8	2.1	90.9	Police	92.1	11.0	103.1
0.0	0.0	0.0	Police Authority Board	1.0	0.0	1.0
29.9	3.5	33.4	Barbican Centre	30.6	3.3	33.9
16.3	2.2	18.5	Community and Children's Services	18.8	1.1	19.9
0.0	3.3	3.3	HRA	(0.1)	7.0	6.9
14.5	3.5	11.0	Planning and Transport	9.0	2.6	11.5
13.4	1.1	12.3	Port Health and Environmental Services	14.8	(0.6)	14.2
20.7	1.8	22.5	Culture, Heritage and Libraries	16.9	6.2	23.1
(18.5)	50.4	31.9	Finance	(36.2)	48.6	12.4
2.2	(2.9)	(0.7)	Barbican Residential	1.9	(2.9)	(1.0)
4.9	5.9	10.8	Policy and Resources	9.7	3.3	13.0
1.9	0.6	2.5	Open Spaces and City Gardens	2.0	0.1	2.2
(37.6)	38.4	1.0	Property Investment	(29.1)	29.1	(0.1)
0.2	0.1	0.3	Licensing	0.3	0.2	0.5
0.3	(0.3)	0.0	Markets	(1.6)	1.6	0.0
0.0	0.2	0.2	London NNDR Pool Strategic Investment Pot	3.3	1.3	4.6
0.0	4.8	4.8	Pension Past Service Cost	0.0	1.8	1.8
0.0	16.6	16.6	Major Project Cost	20.1	0.0	20.1
137.0	**122.3**	**259.3**	**Net Cost of Services**	**153.5**	**113.5**	**267.1**
(182.8)	(149.4)	(332.2)	Other Income and Expenditure	(120.2)	(103.5)	(223.8)
(45.8)	**(27.1)**	**(72.9)**	**(Surplus) or Deficit on the Provision of Services**	**33.3**	**10.0**	**43.3**
(254.5)			**Opening City Fund and HRA Balances**	**(300.3)**		
(45.8)			Add (Surplus) or Deficit on City Fund and HRA Balance in Year	**33.3**		
(300.3)			**Closing City Fund and HRA Balances at 31 March***	**(267.0)**		

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

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.

2021-22						2022-23				
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
5.6	4.4	0.0	(7.9)	2.1	Police	4.3	7.3	0.0	(0.6)	11.0
0.0	0.0	0.0	0.0	0.0	Police Authority Board	0.0	0.0	0.0	0.0	0.0
0.0	3.5	0.0	0.0	3.5	Barbican Centre	0.0	2.9	0.0	0.4	3.3
0.0	1.5	0.0	0.7	2.2	Community and Children's Services	0.0	1.1	0.0	0.0	1.1
0.7	1.1	0.0	1.5	3.3	HRA	5.0	0.7	0.0	1.3	7.0
0.4	2.6	0.0	(6.5)	(3.5)	Planning and Transport	0.1	1.8	0.0	0.6	2.5
0.0	2.9	0.0	(4.0)	(1.1)	Port Health and Environmental Services	0.0	2.1	0.0	(2.7)	(0.6)
0.0	1.7	0.0	0.1	1.8	Culture, Heritage and Libraries	5.4	1.2	0.0	(0.4)	6.2
51.3	1.3	0.0	(2.2)	50.4	Finance	22.1	1.0	0.0	25.5	48.6
0.0	1.0	0.0	(3.9)	(2.9)	Barbican Residential	0.0	0.7	0.0	(3.6)	(2.9)
1.8	1.7	0.0	2.4	5.9	Policy and Resources	2.3	1.1	0.0	(0.1)	3.3
0.2	0.4	0.0	0.0	0.6	Open Spaces and City Gardens	0.0	0.2	0.0	0.0	0.2
0.0	0.1	0.0	38.5	38.6	Property Investment	0.0	0.0	0.0	29.0	29.0
0.0	0.1	0.0	0.0	0.1	Licensing	0.0	0.2	0.0	0.0	0.2
0.0	0.3	0.0	(0.6)	(0.3)	Markets	0.0	0.2	0.0	1.4	1.6
0.0	0.0	0.0	0.2	0.2	London NNDR Pool Strategic Investment Pot	0.0	0.0	0.0	1.3	1.3
0.0	4.8	0.0	0.0	4.8	Pension Past Service Cost	0.0	1.8	0.0	0.0	1.8
0.0	0.0	0.0	16.6	16.6	Major Project Cost	0.0	0.0	0.0	0.0	0.0
60.0	**27.4**	**0.0**	**34.9**	**122.3**	**Net Cost of Services**	**39.2**	**22.3**	**0.0**	**52.1**	**113.6**
(140.8)	32.6	(12.2)	(29.0)	(149.4)	Other Income and Expenditure	(37.0)	42.6	(66.6)	(42.6)	(103.6)
(80.8)	**60.0**	**(12.2)**	**5.9**	**27.1**	**Surplus or Deficit on Provision of Services**	**2.2**	**64.9**	**(66.6)**	**9.5**	**10.0**

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.

2021-22		2022-23
£'m		£'m
	Expenditure	
231.8	Employee expenses	240.1
208.1	Other service expenses	251.9
36.4	Support service recharges	39.5
66.8	Depreciation, amortisation and impairments	38.5
32.0	Interest payments	41.9
0.5	Precepts and levies	0.5
304.7	Business rates tariff and levy payments to Government	320.5
0.4	Payments to Government's housing capital receipts pool	0.0
4.4	Gain on the disposal of assets	0.0
0.0	Unrealised loss on revaluation of investment properties	76.3
885.1	**Total expenditure**	**1,009.2**
	Income	
(185.9)	Fees, charges and other service income	(182.5)
(5.6)	Interest and investment income	(23.3)
(365.5)	Business rates and council tax income	(479.1)
(282.0)	Government grants and other grants, contributions and reimbursements	(259.3)
(119.0)	Unrealised (gains)/loss on revaluation of investment properties	0.0
0.0	Gain on the disposal of assets	(21.7)
(958.0)	**Total Income**	**(965.9)**
(72.9)	**(Surplus) or Deficit on the Provision of Services**	**43.3**

6. Grant Income

2021-22	Credited to Services	2022-23
£m	Revenue Grants (Government)	£m
	Home Office	
(18.9)	Police Pensions	(18.4)
(7.1)	Counter Terrorism	(8.7)
(8.4)	National Cyber Security Programme	(17.3)
(4.3)	National Fraud Intelligence Bureau	(4.3)
(2.3)	National Lead Force for Fraud	(9.1)
0.0	Police Uplift Programme	(2.5)
0.0	Asset Recovery Incentivation Scheme	(0.3)
(6.8)	Action Fraud Managed Services	(8.9)
(2.5)	Economic Crime Capability	0.0
0.0	Emergency Services Mobile Communications Programme	(0.1)
0.0	Mutual Aid	(1.0)
0.0	National Law Enforcement Data Service	(0.1)
(4.4)	Other	(1.7)
	Cabinet Office	
0.0	Ministry of Justice	0.0
0.0	Other	(1.3)
	Department for Work and Pensions	
(3.9)	Housing and Council Tax Benefit	(3.7)
(8.5)	Other	(0.1)
(6.5)	HM Courts and Tribunals Service	(7.2)
	Department for Education	
(3.4)	Dedicated Schools Grant	(3.7)
(1.8)	Other	(1.9)
	Ministry of Housing, Communities and Local Government	
(5.2)	Other	(5.4)

2021-22	Credited to Services	2022-23
£m	**Revenue Grants (Government) Continued**	£m
	Department for Health	
(1.7)	Public Health	(1.7)
0.0	Other	(0.2)
(2.6)	Transport for London	(1.8)
0.0	Intellectual Property Office	(2.5)
(0.9)	Greater London Authority	(1.3)
0.0	Department for Energy Security and Net Zero (formerly Department for Business, Energy and Industrial Strategy)	(1.1)
(5.7)	Discretionary grants to Businesses	0.1
(0.3)	Other	0.0
(1.7)	Department for Environment, Food & Rural Affairs	(1.7)
(0.4)	Her Majesty's Revenue and Customs	0.0
(0.4)	Arts Council England	(0.8)
(2.8)	Other revenue grants (Government)	(4.3)
	Non Government revenue grants and contributions	
(1.8)	S106/S278 and other developer contributions	(4.6)
(3.6)	UK Payments Adminstration Ltd	0.0
0.0	Association of British Insurers	0.0
(16.8)	Other	(20.8)
	Capital Grants and contributions (funding revenue expenditure under statute)	
0.0	Section 106 contributions	(0.3)
(4.6)	Other	0.0
(127.3)	**Total**	**(136.7)**

7. Income and Expenditure below Cost of Services

2021-22		2022-23
Net Expenditure/ (Income)		Net Expenditure/ (Income)
£m		£m
4.4	Net Gain on Disposal of Fixed Assets	(21.7)
0.4	Inner and Middle Temple Precepts	0.3
0.1	Local levies	0.2
0.4	Payment to Government Housing Capital Receipts Pool	0.0
0.5	Pension Fund Administration Expenses	0.5
5.8	**Total Other Operating Income and Expenditure**	**(20.7)**
	Investment Properties	
(36.8)	Operational	(29.0)
(119.0)	(Gain)/loss on revaluation	76.3
(5.7)	Interest receivable and similar income	(23.0)
32.1	Pension Interest Cost	41.9
0.0	Contribution from Trading Services	(1.4)
(0.7)	Impairment gains/losses	0.2
7.5	Financial instrument (gain)/loss	10.1
(122.6)	**Total Financing and Investment Income and Expenditure**	**75.1**

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 £50.6m and operating expenses of £21.6m.

Contribution from Trading Services comprises a turnover of £10.8m and expenditure of £9.4m.

2021-22		2022-23
Income		Income
£m		£m
(23.0)	Retained National Business Rates	(40.6)
(17.5)	City Fund Non-Domestic Rates Premium	(28.0)
(12.1)	City Fund Offset	(12.1)
(8.4)	Council Tax Income	(8.1)
	Non Ringfenced Government Revenue Grants	
(6.3)	Revenue Support Grant	(6.5)
(70.2)	Police Core Grant	(62.3)
0.0	discretionary grants to businesses	0.0
(28.1)	NNDR grants	(44.2)
(3.2)	Sales, fees and charges compensation	0.0
(0.3)	Tax compensation	0.0
(0.7)	Other	(0.2)
0.0	London NNDR Pool Strategic Investment Pot	0.0
	Capital Grants & Contributions	
(4.0)	Home Office	(15.1)
(1.1)	Greater London Authority	(25.9)
(1.9)	Transport for London	(0.3)
(1.4)	Ministry of Justice	(1.4)
(22.4)	Section 106/278 Contributions	(19.3)
(10.6)	Community Infrastructure Levy	0.0
(4.2)	Other Capital Grants and Contributions	(14.2)
(215.4)	**Total Taxation and Non-Specific Grant Income**	**(278.2)**

8. Dedicated Schools Grants

In 2022-23, the City Fund received a specific grant from the Department for Education, the Dedicated Schools Grant (DSG), of £3.4m (2021-22: £3.6m). 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 2022-23 are as follows:

2021-22	Schools Budget Funded by DSG		
	Central Expenditure	Individual School Budget	Total
	£m	£m	£m
Final DSG for 2021-22 before Academy recoupment	1.5	2.1	3.6
Academy Figure recouped for 2021-22	0.0	0.0	0.0
Total DSG after Academy recoupment for 2021-22	**1.5**	**2.1**	**3.3**
Plus: Brought forward from 2020-21	1.0	0.0	0.9
Less: Carry forward to 2021-22 agreed in advance	0.0	0.0	0.0
Agreed initial budgeted distribution in 2021-22	**2.5**	**2.1**	**4.2**
In year adjustments	0.0	0.0	0.0
Final budgeted distribution for 2021-22	**0.0**	**0.0**	**4.2**
Less: Actual central expenditure	(1.2)	0.0	(1.2)
Less: Actual ISB deployed to schools	0.0	(2.1)	(2.1)
Plus: Local authority contribution for 2021-22			
Carry forward to 2022-23	**1.3**	**0.0**	**1.3**

2022-23	Schools Budget Funded by DSG		
	Central Expenditure	Individual School Budget	Total
	£m	£m	£m
Final DSG for 2022-23 before Academy recoupment	1.3	2.1	3.4
Academy Figure recouped for 2022-23	0.0	0.0	0.0
Total DSG after Academy recoupment for 2022-23	**1.3**	**2.1**	**3.4**
Plus: Brought forward from 2021-22	1.3	0.0	1.3
Less: Carry forward to 2022-23 agreed in advance	0.0	0.0	0.0
Agreed initial budgeted distribution in 2022-23	**2.6**	**2.1**	**4.7**
In year adjustments	0.0	0.0	0.0
Final budgeted distribution for 2022-23	**0.0**	**0.0**	**4.7**
Less: Actual central expenditure	(1.5)	0.0	(1.5)
Less: Actual ISB deployed to schools	0.0	(2.1)	(2.1)
Plus: Local authority contribution for 2022-23	0.0	0.0	0.0
Carry forward to 2023-24	**1.1**	**0.0**	**1.1**

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 2022-23 and 2021-22 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.

Proportion to City Fund						
Wholly charged to CF		Partially charged to CF		Wholly charged to CF		Partially charged to CF
2021-22			Salary Range	2022-23		
Police Officers	Other		£	Police Officers	Other	
203	52	95	50 - 54,999	114	71	121
126	38	94	55 - 59,999	179	50	119
71	16	41	60 - 64,999	117	25	78
58	13	72	65 - 69,999	89	15	64
29	6	28	70 - 74,999	72	10	30
5	8	19	75 - 79,999	49	10	44
3	4	13	80 - 89,999	13	2	15
5	3	10	85-89,999	11	2	13
9	0	7	90-94,999	4	1	6
5	2	8	95-99,999	7	2	8
1	3	3	100-104,999	2	2	4
0	0	4	105-109,999	6	0	5
1	0	4	110-114,999	2	0	2
1	0	1	115-119,999	0	0	5
1	1	2	120-124,999	1	0	3
1	0	3	125-129,999	0	1	3
0	2	1	130-134,999	0	0	4
0	0	0	135-139,999	0	0	2
0	0	1	140-144,999	0	0	0
0	0	0	145-149,999	1	1	0
519	**148**	**406**	**Total**	**666**	**191**	**526**

Table 2 - Senior Officer Remuneration

2022-23	Proportion charged to Local or Police Authority Activities	Total Salary	Salary (including fees & allowances)	Bonus	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
Salary is £150,000 or more a year									
Town Clerk & Chief Executive - J. Barradell - Left December 2022	55%	226.0	124.0	0.0	0.0	0.0	124.0	43.0	167.0
Managing Director I&G - Brussels Office - N. Collier	100%	230.0	230.0	0.0	0.0	0.0	230.0	48.0	278.0
Police Commissioner - A. McLaren	100%	206.0	206.0	11.0	0.0	23.0	240.0	62.0	302.0
Comptroller & City Solicitor - M.Cogher	65%	201.0	131.0	0.0	0.0	0.0	131.0	27.0	158.0
City Surveyor - P Wilkinson	40%	201.0	80.0	0.0	0.0	0.0	80.0	17.0	97.0
Chief Operating officer	65%	198.0	129.0	0.0	0.0	0.0	129.0	27.0	156.0
Managing Director Barbican Centre - C. Spencer - Started May 2022	100%	189.0	189.0	0.0	0.0	0.0	189.0	39.0	228.0
Chamberlain - C. Al-Beyerty	60%	178.0	107.0	0.0	0.0	0.0	107.0	22.0	129.0
Executive Director of Environment	100%	175.0	175.0	0.0	0.0	0.0	175.0	0.0	175.0
Director of Innovation and Growth	67%	162.0	109.0	0.0	0.0	0.0	109.0	23.0	132.0
Salary is between £50,000 and £150,000							0.0		
Director of Markets & Consumer Protection	55%	108.0	59.0	0.0	0.0	0.0	59.0	24.0	83.0
Director of Community & Children's Services - left October 2022	100%	92.0	92.0	0.0	0.0	0.0	92.0	18.0	110.0
Town Clerk & Chief Executive - I. Thomas - Started February 2023	55%	40.0	22.0	0.0	0.0	0.0	62.0	0.0	62.0

2021-22	Proportion charged to Local or Police Authority Activities	Total Salary	Salary (including fees & allowances)	Bonus	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
Salary is £150,000 or more a year									
Town Clerk & Chief Executive - J. Barradell	55%	266.0	146.0	0.0	0.0	0.0	146.0	31.0	177.0
Managing Director I&G - Brussels Office - N. Collier	100%	230.0	230.0	0.0	0.0	0.0	230.0	48.0	278.0
Chamberlain – C. Al-Beyerty (started May 2021)	60%	173.0	104.0	0.0	0.0	0.0	104.0	22.0	126.0
Police Commissioner - I. Dyson (left December 2021)	100%	155.0	155.0	61.0	0.0	5.0	221.0	0.0	221.0
Comptroller & City Solicitor - M.Cogher	65%	180.0	117.0	0.0	0.0	0.0	117.0	25.0	142.0
City Surveyor - P Wilkinson	40%	159.0	64.0	8.0	0.0	0.0	72.0	15.0	87.0
Salary is between £50,000 and £150,000									
Managing Director Barbican Centre (left September 2021)	100%	103.0	103.0	0.0	0.0	0.0	103.0	22.0	125.0
Managing Director Barbican Centre (acting up from September 2021)	100%	102.0	102.0	0.0	0.0	0.0	102.0	21.0	123.0
Managing Director Barbican Centre (acting up from September 2021)	100%	99.0	99.0	0.0	0.0	0.0	99.0	21.0	120.0
Police Commissioner (started January 2022)	100%	47.0	47.0	3.0	0.0	5.0	55.0	14.0	69.0
Executive Director of Environment (started August 2021)	100%	112.0	112.0	0.0	0.0	0.0	112.0	18.0	130.0
Director of Innovation & Growth	67%	146.0	98.0	0.0	0.0	0.0	98.0	20.0	118.0
Chief Operating Officer (started July 2021)	65%	133.0	87.0	0.0	0.0	0.0	87.0	18.0	105.0
Director of Community & Children's Services	100%	146.0	146.0	0.0	0.0	0.0	146.0	31.0	177.0
Chamberlain (left April 2021)	60%	37.0	22.0	0.0	36.0	0.0	58.0	1.0	59.0
Director of Markets & Consumer Protection (left December 2021)	55%	72.0	40.0	4.0	0.0	0.0	44.0	8.0	52.0
Director of Markets & Consumer Protection (started August 2021)	55%	74.0	41.0	0.0	0.0	0.0	41.0	8.0	49.0

Table 3 - Exit Packages charged to City Fund

2021-22					2022-23			
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)
18.0	1.0	19.0	57.4	£0 - £20,000	18.0	2.0	20.0	189.2
2.0	2.0	4.0	123.6	£20,001 - £40,000	16.0	0.0	16.0	432.7
0.0	0.0	0.0	0.0	£40,001 - £60,000	4.0	1.0	5.0	234.9
0.0	0.0	0.0	0.0	£60,001 - £80,000	2.0	1.0	3.0	204.2
0.0	0.0	0.0	0.0	£80,001 - £100,000	1.0	0.0	1.0	94.3
0.0	0.0	0.0	0.0	£100,001 - £150,000	1.0	0.0	1.0	125.9
20.0	**3.0**	**23.0**	**181.0**	**Total**	**42.0**	**4.0**	**46.0**	**1,281.2**

The rise in exit packages in 22-23 compared to 21-22 is a result of implementing a new target operating model during 22-23.

10. Audit Fees

Estimated costs 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, are set out in the adjacent table.

The 2022-23 audit will be carried out by Grant Thornton. Audit Fees of £35,000 (2021-22: £25,000) in respect of the City of London Pension Fund are met by the Pension Fund and are not included in the table.

2021-22		2022-23
£'000		**£'000**
340.0	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.	340.0
25.0	Certification of grant claims and returns by the appointed auditor	25.0
0.0	Non-audit fees - other grant and certification fees	0.0
365.0		**365.0**

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.

2022-23	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)	(64.2)	(0.7)				64.9
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	66.6					(66.6)
Holiday pay (transfers to or from the Accumulated Absences Reserve)	0.8					(0.8)
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)	(105.3)	(8.4)				113.7
Transfer of deferred non-current assets sale proceeds from revenue to the Deferred Capital Receipts Reserve	(0.4)					0.4
Transfer to the Pooled Investment Reserve	(10.0)					10.0
Total Adjustments to Revenue Resources	**(112.5)**	**(9.1)**	**0.0**	**0.0**	**0.0**	**120.2**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	27.1	1.1	(28.2)			0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	0.0					0.0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1.4					1.4
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	53.4					(53.4)
Posting of HRA resources from revenue to the Major Repairs Reserve		1.7			(1.7)	0.0
Contribution from Community Infrastructure Levy to fund revenue expenditure	(3.6)			3.6		0.0
Total Adjustments between Revenue and Capital Resources	**78.3**	**2.8**	**(28.2)**	**3.5**	**(1.8)**	**(54.8)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			8.0			(8.0)
Use of the Major Repairs Reserve to finance capital expenditure					3.4	(3.4)
Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account)				0.4		(0.4)
Cash payments in relation to deferred capital receipts						0.0
Total Adjustments to Capital Resources	**0.0**	**0.0**	**8.0**	**0.4**	**3.4**	**(11.8)**
Total Adjustments	**(34.2)**	**(6.3)**	**(20.2)**	**4.0**	**1.7**	**55.0**

2021-22	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)	(59.0)	(1.1)				60.1
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	12.2					(12.2)
Holiday pay (transfers to or from the Accumulated Absences Reserve)	1.5					(1.5)
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)	48.0	(5.5)				(42.5)
Transfer of deferred non-current assets sale proceeds from revenue to the Deferred Capital Receipts Reserve	(2.7)					2.7
Transfer to the Pooled Investment Reserve	(7.6)					7.6
Total Adjustments to Revenue Resources	**(7.6)**	**(6.6)**	**0.0**	**0.0**	**0.0**	**14.2**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	20.1	0.9	(21.0)			0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.4)		0.4			0.0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1.1					(1.1)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6.8					(6.8)
Posting of HRA resources from revenue to the Major Repairs Reserve		3.0			(3.0)	0.0
Contribution from Community Infrastructure Levy to fund revenue expenditure	(3.3)			3.3		0.0
Total Adjustments between Revenue and Capital Resources	**24.3**	**3.9**	**(20.6)**	**3.3**	**(3.0)**	**(7.9)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			46.8			(46.8)
Use of the Major Repairs Reserve to finance capital expenditure					3.6	(3.6)
Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account)				3.2		(3.2)
Cash payments in relation to deferred capital receipts			(0.3)			0.3
Total Adjustments to Capital Resources	**0.0**	**0.0**	**46.5**	**3.2**	**3.6**	**(53.3)**
Total Adjustments	**16.7**	**(2.7)**	**25.9**	**6.5**	**0.6**	**(47.0)**

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 2022-23.

	Notes	Balance at 31 March 2021	Transfers Out 2021-22	Transfers In 2021-22	Balance at 31 March 2022	Transfers Out 2022-23	Transfers In 2022-23	Balance at 31 March 2023
		£m	£m	£m	£m	£m	£m	£m
Highway Improvements	i	(47.1)	6.2	(10.7)	(51.6)	5.6	(10.2)	(56.2)
Major Projects Reserve	ii	(69.0)	51.6	(36.2)	(53.6)	43.2	(57.1)	(67.5)
Business Rate Equalisation	iii	(47.9)	37.7	(24.6)	(34.8)	37.7	(6.7)	(3.8)
City Fund Risk Reserve	iv	0.0	0.0	(30.0)	(30.0)	0.0	0.0	(30.0)
Build Back Better Reserve	v	0.0	1.1	(18.1)	(17.0)	2.2	0.0	(14.8)
London NNDR Pool SIP	vi	(8.7)	0.0	(0.5)	(9.2)	4.6	(1.2)	(5.8)
Crime Reduction Initiatives	vii	(2.2)	0.0	(6.8)	(9.0)	1.9	(0.3)	(7.4)
Police Future Expenditure	viii	(4.3)	2.6	(3.5)	(5.2)	2.7	(8.2)	(10.7)
Other Earmarked Reserves	ix	(18.8)	2.0	(4.8)	(21.6)	0.7	(3.6)	(24.5)
Total		**(198.0)**	**101.2**	**(135.2)**	**(232.0)**	**98.6**	**(87.3)**	**(220.7)**

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

(ii) Major Projects Reserve – This reserve has been established to fund the 2 major projects funded from City Fund resources, Police Accomodation and the Museum of London Relocation.

(iii) Business Rate Equalisation Reserve – This reserve will be used to fund collection fund deficits that will be accounted for in future years.

(iv) City Fund Risk Reserve – This reserve is held to mitigate the additional financial risks brought about COVID-19 and the current economic climate including factors like inflation.

(v) Build Back Better Reserve – Funds set aside to finance the build back better programme which seeks to support the Climate action strategy to net zero.

(vi) 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.

(vii) 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.

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

(ix) 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 2022-23	Council Dwellings	Other Land & Buildings	Leasehold Improvements	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation								
at 1 April 2022	**251.0**	**601.7**	**7.8**	**121.1**	**1.5**	**95.4**	**0.4**	**1,078.9**
Additions	4.1	8.3	0.0	2.0	0.0	52.5	0.0	66.9
Transfers	3.4	3.4	0.0	0.0	0.0	(9.2)	0.0	(2.4)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1.5	25.8	0.0	0.0	0.0	0.0	0.0	27.3
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4.6)	(1.1)	0.0	0.0	0.0	0.0	0.0	(5.7)
Derecognition - disposals	(6.2)	(0.1)	0.0	3.0	0.0	0.0	0.0	(3.3)
at 31 March 2023	**249.2**	**638.0**	**7.8**	**126.1**	**1.5**	**138.7**	**0.4**	**1,161.7**
Accumulated Depreciation and Impairment								-
at 1 April 2022	**0.0**	**(5.1)**	**(1.4)**	**(71.5)**	**0.0**	**0.0**	**0.0**	**(78.0)**
Depreciation Charge	(2.7)	(11.1)	(0.8)	(7.7)	0.0	0.0	0.0	(22.3)
Depreciation written out to the Revaluation Reserve	1.7	8.6	0.0	0.0	0.0	0.0	0.0	10.3
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.9	0.1	0.0	0.0	0.0	0.0	0.0	1.0
Derecognition - disposals	0.0	0.0	0.0	(1.0)	0.0	0.0	0.0	(1.0)
at 31 March 2023	**(0.1)**	**(7.5)**	**(2.2)**	**(80.2)**	**0.0**	**0.0**	**0.0**	**(90.0)**
Net Book Value								-
at 31 March 2022	**251.0**	**596.6**	**6.4**	**49.6**	**1.5**	**95.4**	**0.4**	**1,000.9**
at 31 March 2023	**249.1**	**630.5**	**5.6**	**45.9**	**1.5**	**138.7**	**0.4**	**1,071.7**

Property, Plant and Equipment (Continued)

Movements on Balances 2021-22	Council Dwellings	Other Land & Buildings	Leasehold Improvements	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation								
at 1 April 2021	**263.0**	**509.2**	**7.3**	**115.9**	**1.5**	**48.0**	**3.0**	**947.9**
Additions	1.9	3.3	0.6	5.4	0.0	52.0	0.0	**63.2**
Transfers	0.3	104.1	0.0	0.8	0.0	(4.5)	(1.8)	**98.9**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(5.7)	21.6	0.0	0.0	0.0	0.0	0.0	**15.9**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1.6)	(36.7)	0.0	0.0	0.0	0.0	0.0	**(38.3)**
Derecognition - disposals	(6.8)	0.0	0.0	(0.2)	0.0	0.0	(0.2)	**(7.2)**
at 31 March 2022	**251.1**	**601.5**	**7.9**	**121.9**	**1.5**	**95.5**	**1.0**	**1,080.4**
Accumulated Depreciation and Impairment								
at 1 April 2021	**(0.1)**	**(4.5)**	**(0.7)**	**(65.1)**	**0.0**	**0.0**	**(0.7)**	**(71.1)**
Depreciation Charge	(2.6)	(10.8)	(0.7)	(7.3)	0.0	0.0	0.0	(21.4)
Depreciation written out to the Revaluation Reserve	1.7	9.9	0.0	0.0	0.0	0.0	0.0	11.6
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.9	0.2	0.0	0.0	0.0	0.0	0.0	1.1
Derecognition - disposals	0	0.0	0.0	0.2	0.0	0.0	0.0	0.2
at 31 March 2022	**(0.1)**	**(5.2)**	**(1.4)**	**(72.2)**	**0.0**	**0.0**	**(0.7)**	**(79.6)**
Net Book Value								
at 31 March 2021	**262.9**	**504.7**	**6.6**	**50.8**	**1.5**	**48.0**	**2.3**	**876.8**
at 31 March 2022	**251.0**	**596.3**	**6.5**	**49.7**	**1.5**	**95.5**	**0.3**	**1,000.8**

Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code of Practice on infrastructure assets, this note does not include disclosure of gross costs and accumulated depreciation. This is due to historical reporting practices and resultant information deficits meaning that this would not faithfully represent the asset position to the users of the financial statements and would not provide the basis for these users to take economic or other decisions relating to infrastructure assets.

We have also utilised the provisions granted under The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 which allows for the derecognition of replaced elements of infrastructure assets to be assumed to be at nil value and confirms that prior year adjustments are not required in relation to this matter. This means that the figures presented below represent the spend and depreciation calculated for this asset class.

2021-22	Infrastructure Assets Movement on Balances	2022-23
£m		£m
48.8	**Opening Net Book Value at 1 April**	**47.7**
6.9	Additions	5.3
(8.0)	Depreciation	(8.2)
47.7	**Closing Net Book Value at 31 March**	**44.8**

Reconciliation of Property, Plant and Equipment

The below table reconciles the individual disclosure notes to the total property, plant and equipment balance on the face of the balance sheet.

2021-22	Reconciliation of Property, Plant and Equipment	2022-23
£m		£m
1,000.8	Other PPE Assets	1,071.7
47.7	Infrastructure Assets	44.8
1,048.5	**Total PPE Assets Net Book Value**	**1,116.5**

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

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[3] 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%. This factor has been adopted in establishing the Existing Use Value-Social Housing. The estimated vacant possession value of HRA dwellings at 31st March 2023 is £727.6m (£712.4m 31st March 22) which has been reduced by 75% to £183.6m (£179.7m at 31st March 22) 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.

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

Commitments

Significant capital commitments above £1m totalling £21.2m at 31 March 2023, detailed as:

- £2.4m relating to the Barbican Estate Redecoration programme
- £4.4m relating to Salisbury Square demolition and development scheme
- £1.0m relating to Assessment Centre for Rough Sleepers
- £2.8m relating to the Poultry Market (Museum of London Relocation)
- £1.0m relating to the replacement of the roof at Walbrook Wharf Depot
- £2.5m relating in respect of Fire Door replacement on the Avondale Square Housing estate
- £1.3m in respect of heating and hot water replacement schemes at Middlesex Street estate
- £2.6m relating to Holloway Estate Windows Replacement Programme
- £3.2m relating to Southwark Estate Windows Replacement Programme

Revaluations

The following have been revalued at 31 March 2023 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

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.

14. Heritage Assets

The carrying value of heritage assets currently held in the Balance Sheet at historic cost is £9.0m (2021-22 £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-andheritage/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) 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 £3.7m reflects the recognition of £5.1m of additional borrowing requirement to fund capital schemes, partially offset by a £1.4m minimum revenue provision made in the year.

2021-22		2022-23
£m		**£m**
53.4	**Opening Capital Financing Requirement**	**86.7**
	Capital Investment	
70.1	Property, Plant and Equipment	72.1
40.1	Investment Properties	5.6
0.2	Intangible Assets	0.4
20.9	Revenue Expenditure Funded for Capital Under Statute	23.9
	Sources of Finance	
(1.1)	Minimum Revenue Provision	(1.4)
(46.9)	Capital Receipts	(8.0)
(39.6)	Capital grants, contributions and donations	(36.7)
(3.6)	Major Repairs Reserve	(3.4)
(6.8)	Direct revenue contributions	(48.8)
86.7	**Closing Capital Financing Requirement**	**90.4**

2021-22		2022-23
£m		£m
	Explanation of movement in year	
(1.1)	Minimum Revenue Provision	(1.4)
0.0	Assets acquired under finance leases	0.0
34.4	Increase in underlying need to borrow	5.1
33.3	**Increase/(decrease) in Capital Financing Requirement**	**3.7**

16. Long Term Debtors

31 March 2022		31 March 2023
£m		£m
9.1	Net Investment in Finance Leases	8.8
1.2	Loans to Museum of London (repayable by 2032)	1.0
1.8	Rent	1.6
0.1	Museum in Docklands Loan	0.0
0.1	Service Charge Loans	0.0
12.3	**Total**	**11.5**

17. Investment Properties

2021-22		2022-23
£m		£m
1,601.0	Balance at start of the year	1,642.1
(100.8)	Transfers	(11.1)
	Additions:	
40.1	Purchases	0.0
0.0	Construction	0.0
0.0	Subsequent expenditure	5.6
(17.2)	Disposals	0.0
	Revaluations:	
119.0	Net gains from fair value adjustments	(76.3)
1,642.1	**Balance at end of the year**	**1,560.3**

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 22	31 March 22		31 March 23	31 March 23
£m	£m		£m	£m
		Investments		
0.0	324.6	Fair value through profit and loss	0.0	351.2
0.0	667.5	Amortised Cost	0.0	613.6
0.0	**992.1**	**Total Investments**	**0.0**	**964.8**
		Debtors		
12.3	89.5	Amortised Cost	11.5	56.6
12.3	**89.5**	**Total Debtors**	**11.5**	**56.6**
		Creditors		
0.0	(76.1)	Amortised Cost	0.0	(81.4)
0.0	**(76.1)**	**Total Creditors**	**0.0**	**(81.4)**
		Long Term Liabilities		
(4.9)	0.0	Amortised Cost	(4.3)	0.0
(4.9)	**0.0**	**Total Long Term Liabilities**	**(4.3)**	**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.

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.

Income, Expense, Gains and Losses

The gains and losses recognised in the CI&ES in relation to financial instruments are made up as follows:

2021-22		2022-23
£m		£m
7.5	Net(gain)/loss on financial assets at fair value through profit and loss	10.1
7.5	**Total net (gains)/losses in Surplus or Deficit on the Provision of Services**	**10.1**
(5.7)	Interest (income)/expenses from financial assets	(25.0)
(5.7)	**Total interest revenue in Surplus or Deficit on the Provision of Services**	**(25.0)**

31 March 2022			31 March 2023	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£m	£m		£m	£m
		Financial assets		
4.3	4.3	Long Term Debtors - investment properties	4.3	4.3
8.0	8.0	Long Term Debtors – other	7.2	7.2
992.1	992.1	Short Term Investments	964.8	964.0
89.5	89.5	Short Term Debtors	56.6	56.6
1,093.9	**1,093.9**	**Total financial assets**	**1,032.9**	**1,032.9**
		Financial liabilities		
(76.1)	(76.1)	Short Term Creditors	(81.4)	(81.4)
(4.9)	(4.9)	Long Term Liabilities	(4.3)	(4.3)
(81.0)	**(81.0)**	**Total financial liabilities**	**(85.7)**	**(85.7)**

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

19. Nature and Extent of Risks arising from Financial Instruments

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

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

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

Credit Risk

Credit risk arises from deposits with banks, other financial institutions and other local authorities, as well as credit exposures to the City Fund's customers. Deposits are only made with banks with a minimum Fitch (a leading credit rating agency) "rating" of Long term A and Short term F1 or are building societies with assets over £10bn (or which have a minimum credit rating similar to that set for the banks). The City Fund also invests in money market funds, which are subject to a minimum credit rating of AAAmmf (Fitch) or equivalent. The City Fund also holds investments in in two Short Dated Bond Funds. These financial instruments typically do not obtain their own standalone credit rating. Instead, the funds will invest in a wide array of investment grade instruments, which the City Corporation actively monitors in terms of the fund's composition and credit quality of its underlying assets.

The creditworthiness of the counterparties on the City Fund's lending list is carefully monitored. The lending list is reviewed on a regular basis using advice from credit rating agencies and in-house judgements based partially on credit default swap rates. Security of the investments is the prime criteria when selecting investments with liquidity and yield being secondary and tertiary considerations. The lending limits attributable to HSBC, Barclays, Goldman Sachs International Bank, NatWest and Santander UK were maintained at maximum lending limits of £100m each during 2022-23, and Lloyds Bank was fixed at £150m (Lloyds being the City of London Corporation's banker). The lending limit for the Nationwide Building Society was maintained at £100m. The maximum duration for such loans is fixed at three years. The lending limits for the Yorkshire, Coventry, Skipton and Leeds Building Societies were maintained at £20m each and the duration for such loans is fixed at 1 year. The list also contains twelve foreign banks with individual limits of £100m with a maximum loan duration of three years. The included foreign banks are Australia and New Zealand Banking Group, National Australia Bank, Bank of Montreal, Royal Bank of Canada, Toronto-Dominion Bank, Landesbank Hessen-Thueringen Girozentrale, Cooperatieve Rabobank, DBS Bank, United Overseas Bank, Skandinaviska Enskilda Banken, Swedbank, and Svenska Handelsbanken The lending list also includes five highly rated money market funds (Aberdeen

Sterling Liquidity Fund, CCLA Public Sector Deposit Fund, Deutsche Managed Sterling Fund, Federated Short-Term Sterling Prime Fund, and Invesco Sterling Liquidity Portfolio); three highly rated Ultra-Short Dated Bond Funds (Federated Sterling Cash Plus Fund, Aberdeen Standard Investments Short Duration Managed Liquidity Fund and Payden Sterling Reserve Fund); and two Short Dated Bond Funds (Legal & General Short Dated Sterling Corporate Bond Index Fund and Royal London Investment Grade Short Dated Credit Fund). The City Corporation also lends to other UK local authorities with a limit of £25m to any individual authority.

The City Fund's maximum exposure to credit risk in relation to its investments in banks, building societies, local authorities and money market funds cannot be assessed generally, as the risk of any institution failing to make interest payments or failing to repay the principal amount borrowed would be specific to each individual institution. No credit limits were exceeded during the reporting period and the City Fund does not expect any losses from non-performance by any counterparty in relation to outstanding deposits. As at 31 March 2023, the City Fund had £994.1m in cash, cash equivalents and investments.

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

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 2023	<3 months	3-6 months	6-12 months	>1 year	Total
Expected loss rate	1%	10%	17%	25%	10%
Gross carrying amount (£m)	17.1	2.1	2.6	9.4	31.1
Loss provision (£m)	0.2	0.2	0.4	2.4	3.2

Liquidity risk

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

Market risk

Interest rate risk (narrative updated)

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:

2021-22		2022-23
£m		**£m**
	Increase in interest receivable on investments held at variable rates	
4.6	City Fund	4.3
0.0	HRA	0.0
4.6	**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 2023 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 2023, 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. Short-term debtors

31 March 2022		31 March 2023
£m		£m
35.2	Central Government Bodies	54.6
3.4	Greater London Authority	0.4
41.1	London Business Rates Pool	0.0
	All Other Bodies	
20.4	Rents	18.5
6.9	Sundry	11.0
37.7	Trade Debtors	45.4
10.7	City Fund's Share of National Business Rates Arrears	16.9
10.0	Other	11.0
(10.5)	Less: Impairment allowances for expected credit losses and doubtful debts	(10.3)
154.9	**Total**	**147.6**

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

21. Short-term creditors

The adjacent table provides a breakdown of the outstanding creditor and receipt in advance balances for the year. The majority of these balances are held with other public entities and are predominantly due to movements linked to business rate income.

The remaining balances with Central Govt bodies and the GLA have been impacted by the share of the collection fund surplus owed to these entities. Further details can be found in the collection fund accounts section of the statement.

The London Business Rates Pool position relates to our role as lead authority to account for all the outstanding movement for the Pool. The year-end balance represents the amount owed by the Pool to external local authorities.

31 March 2022		31 March 2023
£m		£m
(83.7)	Central Government Bodies	(94.8)
(49.0)	Greater London Authority and Transport for London	(105.2)
(105.9)	London Business Rates Pool	(10.3)
(40.0)	City Fund's share of national business rates creditors and receipts in advance	(42.2)
(8.3)	Deposits	(7.9)
(77.8)	Sundry	(84.3)
(30.8)	Receipts in advance	(37.5)
(395.5)	**Total**	**(382.2)**

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. 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 2023 and an analysis of successful appeals and trends in 2022-23.

	National Business Rates	City Fund Premium on Business Rates	Total
	£m	£m	
Balance at 1 April 2022	**(38.6)**	**(1.6)**	**(40.2)**
Appeals settled in 2022-23	22.8	1.8	24.6
Provisions made in 2022-23	(4.6)	(1.2)	(5.8)
Balance at 31 March 2023	**(20.4)**	**(1.0)**	**(21.4)**

23. Pension Schemes

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

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

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

City of London Pension Scheme

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

The City Corporation administers the Scheme on behalf of its participating employers. The City Corporation's Corporate Services Committee is responsible for personnel and administration matters, whilst its Pensions Committee is responsible for appointing fund managers and monitoring performance. These functions were previously carried out by the Establishment Committee and the Financial Investment Board.

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 2022 and found that the Pension Fund's funding position had improved to 98% (from 90% as at 31 March 2019). 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 since 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 2022	**31 March 2022**		**31 March 2023**	**31 March 2023**
£m	**£m**		**£m**	**£m**
(2,108.5)	(1,075.5)	1 April	(2,033.3)	(1,037.1)
(85.2)	(43.4)	Current Service Cost	(69.3)	(35.3)
(41.5)	(21.2)	Interest Cost	(52.4)	(26.7)
	0.0	Remeasurement gains/losses:		0.0
50.9	25.9	Actuarial Gains/losses arising from demographic assumptions	0.0	0.0
121.8	62.1	Actuarial gains/losses arising from changes in financial assumptions	880.7	449.2
1.3	0.7	Other Actuarial Gains/Losses	(166.5)	(84.9)
(9.4)	(4.8)	Past Service Cost, including curtailments	(3.6)	(1.8)
0.0	0.0	Liabilities extinguished on settlements	0.0	0.0
48.2	24.6	Benefits paid	49.3	25.2
(11.2)	(5.7)	Contributions from scheme participants	(11.6)	(5.9)
0.4	0.2	Unfunded Pension Payments	0.4	0.2
(2,033.3)	**(1,037.1)**	31 March	**(1,406.2)**	**(717.2)**

Liabilities are discounted to their value at current prices, using a discount rate of 4.60% (based on the annualised Merrill Lynch AA rated corporate bond yield curve where the spot curve is assumed to be flat beyond the 30 year point).

b. Reconciliation of fair value of the scheme assets

CITY OF LONDON CORPORATION	CITY FUND SHARE 51%		CITY OF LONDON CORPORATION	CITY FUND SHARE 51%
31 March 2022	**31 March 2022**		**31 March 2023**	**31 March 2023**
£m	**£m**		**£m**	**£m**
1,188.8	606.4	1 April	1,274.7	650.2
22.8	11.6	Interest on Assets	33.1	16.9
		Remeasurement gains/losses:		
57.3	29.2	Return on Assets less interest	(40.0)	(20.4)
6.8	3.5	Other actuarial gains/losses	0.0	0.0
0.0	0.0	Change in proportion allocated to City Fund	0.0	0.0
(1.0)	(0.5)	Administration expenses	(1.0)	(0.5)
37.4	19.1	Contributions by Employer	34.9	17.8
11.2	5.7	Contributions by Scheme Participants	11.6	5.9
(48.6)	(24.8)	Benefits Paid	(49.7)	(25.4)
0.0	0.0	Settlement Prices Received/(Paid)	0.0	0.0
1,274.7	**650.2**	**31 March**	**1,263.7**	**644.5**

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

31 March 2022		31 March 2023
%		**%**
59	Equity Investments	59
1	Cash	1
12	Infrastructure	13
27	Absolute return portfolio	27
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 2022	**31 March 2022**		**31 March 2023**	**31 March 2023**
£m	**£m**		**£m**	**£m**
(919.7)	(469.0)	1 April	(758.6)	(386.8)
75.2	38.4	change in liabilities	627.0	319.8
85.9	43.8	change in assets	(11.0)	(5.6)
(758.6)	**(386.8)**	**31 March**	**(142.6)**	**(72.7)**

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 2022 and updated to the balance sheet date. The main assumptions used in the calculations are as follows:

2021-22		2022-23
	Mortality assumptions:	
	Life expectancy in years from age 65	
	Retiring today	
21.6	Men	21.1
24.3	Women	23.5
	Retiring in 20 years	
23.0	Men	22.3
25.8	Women	25.0
3.40%	Rate of Inflation – RPI	3.25%
3.25%	Rate of Inflation – CPI	2.90%
4.25%	Salary Increases	3.90%
3.25%	Pension Increases	2.90%
2.60%	Discount Rate	4.80%

Page 434

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 2023				
	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	(22.5)	23.1	(11.5)	11.8
0.1% change in rate of increase in salaries	1.6	(1.6)	0.8	(0.8)
0.1% change in rate of increase in pensions	21.9	(21.3)	11.1	(10.9)
One year change in rate of mortality assumption	55.3	(53.0)	28.2	(27.0)

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 £72.7m 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 2023 are £34.9m (estimated City Fund Share £17.8m).

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.

The Police Pension liability represents the pension benefits Officers have accrued as at 31 March 2023 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 2022		31 March 2023
£m		£m
(1,139.3)	1 April	(1,245.1)
(28.8)	Current Service Cost	(31.4)
(22.5)	Interest Cost	(32.0)
	Remeasurement gains/losses:	
(6.1)	Actuarial Gains/losses arising from demographic assumptions	0.0
44.1	Actuarial gains/losses arising from changes in financial assumptions	518.3
(123.1)	Other Actuarial Gains/Losses	(76.4)
34.9	Benefits paid	33.2
0.0	Past Service Costs	0.0
(4.9)	Contributions from scheme participants	(5.4)
0.5	Injury Benefits Paid	0.6
(1,245.1)	**31 March**	**(838.3)**

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

2021-22	Mortality assumptions:	2022-23
	Life expectancy in years from age 65	
	Retiring today	
21.1	Men	21.2
23.4	Women	23.5
	Retiring in 20 years	
22.4	Men	22.5
24.9	Women	25.0
3.55%	Rate of Inflation – RPI	3.25%
3.25%	Rate of Inflation – CPI	2.90%
4.25%	Salary Increases	3.90%
3.25%	Pension Increases	2.90%
2.60%	Discount Rate	4.80%

Change in Assumptions at 31 March 2023

Impact on the Defined Benefit Obligation in the Scheme		
	Increase	Decrease
	£m	£m
0.1% change in rate for discounting scheme liabilities	(13.3)	13.7
0.1% change in rate of increase in salaries	1.6	(1.6)
0.1% change in rate of increase in pensions	12.3	(12.0)
One year change in rate of mortality assumption	30.5	(29.4)

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 £838.3m 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 2023 are expected to be £12.4m and the expected top up grant from the Government is £15.5m.

The scheme actuary has estimated that the weighted average combined duration of the defined benefit obligation for the schemes is 21 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 2022		31 March 2023
£m		**£m**
(2.8)	1 April	(2.8)
(0.2)	Current Service Cost	(0.2)
(0.1)	Interest Cost	(0.1)
	Remeasurement gains/losses:	
0.0	Actuarial Gains/losses arising from demographic assumptions	0.9
0.1	Actuarial gains/losses arising from changes in financial assumptions	0.1
0.0	Other Actuarial Gains/losses	(0.2)
0.1	Benefits paid	0.1
(2.8)	**31 March**	**(2.2)**

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:

2021-22	Mortality assumptions:	2022-23
	Life expectancy in years from age 65	
	Retiring today	
21.6	Men	21.1
24.3	Women	23.5
	Retiring in 20 years	
23.0	Men	22.3
25.8	Women	25.0
3.55%	Rate of Inflation – RPI	3.25%
3.45%	Rate of Inflation – CPI	2.90%
4.45%	Salary Increases	3.90%
3.45%	Pension Increases	2.90%
2.65%	Discount Rate	4.80%

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 2023

Impact on the Defined Benefit Obligation in the Scheme		
	Increase	**Decrease**
	£m	**£m**
0.1% change in rate for discounting scheme liabilities	(0.02)	0.02
0.1% change in rate of increase in salaries	0.00	0.00
0.1% change in rate of increase in pensions	0.02	(0.02)
One year change in rate of mortality assumption	0.10	(0.10)

Impact on the City Fund's Cash Flows

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £2.2m 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 2023 a gain of £786.5m (at 31 March 2022 it was a gain of £36.3m). 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 2022		31 March 2023
£m		£m
	Present Value of the defined benefit obligation	
(1,035.0)	City of London Pension Scheme - City Fund	(715.4)
(1,234.4)	Police Pension Schemes	(829.7)
(2.8)	Judges Pension Scheme	(2.2)
	Fair Value of plan assets	
650.2	City of London Pension Scheme - City Fund	644.5
	Present value of unfunded obligation	
(2.1)	City of London Pension Scheme - City Fund	(1.8)
(10.7)	Police Pension Schemes	(8.4)
(1,634.8)	**Net liability on balance sheet**	**(913.2)**

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:

2021-22					2022-23			
Police	**Judges**	**City of London City Fund**	**Total**		**Police**	**Judges**	**City of London City Fund**	**Total**
£m	**£m**	**£m**	**£m**		**£m**	**£m**	**£m**	**£m**
				Comprehensive Income & Expenditure Statement (CIES)				
				Cost of Services:				
28.8	0.2	43.4	72.4	Current service cost	31.4	0.2	35.3	66.9
0.0	0.0	4.8	4.8	Past service costs	0.0	0.0	1.8	1.8
0.0	0.0	0.0	0.0	(gain)/loss from settlements	0.0	0.0	0.0	0.0
			0.0	Other Operating Income				
0.0	0.0	0.5	0.5	Administration expenses	0.0	0.0	0.5	0.5
			0.0	Financing & Investment Income & Expenditure				
0.0	0.0	0.0	0.0	Current service cost	0.0	0.0	0.0	0.0
28.8	0.1	9.6	38.5	Interest cost	32.0	0.1	9.9	41.9
57.6	**0.3**	**58.3**	**116.2**	**Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services**	**63.4**	**0.3**	**47.5**	**111.2**
				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	20.4	20.4
6.1	0.0	(25.9)	(19.8)	Actuarial (gains) & losses - changes in demographic assumptions	0.0	(0.9)	0.0	(0.9)
(44.1)	(0.1)	(62.1)	(106.3)	Actuarial (gains) & losses - changes in financial assumptions	(518.3)	(0.1)	(449.2)	(967.6)
123.1	0.0	(4.1)	119.0	Actuarial (gains) & losses – Other	76.4	0.2	84.9	161.6
85.1	**(0.1)**	**(121.3)**	**(36.3)**	**Total Other Comprehensive Income & Expenditure**	**(441.9)**	**(0.8)**	**(343.9)**	**(786.5)**
142.7	0.1	(63.1)	79.8	Total Retirement Benefit Charged/(Credited) to the CIES	(378.5)	(0.5)	(296.4)	(675.3)
				Movement in Reserves Statement				
(142.7)	(0.1)	63.1	(79.8)	Reversal of net charges/credits for retirement benefits in accordance with the Code	378.5	0.5	296.4	675.3
30.5	**0.1**	**19.1**	**49.7**	**Actual amount charged against the City Fund and HRA Balances**	**28.4**	**0.1**	**17.8**	**46.3**

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 are as follows:

31 March 2022		31 March 2023
£m		£m
	Grants and Contributions Received in Advance - Capital (Long-term)	
(94.8)	S106 / S278 Contributions	(103.7)
	Grants and Contributions Received in Advance - Revenue (Short-term)	
(67.5)	S31 Grant for NNDR Reliefs due to Central Government	10.9
(64.4)	COVID Additional Relief Fund Receipt in Advance from Central Government	46.1
(131.9)	**Total**	**(57.0)**

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 £224.5m.

29. Other Long-term Liabilities

At the 31 March 2023 the City Fund has long term liabilities of £52.9m, which consists of £48.6m (2021-22: £52.1m) of outstanding London NNDR Pool Strategic Investment Pot (SIP) project funding due to be released over the life span of agreed projects and £4.3m (2021-22: £4.9m) 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 2022		31 March 2023
£m		£m
	Property, Plant and Equipment	
13.6	Other Land and Buildings	14.0
1.7	Vehicles, Plant and Equipment	1.1
43.6	Investment Properties	30.2
58.9		**45.3**

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 2022		31 March 2023
£m		£m
3.2	Investment Property	3.2
1.7	Cleansing Vehicles	1.1
4.9	Long Term Liabilities	**4.3**

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 2022	31 March 2022		31 March 2023	31 March 2023
£m	£m		£m	£m
0.7	0.6	Not later than one year	0.7	0.5
1.6	1.1	Later than one year and not later than five years	1.0	0.6
13.0	3.2	Later than five years	12.8	3.2
15.3	**4.9**	**Total**	**14.5**	**4.3**

City Fund as Lessor[4]

The gross investment is made up of the following amounts:

31 March 2022		31 March 2023
£m		£m
	Finance lease debtor (net present value of minimum lease payments)	
0.3	Current	0.3
8.8	Non-current	8.5
17.3	Unearned finance income	17.2
26.4	**Gross investment in the lease**	**26.0**

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 2022	31 March 2022		31 March 2023	31 March 2023
£m	£m		£m	£m
0.6	0.3	Not later than one year	0.6	0.2
2.0	1.1	Later than one year and not later than five years	2.2	1.1
23.8	7.7	Later than five years	23.4	7.3
26.4	**9.1**	**Total**	**26.2**	**8.6**

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.

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

[4] The accounting treatment for lease premiums is currently being reviewed as part of the 2020-21 and 2021-22 audit.

Operating Leases

City Fund as Lessee

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

31 March 2022		31 March 2023
£m		£m
2.7	Not later than one year	2.7
6.9	Later than one year and not later than five years	4.8
16.2	Later than five years	15.5
25.8	**Total**	**23.0**

City Fund as Lessor[5]

The City of London has granted leases in respect of several 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 2022		31 March 2023
£m		£m
45.7	Not later than one year	47.0
163.4	Later than one year and not later than five years	156.7
3,228.0	Later than five years	3,244.3
3,437.1	**Total**	**3,448.3**

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.

[5] The accounting treatment for lease premiums is currently being reviewed as part of the 2020-21 and 2021-22 audit.

31. Unusable Reserves

31 March 2022		Note	31 March 2023
£m			£m
(346.4)	Revaluation Reserve	A	(378.6)
(2,267.2)	Capital Adjustment Account	B	(2,225.6)
1,634.8	Pensions Reserve	C	913.2
41.8	Collection Fund Adjustment Account	D	(24.7)
3.8	Accumulated Absences Account	E	2.9
(9.1)	Deferred Capital Receipts Reserve	F	(8.8)
0.2	Financial Instrument Revaluation Reserve	G	0.2
4.9	Pooled Investment Adjustment Account	H	15.0
(937.2)	**Total Unusable Reserves**		**(1,706.4)**

Page 445

a. Revaluation Reserve

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

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

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

2021-22		2022-23
£m		£m
(330.6)	Balance at 1 April	(346.4)
(36.1)	Upward revaluation of assets	(55.3)
8.3	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	17.7
(27.8)	**Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(37.6)**
5.5	Difference between fair value depreciation and historical cost depreciation	5.4
0.0	Assets reclassified as investments	0.0
6.5	Accumulated gains on assets sold or scrapped	0.0
12.0	**Amount written off to the Capital Adjustment Account**	**5.4**
(346.4)	**Balance at 31 March**	**(378.6)**

b. Capital Adjustment Account

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

2021-22		2022-23
£m		£m
(2,151.2)	Balance at 1 April	**(2,267.2)**
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:	
66.5	Charges for depreciation, impairment and revaluation losses of non-current assets	38.3
0.2	Amortisation of intangible assets	0.3
21.0	Revenue expenditure funded from capital under statute	23.9
25.2	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	6.4
112.9	**Total reversal of items relating to capital expenditure debited or credited to the CI&ES:**	**68.9**
(12.1)	Adjusting amounts written out of the Revaluation Reserve	(5.5)
100.8	**Net written out amount of the cost of non-current assets consumed in the year**	**63.4**
	Capital financing applied in the year:	
(46.9)	Use of the Capital Receipts Reserve to finance new capital expenditure	(8.0)
(3.6)	Use of the Major Repairs Reserve to finance new capital expenditure	(3.4)
(36.4)	Capital grants, contributions & donations credited to the CI&ES that have been applied to capital financing	(36.3)
(3.2)	Application of grants to capital financing from the Capital Grants Unapplied Account	(0.4)
(1.1)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1.4)
(6.8)	Capital expenditure charged against the City Fund & HRA balances	(48.8)
(98.0)	**Total Capital financing applied in the year:**	**(98.3)**
(119.0)	Movements in the market value of Investment Properties debited or credited to the CI&ES	76.3
0.2	Museum of London loan principle	0.2
(2,267.2)	**Balance at 31 March**	**(2,225.6)**

c. Pension Reserve

2021-22		2022-23
£m		£m
1,611.0	Balance at 1 April	1,634.8
(36.3)	Remeasurements of the net defined benefit liability	(786.5)
109.8	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	111.2
(49.7)	Employer's pension contributions less direct payments to pensioners payable in the year	(46.3)
1,634.8	**Balance at 31 March**	**913.2**

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.

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 surplus of £24.7m has arisen in the account. This surplus is largely due to timing differences between our submission of estimated business rate income for the year, submitted in January for the preceding financial year.

e. Accumulated Absences Account

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

f. Deferred Capital Receipts Reserve

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

g. Financial Instrument Revaluation Reserve

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

h. Pooled Investment Reserve

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

Notes to the Cash Flow Statement

32. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following item:

2021-22		2022-23
£m		£m
(66.9)	Depreciation, impairments and impairment reversal	(38.3)
5.2	Increase/(Decrease) in creditors	107.7
24.7	Increase/(Decrease in debtors	(14.8)
(0.1)	Increase/(Decrease in inventories	0.0
(60.1)	Movement in pension liability	(64.9)
(25.2)	Carrying amount of non-current assets sold	(6.4)
119.0	Movement in investment property values	(76.3)
(28.5)	Deferred credits	(1.4)
5.6	(Increase)/Decrease in contributions to provisions	18.8
(7.4)	Other non-cash items charged to the net surplus or deficit on the provision of services	(10.6)
(33.7)	**Total**	**(86.2)**

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

2021-22		2022-23
£m		£m
(5.7)	Interest received	(23.3)

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

2021-22		2022-23
£m		£m
21.3	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	28.1
49.6	Capital grants credited to the net surplus or deficit on the provision of services	66.8
70.9		**94.9**

33. Cash Flow Statement – Investing Activities

2021-22		2022-23
£m		**£m**
108.1	Purchase of property, plant and equipment, investment property and intangible assets	70.0
(1,918.3)	Proceeds from short-term and long-term investments	(1,616.6)
2,044.5	Purchase of short-term and long-term investments	1,599.3
(24.5)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(28.1)
(36.0)	Capital grants received	(68.8)
6.7	Other receipts from investing activities	0.8
180.5	**Net cash outflows/(inflows) from investing activities**	**(43.4)**

34. Cash Flow Statement – Financing Activities

2021-22		2022-23
£m		**£m**
(151.7)	Billing Authorities - Council Tax and NNDR Adjustments	(5.4)
0.5	Reduction in finance lease liability	0.6
(151.2)	**Net cash inflows from financing activities**	**(4.8)**

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 2022-23, including instances where their close family has made transactions with the City of London.

During 2022-23 the following transactions have been disclosed. This is where Members held positions of control or significant influence in related parties to City Fund are:

Related party	Connected party	2022-23	2021-22	Detail of transaction
		£000	£000	
Askonsas Holt Ltd	A member is the board chairman of Askonsas Holt		30	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.	(4,096)	(4,873)	Provision of service costs received by City Fund
City of London Reserve Forces and Cadets Association	One member is nominated to the City of London Reserve Forces and Cadets Association	49	-	Reception contribution and Grant payment
CORAM (Thomas Coram Foundation for Children)	A member is appointed as a trustee*		20/(44)	Provision of service costs received by City Fund
DLA Piper UK LLP	One member is a equity partner and one member is a consultant to DL A Piper UK LLP	(50)	(35)	Provision of service costs received by City Fund
Dr Johnson's House Trust	A member is nominated to Dr Johnson's House Trust by the City Corporation	-	8	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	-	56	Service costs paid by City Fund and catering and hire fees received by City Fund
Hiscox Group	A Member is the Chief Executive of Hiscox Group	(10)	(10)	Contribution received by City Fund
London Councils	A member is a Director in London Councils Ltd	(38)	-	Refund for services and contribution payment
New London Architecture	A member is Chairman of New London Architecture	42/(115)	-	Payment of Fees by City Fund and provision of service costs received by City Fund

Partnership for Young London	The City Corporation nominates a Member to the Partnership for Young London.	26/(7)	15/(14)	Consultant fees paid by City Fund; central support charges received by City Fund
Phoenix Group Holdings PLC	A Member is Chairman for Phoenix Group Holdings PLC	(140)	(50)	Rent and Insurance costs paid to City of London

*has now left the organisation

The following transactions have been disclosed where Members have declared an interest in parties that have transactions with the City Fund during 2022-23.

Related party	Connected party	2022-23	2021-22	Detail of transaction
		£000	**£000**	
Aon Reinsurance Solutions	A member is a member of council	(20)		Contribution towards Sculpture in City
Bakers' Company	A member is a court assistant to Bakers' Company	-	12	Payment of Restart Grant by City Fund
Barbican Association	Two members are members of the Barbican Association	10		Payment of expenses by City Fund
The Bank of England	A member is an employee	(20)		Provision of service costs received by City Fund
CBRE	A member is employed by CBRE	-	160	Payment of rent and service charges by City Fund
City University London	A member is an Alumni of City University Lonodn	(106)		Provision of service costs received by City Fund
Crossrail Ltd	A member is a consultant to Crossrail Ltd	-	(13)	Provision of service costs received by City Fund
Eight Members Club	A member is member to Eight members club	-	-	Government grants paid by City Fund
Keltbray Ltd	A Member is a Consultant in Keltbray Ltd	12/(27)	-	Provision of service cost received by City Fund and a refund to Keltbray for services provided
Lloyds	A Member is an underwriter and a member is an owner of an LLP at Lloyds of London	(50)	(219)	Sponsorship fees for Net Zero Delivery summit
London Borough of Sutton	A Member is the Head of Pensions Investments	(2521)/1093	29/(68)	Provision of service costs received by City Fund
Royal Borough of Kingston	A Member is the Head of Pensions Investments	(1,140)	(10)	Contribution, administration charges, subscriptions to London Council Grants

London Symphony Orchestra	A member is a member of the Advisory Council for London Symphony Orchestra	-	3,539/(2,201)	Provision of service costs received by City Fund
Ministry of Defence	Member is a TA officer	(63)		Provision of service costs received by City Fund
Moore Kingston Smith LLP	A Member is a consultant to Kingston Smith LLP	-	-	Fundraising services paid by City Fund
Named Members	One Members paid the City Fund	-	(12)	Rent received by City Fund
PWC LLP	A Member is an Advisor of PWC LLP	-	58	Consultancy services paid and room fees received by City Fund
Trinity House	A Member is a Member of Trinity House	-	32	Payment of Local Restrictions Support Grant and Restart Grant by City Fund
UBS	A Member has declared an interest in UBS.	-	-	Membership and licensing received by City Fund
Walbrook Club	A Member is a Member of Walbrook Club	-	12	Business rate relief
Worshipful Company of Butchers	Three members are Liverymen	-	18	Payment of Restart Grant by City Fund
WSP Group PLC	A member is a consultant for WSP Group PLC	-	89	Services purchased by City Fund
Museum of London	A Member is a Member of the Board of Governors for the Museum of London and a Member is a Friend of the Museum of London	5,419/(527)	5,451/(574)	Payment of grants and rental income paid to City Fund

Page 456

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 2022-23 was £30.0m (2021-22: £22.1m) and the City Fund received £0.6m for rent, loan repayments and other services. At 31st March 2023 there was an outstanding receivable of £0.5m relating to rent and loan repayments. For 2023-24, 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 2022-23, City's Cash provided a grant of £11.2m to City Fund for the Salisbury Square Development.

During the year, Bridge House Estates contributed £0.126m towards Corporate IT projects and £0.129m towards the "Secure City" project, relating to CCCTV and telecommunications (2021-22: nil). The balance owed to BHE at year end was nil (2021-22: nil)

Related Party Transactions not disclosed elsewhere in the Accounts

The UK government has significant influence over the general operations of 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. Amounts due to and from central government departments at 31 March 2023 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 £16m (2022: £14.1m).

A Member of the City of London has declared that they are the Lead Non-Executive Director for the Home Office. Further details of the City Fund's Transactions with the Home Office can be found in Note 6 (page 36) and Note 20 (page 61).

In the City of London Police's role as lead force for cybercrime the City Corporation has assumed responsibility of National CRC Group Limited (company no 13027672), which is a company limited by guarantee tasked with promoting the effectiveness and efficiency of the Police Service in connection to the protection from and prevention of cybercrime through England and Wales. The City Corporation assumed this role from December 2021. As the only Member of the company this would be considered a subsidiary of the City Corporation, specifically of City Fund. However, due to the limited activity of the company to date and small financial value (total balance sheet value at 31 March 2023 was £52,931), no consolidation has taken place.

36. Members Allowances

In 2021, the Court of Common Council introduced an annual, flat rate, allowance for Members, based on the City Corporation's rate for inner-London Weighting. The allowance is optional and is intended to recompense Members for the duties they undertake on behalf of the City Corporation, while also enabling those who chose not to claim from the scheme to maintain their status as volunteers. During the year, £0.325m in remuneration from the City Fund was claimed for Members undertaking their duties (2021-22: £0.08m).

Members may also 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 £2,334.36 (2021-22: £8,663.85) across all of the City's activities. These costs were met from the endowment funds of the City Corporation and not charged to City Fund.

37. Contingent Liabilities

There are no contingent liabilities to disclose as at 31 March 2023.

38. Agency Transactions

The City Fund carries out certain work on an agency basis for this it is fully reimbursed. The City Fund has acted as a Lead Authority for the London Business Rate Pool, which operated from 2018-19 through to 2020-21. This role includes acting as finance lead for the pool, which involves aggregating business rate income from participating authorities and distributing funds on behalf of the pool. Whilst the London Business Rates Pool did not operate during 2022-23, residual balances relating to prior year pool activity remain on the City Fund balance sheet pending completion of external audits of all members and finalisation/settlement of outstanding fund.

In 2022-23 the City of London alongside Brent, Barnet, Enfield, Hackney, Haringey, Tower Hamlets and Waltham Forest, formed the "Eight Authority Pool". The arrangements for the Eight Authority Pool are the same as those of the London Business Rates Pool with the City of London acting as lead authority.

These outstanding debtors and creditors balances are in relation to both pools 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 2023 £m
Short-Term Debtors	0.0
Cash & Cash Equivalents	10.3
Short-Term Creditors	(10.3)

Supplementary Accounts and Notes

Housing Revenue Account

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

Income and Expenditure Statement

2021-22		Notes	2022-23	
£m			£m	£m
	Expenditure			
5.0	Repairs and maintenance		5.1	
8.3	Supervision and management		11.5	
2.9	Depreciation of non-current assets		3.0	
0.7	Revaluation (gain)/loss on HRA dwellings		3.7	
0.5	Movement in the allowance for bad debts	1	0.1	
17.4	**Total Expenditure**			**23.4**
	Income			
(10.4)	Dwelling rents		(10.7)	
(2.4)	Non-dwelling rents		(2.8)	
(1.1)	Charges for services and facilities		(2.8)	
(0.2)	Contributions towards expenditure		(0.2)	
(14.1)	**Total Income**			**(16.5)**
3.3	**Net Expenditure/(Income) of HRA Services as included in the City Fund CI&ES cost of services**			**6.9**
	HRA share of other income and expenditure included in the City Fund CI&ES			
(0.6)	Net (gain)/loss on Disposal of Fixed Assets			(0.7)
0.0	Interest and investment income			0.1
0.0	Investment property (gain)/loss on revaluation			0.0
2.7	**(Surplus)/deficit for the year on HRA Services**			**6.3**

Movement on the HRA Statement

2021-22		Notes	2022-23	
£m			£m	£m
(0.2)	Balance on the HRA at the end of the previous year			(0.2)
2.7	(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		6.3	
(2.7)	Adjustments between accounting basis and funding basis under statute	2	(6.3)	
0.0	(Increase)/decrease in year on the HRA			(0.0)
(0.2)	**Balance on the HRA at the end of the current year**			**(0.2)**

1. Impairment Allowance for Bad and Doubtful Debts

2021-22		2022-23
£m		£m
0.33	Provision at 1 April	0.71
(0.08)	Bad Debts written off	0.00
0.45	Decrease in Provision	0.14
0.71	**Provision at 31 March**	**0.85**

2. Adjustments between Accounting Basis and Funding Basis under Statute

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

3. Housing Stock

As at 31 March 2023 the City Corporation's HRA rental stock was 1,860 dwellings. The HRA also includes costs and service charge income relating to properties sold on long leases of which there were 937 as at 31 March 2023 (2022: 932).

31 March 2022		31 March 2023
No.		**No.**
27	Houses and Bungalows	27
1,837	Flats	1,833
1,864	**Total**	**1,860**

31 March 2022		31 March 2023
No.		**No.**
1,867	Stock at 1 April	1,864
(5)	Sales	(5)
2	New Build	1
1,864	**Stock at 31 March**	**1,860**

4. Arrears of Rent, Service and Other Charges

As at 31 March 2023 the total arrears for rent, service charges and other charges were £7.7m (31 March 2022: £6.9m) as follows:

31 March 2022		31 March 2023
£m		**£m**
0.1	Former residential tenants	0.1
0.3	Current residential tenants	0.3
1.6	Commercial tenants	1.8
4.7	Service charges	5.3
0.1	Other charges	0.1
6.9	**Total arrears**	**7.7**

5. HRA Property, Plant and Equipment

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

2021-22					2022-23			
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				
184.1	**40.0**	**21.3**	**245.4**	**1 April**	**179.7**	**38.2**	**42.5**	**260.4**
1.9	(0.0)	21.5	23.4	Additions	4.1	0.0	11.7	15.8
0.3	(1.8)	(0.3)	(1.8)	Transfers	3.4	1.6	(5.3)	(0.3)
(4.6)	0.0	0.0	(4.6)	Revaluation increase/(decrease) recognised in the Revaluation Reserve	(1.9)	(3.2)	0.0	(5.1)
(1.7)	0.0	0.0	(1.7)	Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(4.6)	0.0	0.0	(4.6)
(0.3)	0.0	0.0	(0.3)	Derecognition – disposals	(0.4)	0.0	0.0	(0.4)
0.0	0.0	0.0	0.0	Assets reclassified (to)/from Held for Sale	0.0	0.0	0.0	0.0
179.7	**38.2**	**42.5**	**260.4**	**31 March**	**180.3**	**36.6**	**48.9**	**265.8**
				Accumulated Depreciation and Impairment				
0.0	**(0.2)**	**0.0**	**(0.2)**	**1 April**	**0.0**	**(0.2)**	**0.0**	**(0.2)**
(2.6)	(0.3)	0.0	(2.9)	Depreciation Charge	(2.7)	(0.3)	0.0	(3.0)
1.7	0.3	0.0	2.0	Depreciation written out to the Revaluation Reserve	1.7	0.3	0.0	2.0
0.9	0.0	0.0	0.9	Depreciation written out to the Surplus/Deficit on the Provision of Services	0.9	0.0	0.0	0.9
0.0	0.0	0.0	0.0	Derecognition – disposals	0.0	0.0	0.0	0.0
0.0	**(0.2)**	**0.0**	**(0.2)**	**31 March**	**(0.1)**	**(0.2)**	**0.0**	**(0.3)**
				Net Book Value				
184.1	**39.8**	**21.3**	**245.2**	**1 April**	**179.7**	**38.0**	**42.5**	**260.2**
179.7	**38.0**	**42.5**	**260.2**	**31 March**	**180.2**	**36.4**	**48.9**	**265.5**

6. Housing Asset Valuation

Dwellings are valued at their 'existing use with vacant possession' and then reduced to reflect 'existing use for social housing'. The reduction is a measure of the economic cost of providing council housing at less than open market rents. Current MHCLG guidance (guidance for valuers – 2016) identifies a vacant possession adjustment factor for London of 25%. This factor has been adopted in establishing the Existing Use Value-Social Housing. The estimated vacant possession value of HRA dwellings at 31st March 2023 is £727.6m (£712.4m 31st March 22) which has been reduced by 75% to £183.6m (£179.7m at 31st March 22) to reflect social housing.

7. Major Repairs Reserve

2021-22		2022-23
£m		**£m**
(2.0)	Balance 1 April	(1.3)
	Transfer from HRA equal to depreciation	
(2.9)	dwellings	(1.7)
0.0	non dwellings	0.0
0.0	Additional contribution to/(from) HRA	0.0
3.6	Capital expenditure (dwellings)	3.4
(1.3)	Balance 31 March	**0.3**

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

8. HRA Capital Expenditure

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

2021-22		2022-23
£m		**£m**
	Expenditure in year	
	Fixed assets	
21.5	Assets under construction	11.7
1.9	Dwellings	4.1
0.0	Other	
1.4	Revenue expenditure funded from capital under statute	1.3
24.8	**Total Expenditure**	**17.1**
	Methods of financing	
0.1	Capital Receipts	0.6
3.6	Major Repairs Reserve	3.4
21.1	Grants and contributions	13.1
24.8	**Total Financing**	**17.1**

Collection Fund Account

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

Revenue Account

2021-22				Notes	2022-23		
Council Tax	Business Rates	Total			Council Tax	Business Rates	Total
£m	£m	£m			£m	£m	£m
			INCOME				
(9.0)	0.0	(9.0)	Council Tax Receivable		(9.6)	0.0	(9.6)
(0.2)	0.0	(0.2)	Transfer from City Fund (Reliefs)		(0.2)	0.0	(0.2)
	(1,137.3)	(1,137.3)	National Business Rates	1		(1,204.4)	(1,204.4)
	0.0	0.0	National Business Rates transitional protection payments			0.0	0.0
	(38.7)	(38.7)	GLA Business Rate Supplement			(40.8)	(40.8)
	(17.9)	(17.9)	City Business Rate Premium			(29.7)	(29.7)
(9.2)	**(1,193.9)**	**(1,203.1)**	**TOTAL INCOME**		**(9.8)**	**(1,274.9)**	**(1,284.7)**
			EXPENDITURE				
			Council Tax Precepts and Demands				
7.8	0.0	7.8	City	2	8.0	0.0	8.0
0.7	0.0	0.7	GLA		1.0	0.0	1.0
0.0	0.0	0.0	Impairment of debt for Council Tax		0.2	0.0	0.2
			National Business Rates Precepts and Demands	2			
	352.7	352.7	City			321.0	321.0
	435.0	435.0	GLA			395.9	395.9
	388.0	388.0	Central Government			353.1	353.1
	1.1	1.1	National Business Rates transitional protection payments			1.8	1.8
	39.0	39.0	Business Rate Supplement collected on behalf of GLA			40.5	40.5
	17.5	17.5	City Business Rate Premium			28.1	28.1
	12.1	12.1	City Offset	5		12.1	12.1

2021-22				Notes	2022-23		
Council Tax	Business Rates	Total			Council Tax	Business Rates	Total
			EXPENDITURE CONTINUED				
			Impairment of debts for Business Rates				
	(8.4)	(8.4)	National			6.9	6.9
	(0.3)	(0.3)	GLA			0.3	0.3
	(0.1)	(0.1)	Premium			0.4	0.4
			Impairment of appeals for Business Rates				
	39.8	39.8	National			15.3	15.3
	0.5	0.5	Premium			1.2	1.2
			Cost of Collection Allowance				
	2.0	2.0	National Business Rates			2.0	2.0
	0.0	0.0	GLA Business Rate Supplement			0.0	0.0
			Contributions towards previous year's estimated Collection Fund Surplus/(Deficit) - National Business Rates				
	(37.7)	(37.7)	City			(37.7)	(37.7)
	(51.6)	(51.6)	GLA			(46.5)	(46.5)
	(45.8)	(45.8)	Central Government			(41.5)	(41.5)
			Contributions towards previous year's estimated Collection Fund Surplus - Council Tax				
0.6	0.0	0.6	City		0.3	0.0	0.3
0.1	0.0	0.1	GLA		0.0	0.0	0.0
9.2	**1,143.8**	**1,153.0**	**TOTAL EXPENDITURE**		**9.5**	**1,052.9**	**1,062.4**
0.0	(50.1)	(50.1)	(Surplus)/Deficit for Year		(0.3)	(222.0)	(222.3)
(0.6)	191.3	190.7	Balance 1 April		(0.6)	141.2	140.6
(0.6)	**141.2**	**140.6**	**Balance 31 March**		**(0.9)**	**(80.8)**	**(81.7)**

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 2022-23 the City of London set a non-domestic rating multiplier of 0.524 (52.4p in the £) and a small business non-domestic rating multiplier of 0.511 (51.1p in the £). This comprises the NNDR and SBNDR multipliers of 0.512 and 0.499 respectively, plus a premium of 1.2p 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 2022-23 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 2023 was £2.553bn.

2021-22		2022-23
£m		£m
(1,324.7)	National Business Rates	(1,374.5)
86.5	Less: Voids	83.4
21.0	Mandatory and discretionary relief	17.0
77.9	Expanded retail, leisure, and hospitality relief	69.5
2.0	Partly occupied allowance	0.2
(1,137.3)	**Net income from national business rates**	**(1,204.4)**

2. Calculation of Council Tax

The Local Government Finance Act 1992 introduced the Council Tax from 1 April 1993, replacing the Community Charge. The Act prescribes the detailed calculations that the City of London Corporation, as a billing authority, has to make to determine the Council Tax amounts. The City of London set a basic amount of £956.11 for a Band D property, inclusive of a 1% adult social care precept. There was no increase in council tax.

To this £956.11 is added £118.46 in respect of the precept from the Greater London Authority to arrive at the total Council Tax of £1,074.57 for a Band D property in 2022-23. 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	716.38
B	7/9	835.78
C	8/9	955.18
D	9/9	1,074.57
E	11/9	1,313.36
F	13/9	1,552.16
G	15/9	1,790.95
H	18/9	2,149.14

3. Tax Bases 2022-23

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.

This amount was approved by the Chamberlain under the delegated authority of the City of London together with the Council Tax bases for each part of the City's area.

BAND	MIDDLE TEMPLE	INNER TEMPLE	CITY AREA EXCLUDING TEMPLES	TOTAL CITY AREA
A	0.00	0.00	2.33	2.33
B	0.00	0.00	154.82	154.82
C	0.00	0.00	433.57	433.57
D	0.00	0.00	799.83	799.83
E	9.47	0.92	3,098.06	3,108.45
F	31.06	26.36	1,742.22	1,799.64
G	24.17	60.00	2,151.25	2,235.42
H	0.00	4.00	599.00	603.00
AGGREGATE RELEVANT AMOUNTS	**64.70**	**91.28**	**8,981.08**	**9,137.06**
COLLECTION RATE	97%	97%	97%	
TAX BASES	**62.76**	**88.54**	**8,711.65**	**8,862.95**

4. City Fund Offset

To reflect the unique characteristics of the square mile, the Government allows the City Fund to retain an amount from the NNDR paid by City businesses. This totalled £12.1m in 2022-23 (2021-22: £12.1m).

5. (Surplus)/Deficit for the year

A business rates surplus of £222m was achieved for the year, but this was in large part due to the recovery of large a deficit created in the previous year of £125.7m. After adjusting for the recovery, the in year position was a £96.3m surplus.

Breakdown of Business Rate Collection Fund Deficit	Total	City	GLA	Central Govt
Percentage allocation		30%	37%	33%
Opening collection fund surplus/(deficit)	**(141.2)**	**(42.4)**	**(43.2)**	**(55.7)**
Prior year surplus/(deficit)	(125.7)	(37.7)	(46.5)	(41.5)
In-year surplus/(deficit)	96.3	28.9	35.6	31.8
Closing Surplus/(deficit)	**80.8**	**24.2**	**38.9**	**17.6**

Police Pension Fund

Police Pension Fund Account for the year ended 31 March 2023

2021-22		2022-23	
£m		£m	£m
	Contributions receivable		
	- from employer		
(11.2)	normal	(12.3)	
0.0	early retirements	0	
(4.9)	- from members	(5.3)	
(16.1)			**(17.6)**
(0.3)	Transfers in from other Police Authorities		**(0.1)**
	Benefits payable		
27.0	- pensions	28.7	
7.8	- commutations and lump sums	7.4	
34.8			**36.1**
	Payments to and on account of leavers		
0.0	- Transfers out to other Police Authorities	0.0	
18.9	Sub-total: Net amount payable for the year before transfer from Police Authority		**18.4**
(18.9)	Additional contribution from Police Authority		(18.4)
0.0	**Net amount payable/receivable for the year**		**0.0**

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

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

iii. The fund's financial statements have been prepared using the accounting policies adopted for the City Fund financial statements set out on pages 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 2023

2021-22		Notes	2022-23
£m			£m
	Dealings with members, employers and others directly involved in the Fund		
(51.4)	Contributions	7	(49.8)
(3.4)	Transfers in from other pension funds		(3.3)
(54.8)			**(53.1)**
52.8	Benefits	8	53.2
1.9	Payments to and on account of leavers	9	3.2
54.7			**56.4**
(0.1)	**Net (additions)/withdrawals from dealings with members**		**3.3**
10.9	Management expenses	10	8.3
10.8	**Net withdrawals including fund management expenses**		**11.6**
	Returns on investments		
(4.0)	Investment income	11	(2.6)
(93.8)	Profit and losses on disposal of investments and changes in the value of investments	12	3.7
(97.8)	**Net return on investments**		**1.1**
(87.0)	**Net (increase)/decrease in the net assets available for benefits during the year**		**12.7**
(1,301.1)	Opening net assets of the scheme		(1,388.1)
(1,388.1)	**Closing net assets of the scheme**		**(1,375.4)**

Net Asset Statement as at 31 March 2023

2021-22		Notes	2022-23
£m			£m
0.2	Long-term investments		0.2
1,368.9	Investment assets	12	1,366.0
1,369.1	**Total net investments**		**1,366.2**
20.4	Current assets	19	10.9
(1.4)	Current liabilities	20	(1.7)
1,388.1	**Net assets of the Fund available to fund benefits at the end of the reporting period**		**1,375.4**

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 2023				31 March 2022
	Current contributors	Beneficiaries in receipt of pension	Deferred members	Total	Total
	No.	No.	No.	No.	No.
ADMINISTERING AUTHORITY					
City of London Corporation	4,233	4,400	4,606	13,239	12,846
	4,233	**4,400**	**4,606**	**13,239**	**12,846**
SCHEDULED BODIES:					
Museum of London	263	285	678	1,226	1,162
Magistrates Court	0	19	9	28	31
Multi Academy Trust	10	0	2	12	13
	273	**304**	**689**	**1,266**	**1,206**
ADMITTED BODIES:					
Irish Society	4	9	2	15	16
Parking Committee for London	0	7	5	12	12
Guildhall Club	0	4	4	8	8
City Academy - Southwark	80	12	143	235	240
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	11	2	16	29	30
Turning Point	1	0	0	1	2
Agilysis	2	5	15	22	24
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	3	1	1	5	5
	106	**49**	**195**	**350**	**360**
TOTAL	**4,612**	**4,753**	**5,490**	**14,855**	**14,412**

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 2023. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. For 2022-23, employer contribution rates range from 15.0% to 21.0% of pensionable pay.

d) Benefits

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

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

2. Basis of preparation

The statement of accounts summarises the Fund's transactions for the 2022-23 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2022-23* (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 2023. 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.

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). 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 net asset statement 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

In applying the accounting policies set out in Note 3, certain critical judgments have had to be made about complex transactions or those involving uncertainty about future events.

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

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

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

The items in the net assets statement at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied. This uncertainty relates solely to the disclosures made in Note 18 and does not impact on the Net Asset Statement or Pension Fund Account.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: • a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £25m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £2m • a one-year increase in assumed life expectancy would increase the liability by approximately £59m.
Private equity investments (Note 13)	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and use valuation techniques that rely on unobservable inputs.	Private equity investments are valued at £29m 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)	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 £76m and £108m, 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

In April 2023, £15.0m was redeemed from Multi-Asset Manager Pyrford and invested in Property Manager Aviva Lime.

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

7. Contributions receivable

By Category

2021-22		2022-23
£m		£m
(12.1)	Employees' contributions	(12.6)
	Employers' contributions	
(24.3)	Normal contributions	(25.6)
(9.0)	Deficit recovery contributions	(9.3)
(6.0)	Pensions strain contributions	(2.3)
(39.3)	**Total employers' contributions**	**(37.2)**
(51.4)		**(49.8)**

By type of employer

2021-22		2022-23
£m		£m
(48.2)	Administering authority	(46.4)
(2.2)	Scheduled bodies	(2.4)
(1.0)	Admitted bodies	(1.0)
(51.4)		**(49.8)**

8. Benefits payable

By Category

2021-22		2022-23
£m		£m
43.1	Pensions	45.5
8.8	Lump sum retirement benefits	7.3
0.9	Lump sum death benefits	0.4
52.8		**53.2**

By type of employer

2021-22		2022-23
£m		£m
49.9	Administering authority	50.0
2.5	Scheduled bodies	2.7
0.4	Admitted bodies	0.5
52.8		**53.2**

9. Payments to and on account of leavers

2021-22		2022-23
£m		£m
1.8	Individual transfers out	3.0
0.1	Refunds to members leaving service	0.2
1.9		**3.2**

10. Management expenses

2021-22		2022-23
£m		£m
0.7	Administration expenses	0.8
9.8	Investment management expenses	7.2
0.4	Oversight and governance*	0.3
10.9		**8.3**

*Includes audit fees of £35,000 that have been charged to the Pension Fund (2021-22: £21,500). The fee payable for the 2022-23 audit is estimated to be £35,000.

a. Investment management expenses

2021-22					2022-23			
Management Fees	**Performance Related Fees**	**Transaction Costs**	**Total**		**Management Fees**	**Performance Related Fees**	**Transaction Costs**	**Total**
£m	£m	£m	£m		£m	£m	£m	£m
0.6	2.1	0.0	2.7	Infrastructure funds	0.6	0.7	0.0	1.3
4.7	0.3	0.0	5.0	Pooled investments**	4.4	0	0.0	4.4
0.5	0.0	0.0	0.5	Pooled property investments	0.6	0	0.0	0.6
0.4	1.2	0.0	1.6	Private equity	0.4	0.5	0.0	0.9
6.2	**3.6**	**0.0**	**9.8**	**Total**	**6.0**	**1.2**	**0.0**	**7.2**

**Included £1.0m charged to the Pension Fund by the London CIV regional asset pool (£1.1m in 2021-22).

11. Income from investments

2021-22		2022-23
£m		£m
(0.5)	Infrastructure funds	(0.0)
(0.0)	Interest	(0.2)
(2.3)	Pooled property investments	(2.4)
(1.2)	Private equity	(0.0)
(4.0)	**Total**	**(2.6)**

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

12. Investments

Market Value 31-03-2022		Market Value 31-03-2023
£m		£m
	Investment assets	
	Pooled funds	
257.3	Diversified growth funds	261.4
590.3	Global equity	575.0
120.2	Multi asset credit	113.9
197.2	UK equities	202.7
1,165.0		**1,153.0**
	Other investments	
68.7	Infrastructure funds	75.6
101.1	Pooled property investments	108.2
34.1	Private equity funds	29.2
203.9		**213.0**
0.0	Investment income due	0.0
1,368.9	**Total investment assets**	**1,366.0**
	Long-term investments	
0.2	Equities	0.2
1,369.1	**Net investment assets**	**1,366.2**

a. Reconciliation of movements in investments

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

	Market Value 31-03-2022	Purchases During the Year	Sales During the Year	Change in Value	Market Value 31-03-2023
	£m	£m	£m	£m	£m
Infrastructure funds	68.7	0.6	(4.5)	10.8	75.6
Long-term investments	0.2	0.0	0.0	0.0	0.2
Pooled investments	1,165.0	0.0	(9.7)	(2.3)	1,153.0
Pooled property investments	101.1	23.6	(1.4)	(15.1)	108.2
Private equity funds	34.1	0.3	(8.1)	2.9	29.2
	1,369.1	**24.5**	**(23.7)**	**(3.7)**	**1,366.2**
Investment income due	0				0
Net investment assets	**1,369.1**				**1,366.2**

	Market Value 31-03-2021	Purchases During the Year	Sales During the Year	Change in Value	Market Value 31-03-2022
	£m	£m	£m	£m	£m
Infrastructure funds	62.8	0.3	(7.9)	13.5	68.7
Long-term investments	0.2	0.0	0.0	0.0	0.2
Pooled investments	1,105.2	121.6	(126.5)	64.7	1,165.0
Pooled property investments	88.2	6.6	(0.6)	6.9	101.1
Private equity funds	38.0	0.2	(12.8)	8.7	34.1
	1,294.4	**128.7**	**(147.8)**	**93.8**	**1,369.1**
Investment income due	0.2				0.0
Net investment assets	**1,294.6**				**1,369.1**

b. Investments analysed by fund manager

Market value 31-03-2022		Market value 31-03-2023
£m		£m
	Investments managed by the London CIV	
171.7	LCIV Global Alpha Growth Fund*	163.9
120.2	LCIV Alternative Credit Fund*	113.9
0.2	London CIV	0.2
292.1		**278.0**
	Investments managed outside the London CIV	
51.7	Alternative assets	45.5
104.3	Artemis Institutional Equity Income Fund*	105.1
32.6	Aviva Lime Property Fund	27.4
156.6	C Worldwide Global Equities*	155.4
113.4	Harris Associates Global Equity Fund*	117.2
51.1	IFM Global Infrastructure (UK)	59.2
50.9	Lindsell Train UK Equity Fund	54.3
36.3	M&G UK Residential Property Fund	44.0
32.2	M&G Secured Property Income Fund	36.8
42.0	Liontrust UK Equity Fund	43.3
142.8	Pyrford Global Total Return Fund*	145.1
114.5	Ruffer Absolute Return Fund*	116.3
148.6	Veritas Global Focus Fund*	138.6
1,077.0		**1088.2**
1,369.1	**Total**	**1,366.2**
0.0	Investment income due	0.0
1,369.1	**Net investment assets**	**1,366.2**

*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 2023.

	Assessed valuation range	Market value 31-03-2023	Value on increase	Value on decrease
	(+/-)	£m	£m	£m
Private equity funds	10%	29.2	32.1	26.3
Pooled property investments	10%	108.2	119.0	97.4
Infrastructure funds	10%	75.6	83.2	68.0
		213.0	**234.3**	**191.7**

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 2022					Values as at 31 March 2023			
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	68.7	68.7	Infrastructure funds	0	0	75.6	75.6
0.0	0.0	0.2	0.2	Long-term investments	0	0	0.2	0.2
0.0	1,165.0	0.0	1,165.0	Pooled investments	0	1,153.0	0	1,153.0
0.0	0.0	101.1	101.1	Pooled property investments	0	0	108.2	108.2
0.0	0.0	34.1	34.1	Private equity funds	0	0	29.2	29.2
0.0	**1,165.0**	**204.1**	**1,369.1**	**Total investment assets**	**0.0**	**1,153.0**	**213.2**	**1,366.2**
0.0	0.0	0.0	0.0	Investment income due	0	0	0	0
0.0	**1,165.0**	**204.1**	**1,369.1**	**Net investment assets**	**0.0**	**1,153.0**	**213.2**	**1,366.2**

b. Reconciliation of fair value measurements within level 3

The table below shows the movements in level 3 disclosures for 2022-23

Disclosures for level 3	Market value at 31-03-2022	Transfers into level 3	Transfers out of level 3	Purchases at cost	Sales	Unrealised gains / (losses)	Realised gains / (losses)	Market value at 31-03-2023
	£m	£m	£m	£m	£m	£m	£m	£m
Private equity	34.1	0	0	0.3	(8.1)	5.4	(2.5)	29.2
Pooled property investments	101.1	0	0	23.6	(1.4)	(15.1)	0.0	108.2
Infrastructure	68.7	0	0	0.6	(4.5)	11.8	(1.0)	75.6
Long term investment	0.2	0	0	0	0.0	0.0	0.0	0.2
Total level 3	**204.1**	**0**	**0**	**24.5**	**(14.0)**	**2.1**	**(3.5)**	**213.2**

Page 486

14. Financial Instruments

a. Classification of financial instruments

at 31 March 2022					at 31 March 2023			
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				
68.7	0.0	0.0	**68.7**	Infrastructure funds	75.6	0.0	0.0	**75.6**
0.0	0.2	0.0	**0.2**	Long-term investments	0.0	0.2	0.0	**0.2**
1,165.0	0.0	0.0	**1,165.0**	Pooled investments	1,153.0	0.0	0.0	**1,153.0**
101.1	0.0	0.0	**101.1**	Pooled property investments	108.2	0.0	0.0	**108.2**
34.1	0.0	0.0	**34.1**	Private equity funds	29.2	0.0	0.0	**29.2**
0.0	19.9	0.0	**19.9**	Cash	0.0	10.5	0.0	**10.5**
0.0	0.0	0.0	**0.0**	Investment income due	0.0	0.0	0.0	**0.0**
0.0	0.0	0.0	**0.0**	Other debtors*	0.0	0.0	0.0	**0.0**
1,368.9	**20.1**	**0.0**	**1,389.0**		**1,366.0**	**10.7**	**0.0**	**1,376.7**
				Financial liabilities				
0.0	0.0	(0.1)	**(0.1)**	Creditors*	0.0	0.0	0.0	**0.0**
1,368.9	**20.1**	**(0.1)**	**1,388.9**	**Total**	**1,366.0**	**10.7**	**0.0**	**1,376.7**

*The table above *excludes* debtors valued at £0.6m (31 March 2022: £0.5m) and creditors valued at £1.6m (31 March 2022: £1.3m) 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 below.

b. Net (Gains) and Losses on Financial Instruments

2021-22		2022-23
£m		£m
	Financial Assets	
93.8	Fair value through profit and loss	(3.7)
93.8		**(3.7)**

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 2022-23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type	Value as at 31 March 2023	Change	Value on increase	Value on decrease
	£m	%	£m	£m
Developed market global equities	738.7	19.9%	885.7	591.7
Emerging market global equities	39.2	24.8%	48.9	29.5
Diversified growth funds	261.4	12.4%	293.8	229.0
Multi asset credit	113.9	12.1%	127.7	100.1
UK property (proxy for residential property)	44.0	17.3%	51.6	36.4
Long lease UK property	64.2	10.8%	71.1	57.3
Private equity	29.2	25.4%	36.6	21.8
Unlisted infrastructure	75.6	17.4%	88.8	62.4
Total	**1,366.2**		**1,604.2**	**1,128.2**

Asset type	Value as at 31 March 2022	Change	Value on increase	Value on decrease
	£m	%	£m	£m
Developed market global equities	745.6	18.9%	886.5	604.7
Emerging market global equities	42.1	28.6%	54.1	30.1
Diversified growth funds	257.3	11.8%	287.7	226.9
Multi asset credit	120.2	10.8%	133.2	107.2
UK property (proxy for residential property)	36.3	9.9%	39.9	32.7
Long lease UK property	64.8	16.5%	75.5	54.1
Private equity	34.1	24.8%	42.6	25.6
Unlisted infrastructure	68.7	16.2%	79.8	57.6
Total	**1,369.1**		**1,599.3**	**1,138.9**

Interest rate risk

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

The Fund's indirect exposure to interest rate movements as at 31 March 2023 and 31 March 2022 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 2022	Change	Value on increase	Value on decrease	Assets exposed to interest rate risk	Value as at 31 March 2023	Change	Value on increase	Value on decrease
£m	%	£m	£m		£m	%	£m	£m
19.9		19.9	19.9	Cash and cash equivalents	10.5		10.5	10.5
245.9	1.00%	241.2	250.7	Bonds	250.5	1.00%	243.8	257.1
265.8		**261.1**	**270.6**	**Total**	**261.0**		**254.3**	**267.6**

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 2023			
	Value	Change	Value on increase	Value on decrease
	£m	%	£m	£m
United States Dollar	396.8	2.60%	407.1	386.5
Euro	133.8	1.51%	135.8	131.8
Japanese Yen	49.2	2.44%	50.4	48.0
Australian Dollar	32.4	2.30%	33.1	31.7
Swiss Franc	17.9	1.90%	18.2	17.6
Hong Kong Dollar	15.4	2.55%	15.8	15.0
Taiwanese Dollar	11.5	2.07%	11.7	11.3
Indian Rupee	10.2	2.82%	10.5	9.9
Swedish Krona	11.3	1.80%	11.5	11.1
Indonesian Rupiah	10.0	2.23%	10.2	9.8
Other overseas	47.9	1.02%	48.4	47.4
Overseas total	**736.4**		**752.7**	**720.1**
Sterling	629.8			
Net investment assets	**1,366.2**			

The table above summarises the position as at 31 March 2023, and the comparable position as at 31 March 2022 is shown below. The analysis uses historical currency volatility data sourced from the fund custodian, BNY Mellon.

Currency	As at 31 March 2022			
	Value	Change	Value on increase	Value on decrease
	£m	%	£m	£m
United States Dollar	417.7	2.41%	427.8	407.6
Euro	123.2	1.54%	125.1	121.3
Japanese Yen	37.7	2.67%	38.7	36.7
Australian Dollar	31.1	2.32%	31.8	30.4
Swiss Franc	17.1	2.00%	17.4	16.8
Hong Kong Dollar	14.9	2.37%	15.3	14.5
Taiwanese Dollar	11.4	2.08%	11.6	11.2
Indian Rupee	10.7	3.11%	11.0	10.4
Swedish Krona	10.3	1.97%	10.5	10.1
Indonesian Rupiah	10.1	2.18%	10.3	9.9
Other overseas	57.1	1.85%	58.2	56.0
Overseas total	**741.3**		**757.7**	**724.9**
Sterling	627.8			
Net investment assets	**1,369.1**			

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 2023, liquid investment assets were £1,153.1m representing 84% of total fund assets (£1,165.0m at 31 March 2022 representing 85% 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. A more recent valuation was undertaken as at 31 March 2022, and employer contribution rates resulting from this exercise will apply from 1 April 2023.

The main funding assumptions which follow were incorporated into the funding model used in the 31 March 2019 and the 31 March 2022 valuations (Consumer Price Inflation has been used as basis to reflect the actuarial assumption in real terms):

	March 2019		March 2022	
	% p.a.	Real % p.a.	% p.a.	Real % p.a.
Financial assumptions				
Discount rate	5.1	2.5	4.6	2.9
Retail Price Inflation	3.6	1.0	3.2	1.0
Consumer Price Inflation	2.6	-	2.9	-
Pension increases	2.6	-	2.9	-
Pay increases	3.6	1.0	3.9	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 and 31 March 2022.

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**

Future assumed returns at 31 March 2022	Percentage of Fund	Return Assumption	Real (relative to CPI)
	%	%	%
Equities	50	6.9	5.2
Property and infrastructure	15	6.4	4.7
Absolute return fund - inflation plus 3.2%	30	4.9	3.2
Expenses (deduction)		(0.2)	(0.2)
Neutral estimate of discount rate based on long-term investment strategy		**6.0**	**4.3**
Prudence allowance		(1.4)	(1.4)
Discount rate		**4.6**	**2.9**

Demographic assumptions

The assumed life expectancy from age 65 is shown below for both the 31 March 2019 and 31 March 2022 valuations.

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

Life expectancy from age 65		31 March 2022
Retiring today	Males	21.0
	Females	23.5
Retiring in 20 years	Males	22.3
	Females	24.9

Commutation assumption

As part of the 31 March 2019 and 31 March 2022 valuations the actuary assumed that members on average exchanged pension to get approximately 50% of the maximum available cash on retirement.

50:50 membership

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

Funding Position at Valuation date

The valuation at 31 March 2019 and 31 March 2022 revealed that the relationship between the values placed on the assets held by the Fund and the liabilities accrued in respect of pensionable service at that date were as follows:

	March 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%**

	March 2022
Past service liabilities	**£m**
Active members	(448.0)
Deferred pensioners	(286.0)
Pensioners	(670.0)
Total	**(1,404.0)**
Assets	1,371.0
Deficit	**(35.0)**
Funding level	**98%**

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

	March 2019	March 2022
	Contribution rate %	**Contribution rate %**
Future service funding rate	15.0	18.5
Past service adjustment	5.5	2.5
Total contribution rate	**20.5**	**21.0**

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. This deficit recovery plan was maintained at the 31 March 2022 valuation (i.e. the secondary rates established in 2022 aim to restore 100% funding over 11 years).

Whilst the Fund level contribution rate is now 21.0% 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%).

Following the 31 March 2022 valuation, most employers will continue to pay contribution rates of 21.0% for the three years commencing 1 April 2023 apart from the City Academy and the Multi Academy Trust (17.1%); the Museum of London (16.1%) and the London CIV (15.0%).

18. Funded Obligation of the Overall Pension Fund

31 March 2022		31 March 2023
£m		£m
(2,201.0)	Present Value of the defined benefit obligation*	(1,517.7)
1,388.1	Fair Value of Fund Assets (bid value)	1,375.4
(812.0)	Net Liability	**(142.3)**

*The present value of the funded obligation consists of £1,501.5m in respect of vested obligations and £16.2m in respect of non-vested obligations (2021/22: £2,171.4m and £29.6m respectively).

The above figures show the total net liability of the Fund as at 31 March 2023 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 2022 have been rolled forward, using financial assumptions that comply with IAS19.

at 31 March 2022		Assumptions	at 31 March 2023	
% p.a.	Real % p.a.*		% p.a.	Real % p.a.*
3.20	-	CPI increase	2.90	-
4.20	1.00	Salary increase	3.90	1.00
3.20	-	Pension increase	2.90	-
2.60	-	Discount Rate	4.80	-

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

Life expectancy from age 65		31 March 2022	31 March 2023
Retiring today	Males	21.0	21.1
	Females	23.5	23.5
Retiring in 20 years	Males	22.3	22.3
	Females	24.9	25.0

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. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. The updated Regulations are to be consulted on over the course of 2022 with the earliest effective date expected to be October 2023.

Guaranteed Minimum Pension (GMP) Equalisation

On 23 March 2021, the Government published the outcome to its GMP Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here.

19. Current assets

Current assets include cash balances of £10.5m at 31 March 2023 (£19.9m at 31 March 2022) and accruals for contributions of £0.4m (£0.5m at 31 March 2022).

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 2022		Market Value at 31 March 2023
£m		£m
2.1	Prudential	2.0
0.6	Standard Life Investments	0.6
0.1	Utmost Life and Pensions	0.1
2.8		**2.7**

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 £0.40m were paid in 2022-23 (2021-22: £0.40m).

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, the administering authority incurred salary expenses amounts to £0.6m (2021-22: £0.6m) which were recharged to the Pension Fund.

The Corporation is also the single largest employer of members of the Pension Fund and the employer contributions paid by it was £32.5m in 2022-23 (2021-22: £31.2m).

23. Key management personnel

The key management personnel of the Fund as at 31 March 2023 were the Chamberlain, Corporate Treasurer, Pensions Manager (Administration) and Group Accountant for Treasury and Investments. 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.

2021-22		2022-23
£m		£m
0.2	Short-term benefits	0.2
0.2		**0.2**

24. Contingent liabilities and contractual commitments

On 15 March 2023, an external outstanding commitment of £15.0m for property was cancelled. The Fund had no external outstanding capital commitments as at 31 March 2023 (31 March 2022: £38.6m). In April 2023, £15.0m was redeemed from Multi-Asset Manager Pyrford. Further outstanding capital commitments at 31 March 2023 totalled £7.2m (31 March 2022: £6.9m). 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.

Accounting Policies

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

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 summarises the authority's transactions for the 2021-22 financial year and its position at the year end of 31 March 2022. The Statement of Accounts have been prepared on the base that the Corporation will remain a "going-concern" and will continue to operate in the foreseeable future. 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 2021-22 (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.

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 services or the provision of goods, is recognised when (or as) the goods 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 52, 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) <u>City Fund as Lessee</u>

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

(ii) <u>City Fund as Lessor</u>

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.

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 (except for infrastructure assets) 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.

For infrastructure assets, the provisions under The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 allow for the derecognition of replaced elements of infrastructure assets to be assumed to be at nil value. This provision has been utilised in forming the statement of accounts. In the event that a disposal proceed was received for an infrastructure asset, the accounting treatment describe above would be utilised for this receipt.

(f) Depreciation

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

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

(g) Components

Assets other than Housing Revenue Account (HRA) Dwellings

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

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

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

HRA Dwellings

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

1.21. Fair value measurement

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

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

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

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

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

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

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

1.22. Reserves

Specific amounts have been set aside as reserves for future policy purposes or to cover contingencies. Details of the City Fund's earmarked reserves are set out in note 12 (page 47). 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 76-79).

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 2020-21, 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. In 2022-23, the City of London undertook the role of Lead Authority for the 8 Authority Business Rates Pool which brought together the business rates generated across 7 London Boroughs and the City Corporation. 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:

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors will be amended to define accounting estimates as 'monetary amounts in financial statements that are subject to measurement uncertainty'. This change is not anticipated to significantly impact on the amounts held in the Council's financial statements.

- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 will be amended to give more guidance on the disclosure of accounting policies in financial statements. This change is not anticipated to significantly impact on the amounts held in the Council's financial statements.

- IAS 12 Income Taxes will be amended in relation to deferred tax but no relevant transactions in group accounts have been identified.

- IFRS 3 Business Combinations will be amended in terms of references to conceptual framework. As no acquisitions have happened or are planned in the relevant time period, this has no impact on the Council's financial statements.

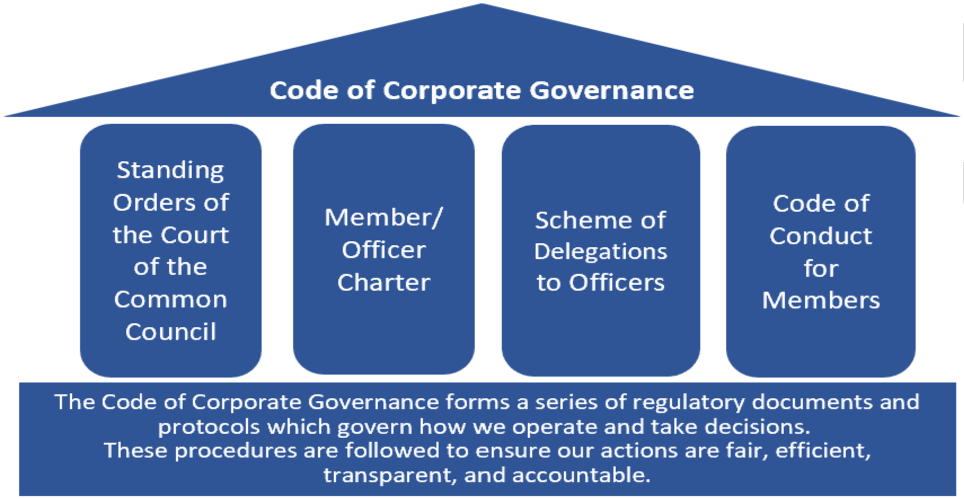
Annual Governance Statement

Executive Summary

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.*
2. 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.
3. 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.
4. **The Head of Internal Audit 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.**

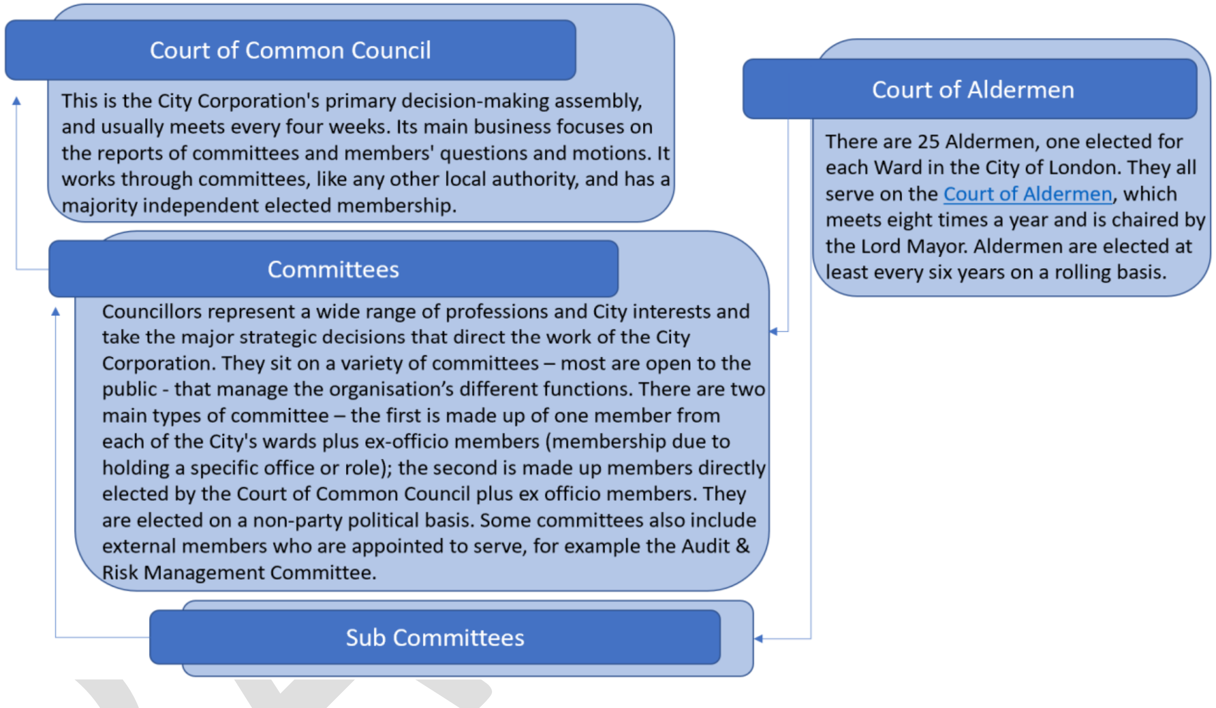
Code of Corporate Governance

5. 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 Corporations web pages at the following location: Corporate Governance - City of London



- The Standing rt shall be run.
- The Code of Conduct for Members states members shall have regard for the Seven Principles of Public Life: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.
- Our Member/Officer Charter, in conjunction with the City Corporation's Member and Employee codes of conduct, ensures that appropriate working relationships and mutual expectations are more clearly established and promoted between Members and Officers.
- The Court of Common Council has agreed the principle that authority should be delegated to Chief Officers (and their nominated Deputies or Assistants) under the Scheme of Delegations to Officers for carrying out the day-to-day management of all services and for the discharge of specific statutory and non-statutory functions.

6. Our decision-making arrangements operate on a committee-based system whereby elected Members (Councillors) are appointed annually to serve on our many committees and sub committees. These committees, the principal governing body being the [Court of Common Council](), meet regularly throughout the year.



7. Key features of the City Corporation's Governance Framework include effective leadership, scrutiny and review, and robust decision making and risk management.

Key Elements of the Governance Framework

Members, Committees and Policy Chair

Provide leadership and set policy to maintain the City's global standing as a vibrant and thriving City, supporting a diverse and sustainable London within a globally successful UK

Scrutiny and Review

Committees scrutinize and review policy, plans and performance:

- Audit and Risk Management Committee
- Nominations and Effectiveness Sub Committee of the Audit and Risk Management Committee
- Finance Committee
- Policy and Resources Committee
- Corporate Services Committee
- Police Authority Board
- Bridge House Estates Board

Risk Management

Corporate risks are considered by the Chief Officer Risk Management Group (chaired by the Chief Strategy Officer), and Executive Leadership Board, and reported to the Audit and Risk Management

Decision making

Committee meetings are held in public and recordings are available on City of London Corporation – YouTube channel for up to one year
Decisions are recorded on the City Corporation website

Town Clerk and Chief Executive and other Chief Officers

The Town Clerk and Chief Executive is the Head of Paid Service and responsible for City Corporation staff and for leading the Chief Officer executive leadership team. The Comptroller and City Solicitor and Deputy Chief Executive is the Monitoring Officer who, with the Town Clerk and Chief Executive, is responsible for ensuring legality and promoting high standards of public conduct. The Deputy Town Clerk is responsible for servicing meetings of the Court of Common Council and Court of Aldermen, their committees, sub-committees and working parties, and being responsible for the City of London Corporation's Communications. The Chamberlain and Chief Finance Officer is the City Corporation's s.151 Officer responsible for ensuring the City Corporation's financial position.

The Corporate Plan 2018-23

8. The City of London Corporation Corporate Plan 2018-23 provides the framework for the delivery of our services. We aim to contribute to a flourishing society, support a thriving economy and shape outstanding environments. Our annual Business Planning process is aligned to the Corporate Plan outcomes, with the objective of focusing the City Corporation's ambition, resources and performance on the achievement of twelve strategic outcomes. A narrative covering the 2024 year is to be attached to Corporate Plan 2018-23 as an annex, under the direction of the Chief Strategy Officer, with development of a full five-year 2025-30 Corporate strategy and plan to follow[6].

Progress on Issues identified in the 2021-22 Annual Governance Statement

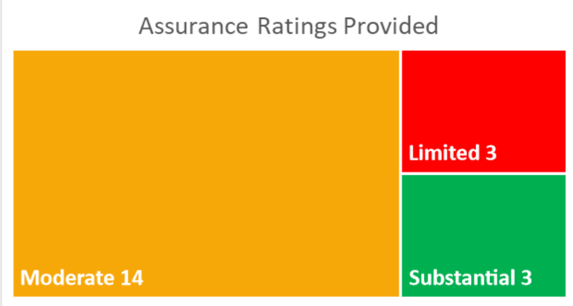
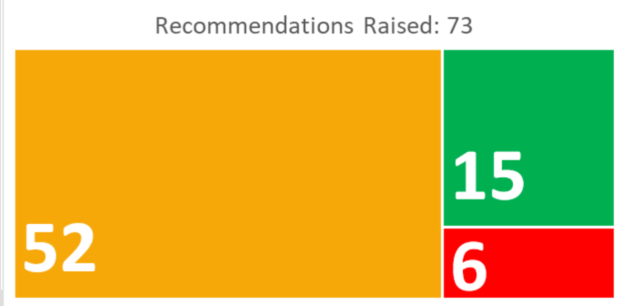
9. The City of London Corporation has taken action to progress the issues that were identified in the Annual Governance Statement 2021-22, listed below.

Issue identified	Action Taken	Outcome
Refining the Corporation's annual Business Planning Process, to ensure the development of the City of London Corporation Corporate Plan 2025-30	An approach to strengthen and align 2023-24 Business Planning was implemented through a regular, collaborative Officer Forum and through the scrutiny of drafts by the Executive Leadership Board, identifying synergies, opportunities and dependencies. Changes included greater focus on providing insight on medium term plans and workforce planning alongside the finance and strategy development aspects to help inform the ongoing development of future CoLC priorities. Further improvement is to be implemented in the 2024-25 year cycle, linking more clearly in plans the funding and people resources to the priority workstreams, bringing increased assurance of the alignment of cross-cutting activities with resources.	Ongoing
A redesign of the Corporate Performance Framework so it aligns to the development of the City of London Corporation Corporate Plan 2025-30	Activity continues providing support across the organisation to enable teams to identify relevant performance data which they are able to baseline and so monitor activity. The complex challenges of identifying and quality assuring data so that it can be collated and used to monitor activity and performance are being worked through area by area. Uplifting capability on data at team level and identifying relevant management information is critical for an effective performance framework. In parallel, cross cutting performance data has been identified and dashboards and tools are being developed to monitor distinct themes, including monitoring implementation of audit recommendations and completion of mandatory training. See also paragraphs 20-21.	Ongoing
Further work on developing the City of London Corporation's Corporate Risk management approach and culture	Oversight of City Corporation risk management moved on 1 April 2022 from the Internal Audit Team to the Corporate Strategy and Performance Team (CSPT). See also paragraph 29.	✓
Strengthening Equality, Diversity & Inclusion governance	A new EDI Sub-Committee was set up in September 2022, as per a Lisvane recommendation. This group's responsibilities include the creation and implementation of an Equality Diversity and Inclusion governance structure across the City of London Corporation, including its services and its institutions. An Executive Director of EDI was	✓

[6] Elected members have directed that a five-year Corporate Plan 2024-29 is developed to start in April 2024. This decision was after the Annual Governance Statement was signed.

	appointed to lead the newly formed EDI directorate. As part of the EDI governance structure a number of new Boards have been established, the EDI Board comprising the staff network leads and sponsors, the Equality representatives network, the EDI Steering Group (CoLC), and EDI Strategic Leaders (Institutions). See also paragraph 37-40.	
Establishing the agreed new Committee Structure and governance arrangements to conclude the implementation of the Lisvane Review	The update on the Committee Structure has been implemented as agreed by the Court of Common Council in December 2021. Given the quantum of changes, Members requested an opportunity for a 'light touch' review of how the new structure was bedding in, with a view of rectifying any matters that were not working as hoped. This light touch review is underway and a summary of further changes to be explored was reported to the Policy & Resources Committee in February 2023. Progress against the original Lisvane recommendations can be found here. It is intended that this light touch review be concluded by May 2023. See also paragraph 10.	Ongoing
Ensuring continuing compliance with the CIPFA Financial Management Code	During 2022-23 several actions were taken to address the areas for improvement identified in the 2021-22 review including the development of a 60 year financial model to assess the financial sustainability of City Fund linked to the significant financial commitments under its major projects programme, continued reporting of financial risk within the organisation, and the Chamberlain's function beginning its own transformation journey to better support the organisation through these challenges. Some areas remain subject to further improvement including creating VFM training to support existing VFM controls and creating better metrics to measure the outcomes of service activity, which we will seek to address in the following financial year. See also paragraphs 22-25.	Ongoing
Ensuring new Operating Model transition to business as usual and providing an assessment of its effectiveness via a Continuous Improvement and Review process.	Implementing the Target Operating Model (TOM) continues with the majority of departments completing or progressing TOM implementation activity into the final stages during the past year. For the majority of the organisation the TOM is now embedding and starting to become business as usual, so it is too soon to provide an assessment of the effectiveness of the model. However, during the past year individual departments redesigning structures have successfully complied with the predetermined organisational design principles for the new operating model. The TOM is likely to be completed by the end of 2023, with all areas of the organisation expected to have implemented the organisational design principles. See also paragraph 50.	Ongoing

Review of Effectiveness

Governance Key Performance Indicators	Outcome
Internal Audit Work: as at 31/03/2023, 20 Internal Audit reviews were completed (final reports issued), 70% of which resulted in a Moderate Assurance opinion, a small number of Limited and Substantial Assurance opinions were given. A total of 73 recommendations were raised by Internal Audit, 70% of which were given a Medium priority rating, requiring prompt attention from Management. almost 10% of recommendations raised were High (critical) priority, all of which have resulted in prompt response from management.	 
Fraud identification: proven fraudulent activities carried out by members or staff	One case in 2022-23. CoLC has a robust strategy for tackling and preventing fraud and instances of fraud involving staff are rare. One case in the period involving an agency worker was detected quickly as a result of the Corporation's established local counter fraud networks and acted upon immediately by management in consultation with Internal Audit's Counter Fraud Team, leading to the cessation of the agency worker's contract. This case generated further improvements in oversight for working patterns and the City's Counter Fraud Team is taking a leading role for London Boroughs to identify and tackle this fraud risk through data matching and its investment in the London NFI Fraud Hub.
Outcomes of investigations carried out by Monitoring Officer or Independent Panel	In the period 7 complaints were considered by the Independent Panel under the Code of Conduct.
s151 formal issues raised	None in 2022-23
Local Government & Social Care Ombudsman referrals (where upheld)	Compliance with recommendations – 100%
Meeting statutory deadlines/targets as per Electoral Commission Performance Standards	2022: The Electoral Services team carried out 13 elections across 32 wards (some wards had multiple elections), the most in a single London area, to the national standard. See also paragraph 15.
Freedom of Information and Environmental Information Regulations	2022: 93.93% of FOI and EIR requests (1154 requests received) were responded to within the statutory compliance deadline. Information Commissioners Office target: 90% of FOIs responded to in time. 2022: 10 Complaints were received concerning request responses of these 50% (5 complaints) were upheld, 20% (2 complaints) were partially upheld, 30% (3 complaints) were not upheld.

Member governance

10. 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 review was scrutinised by the Court of Common Council through regular Member Engagement Sessions; each

aspect of the review and the Court's decision-making arrangements was explored in detail and views were sought on revising the committee structure and governance arrangements to be a more effective, efficient and relevant decision-making structure. Initially, up until 31 March 2021, consideration had 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 the now-named Competitiveness Advisory Board as well an Emergency Committee to provide Member oversight in emergency situations in future. In December 2021, further changes were agreed upon by Court and full implementation of a revised structure was implemented after the 2022 Ward elections. A 'light touch' review is currently underway, which seeks to address areas which are identified as problematic, and an urgent focused assessment will be conducted to recommend changes to the appropriate body. This anticipates a more comprehensive review which is currently due to be undertaken in 2024.

11. Business as usual (annual) reviews into the various thresholds and responsibilities captured within the Scheme of Delegations and Standing Orders is also underway. In October 2022, new Planning governance arrangements were agreed and implemented by the Court of Common Council with immediate effect. Work on the current housing governance structure is still underway and it is hoped that it will be delivered for April 2023. Separately, a review led by the Chief Operating Officer has been undertaken into Project Governance.

12. In February 2023 members agreed a proposal to introduce an electronic voting system, capable of recording individual votes, that would replace the current voting procedure as laid out in paragraph 4 of Standing Order No.14. The use of e-voting at Court of Common Council is to be operational from its May 2023 meeting.

13. 2022 also saw the appointment of a new Chairman of Policy & Resources Committee who, for the City Corporation, acts as lead Member & the de factor political leader. Policy & Resources Committee elected a Deputy Chair and two Vice-Chairs in line with changes undertaken following the Lisvane review (previously 3 Deputy Chairs). Following a recommendation in the Fraser Review, an expanded Office of the Policy Chairman was developed to provide central diary, briefing and policy support to the Chairman, in recognition of the substantial burden of the office and the importance of the role of Policy Chairman to the Corporation's wider objectives and relationship and political management.

Policy Leads Overall Responsibilities
• To act as a senior spokesperson for, and represent the views of, the Committee in respect of the relevant policy area for which they have been appointed Lead. • To support the Chairman in the formation and delivery of the Committee and Corporation's policy goals (within the relevant policy area). • To deputise for the Chairman at relevant engagements or hospitality events (in the absence of the Deputy / Vice Chairmen). • To act as spokesman on behalf of the Chairman in their absence (and the absence of the Deputy / Vice Chairmen). • To act as a point of contact or "sounding board" for relevant officers, providing political steers in relaying the Committee's views, so as to inform implementation and prioritisation at the operational level. • To act as the Member point of contact for colleagues interested in the policy area, assisting with information sharing and triaging of questions to relevant technical officers. • To support and co-ordinate political decision making between and for relevant Committee Chairs. • To lead on the collation of insight and expertise from Members across the wider Court with relevant knowledge or experience of the policy area. • To work with colleagues outside of the formal meeting setting to share information / understanding, enabling Members to coalesce around the agreed policy decisions and implementation plans

14. A Lisvane recommendation endorsed by the Court of Common Council was the use of Members in a “rapporteur” role. Proposed in the context of the considerable workload that would continue to fall upon Chairs of Committees, it was suggested general Committee Members be asked to take the lead on particular subjects within a Committee area of responsibility. This happened to some extent already but, in the context of smaller Committees, might benefit from being used more extensively. For Policy and Resources Committee it was observed that this provided a constructive mechanism to not only help share the workload (particularly given the move to one Deputy Chairman, away from the three previously utilised), but also afford the opportunity to utilise the diverse talents and expertise of different Members in a more effective way. Policy Leads are appointed annually by the Policy and Resource Committee from amongst the membership of a full Court. Appointments are considered on the basis of recommendations from a selection panel, which reviews expressions of interest from the Court against specified criteria. Four of the policy leads (on Emerging Markets, Advanced Markets, Innovation & Tech and Sustainability) provide expert advice and guidance to officers operating across existing work streams. Two others (Sports, SMEs) provide member oversight to officers’ developing areas of work. The Policy and Resources Committee receive a Policy Leads Quarterly update. The first update in January 2023 set out what guidance and governance has been put in place, what early activities the Policy Leads have engaged in and the future priorities that have been identified in each area.

Code of Conduct (Independent Panel)

15. The Independent Panel comprises a diverse group of independent persons appointed by the Court of Common Council following a transparent advertising and recruitment process. Its membership is currently in the process of being expanded from nine to twelve independent persons. Its purpose is to receive allegations of misconduct under the Members' Code of Conduct, facilitate informal resolution where appropriate, determine whether to investigate allegations, consider the outcome of investigations and if necessary, hold a hearing and any appeal and present recommendations to the Court regarding breaches of the Code and any sanctions. The regime involves a three-stage process: an assessment stage, a hearing stage and an appeal stage which are considered by separate Sub-Panels. The Panel is also responsible for considering requests for dispensations. Other elements of the former Standards Committee's work are currently retained under the auspices of the Civic Affairs Sub-Committee of the Policy and Resources Committee 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

Electoral Arrangements

16. The City Corporation administers electoral registration and elections in the City of London and maintains a database of organisations and individuals in the City of London who are eligible to register to vote. Three separate registers are maintained: the Common Hall Register of Liverymen, the Ward Lists and the Electoral Register. Information on the electoral process and how to vote is published on the City Corporation website, as are the details of forthcoming elections and election results. The electoral process remains robust, despite the multiple legislative locations and legislative divergence with the national position. Aldermanic elections and Common Council by-elections were held in a number of wards in the 2022-23 year. We saw an increase in diversity of candidates and maintained a legitimate turnout at elections despite the challenges faced with an annual register. The Ward List increased again for the second year in a row and is at its highest since 2016. Preparations are in hand for the introduction of the Elections Act in 2023, to ensure that the City of London Corporation fully complies with

2022-23 Aldermanic elections				2022-23 Common Council By-elections		
May 2022	July 2022	September 2022	December 2022	September 2022	November 2022	March 2023
Aldersgate Cordwainer Cornhill	Bridge and Bridge Without Walbrook	Bishopsgate Cripplegate	Farringdon Without Queenhithe Aldgate	Cordwainer	Bridge and Bridge Without	Castle Baynard Cripplegate

the new legislation, and for the next UK Parliamentary General and GLA elections in 2024 and the next City of London all-out elections in 2025.

17. 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 annual Aldermanic Appraisal Process, including job descriptions and person specifications for the role of Alderman, Aldermanic Sheriff and Lord Mayor, forms part of the City Corporation's corporative governance information. The Lord Mayor is elected annually at Michaelmas, on 29 September, and the City's Sheriffs are elected after Midsummer day on 24 June. Sheriffs support the Lord Mayor in their official duties undertaken on behalf of the City Corporation. Aldermanic terms of office are again regularised, following earlier disruption due to the pandemic.

Officer governance

18. In December 2022 the Town Clerk and Chief Executive retired after ten years in role leading the City Corporation as Head of the Paid Service. The Deputy Chief Executive provided interim cover until the appointment of a new Town Clerk and Chief Executive took effect in February 2023.

The second proclamation of King Charles III

19. The City of London Corporation, as a unique and ancient institution with more than a thousand years of history and as the governing body of the City of London, has an important role in the UK's constitution. The second proclamation of King Charles III as sovereign (after the first proclamation at St James's Palace) took place outside the Royal Exchange in the City of London on 10 September 2022. Given the ceremonial, security and logistical complexities of the operation involving a wide range of Corporation departments tasked with delivering such a nationally significant occasion at short notice, it was much appreciated that a large number of highly positive comments were received from Members and external stakeholders.

Performance Management

20. Work to improve management information and develop a framework for corporate performance further developed over the past year. Activity has taken place under three themes (recognising there are different levels of maturity within the organisation in relation to monitoring and use of data and management):
    - delivering capability at team/departmental level,
    - developing data resource at organisational level, and
    - identifying ways of developing a top-down performance approach for the organisation that can be integrated into the business planning process.

    ELB discussions agreed to focussing on these areas and that datasets would be made available by departments to progress performance work.

21. Support continues to be provided for teams ready to build up their capability on data, through workshops that support the identification of management data relevant to measuring localised activity and performance and set up processes for collecting, collating, using and visualising this. This data will provide the baseline for localised performance management, regular reporting and future modelling activity once the datasets are rich enough, and be closely tied in to business planning. A corporate dashboard, the City Intelligence Dashboard (CID) has been developed and is accessible to all staff via the City of London Corporation's intranet. Version 1 is designed to show footfall and activity levels within the square mile, and will gather data over time to build a rich dataset to help understand and model activity in the city. Work has taken place to identify existing cross-cutting datasets that can form part of an overall framework to understand top-down corporate performance, with the intention of developing useable dashboards once data quality issues have been resolved, and which may also provide the method for performance measurement in Corporate Plan 2025-30.

Financial Management Arrangements

22. 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. CIPFA's 2010 Statement on the Role of the Chief Financial Officer in Local Government 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. Compliance with CIPFA's Financial Management Code was reviewed and areas for action in relation to this were determined.

23. The City Corporation culture is to maximise returns from its resources and seek value for money. It assesses the scope for improvements in efficiency/value for money by a variety of means, including improvement priorities set by the Policy & Resources Committee through the annual resource allocation process. The Operational Property and Projects Sub Committee meets monthly to ensure that projects align with corporate objectives and strategy and provide value for money. The Capital Buildings Board provides oversight for the major programmes, meeting every two months, supported by a monthly Major Programme Assurance Board.

24. In light of the economic climate, the City Corporation conducted a review of its capital programme to assess the financial sustainability of the current portfolio in light of inflationary pressures. The review resulted in pauses to previously agreed projects and a reprioritisation of funds to projects deemed as higher priority. Future capital bids will be limited to only essential projects, recognising that inflationary pressure may persist, and that a focus should be on delivery of existing schemes rather than adding new ones. Careful monitoring has also been undertaken on revenue spend to ensure department operate within their cash limits whilst continuing to deliver services to residents and businesses. Assumptions within our medium term financial forecasts have been updated to reflect the economic environment to ensure a realistic picture is drawn when assessing financial sustainability.

25. The City of London Corporation has also established a Resources and Priorities Refresh (RPR) Programme which builds on themes from previous reviews through four workstreams - Operational Property; Commercial, including Income Generation; Productivity; and Corporate Plan Annex 2024[7] - that will enable it to be better equipped for current and future challenges.

[7] now being delivered as a five-year Corporate Plan for 2024-29 under the direction of the Chief Strategy Officer and outside the RPR Programme.

Procurement

26. The Procurement Code sets out the requirements of the Corporation's standing orders in regard to procurement and contract management. The Procurement Code was updated following the implementation of the TOM and the new arrangements went live in January 2023. The changes to the Procurement Code have been supported by the development of a business partnering approach within the Commercial Service, relaunch and strengthening of arrangements for Category Boards and comprehensive communications and engagement to ensure the changes are understood and an effective assurance framework is in place. New and comprehensive guidance that enables officers to access guidance and learning opportunities through bite-sized focussed sessions as part of our new Commercial Academy has also been developed.

Key updates included
• Rule 15 procurement thresholds and procedures: The Operational Purchasing threshold has been raised from £50,000 to £100,000 which devolves responsibility for purchases under £100,000 to departmental Officers. • Rules 46 – 55 Responsible Procurement: Rules updated to ensure departments consider the commitments of the Responsible Procurement policy and weighting when awarding contracts from external frameworks, waivers and exemptions. The minimum Responsible Procurement weighting for evaluation has increased from 10% of the technical envelope to 15% of the overall score in line with the new Responsible Procurement Policy approved by the Policy & Resources Committee in July 2022. • Terminology throughout the Procurement Code has also been updated to reflect internal changes as a result of the TOM; reference to EU & OJEU has been replaced with the UK Find a Tender Service portal (FTS); and Project Sub Committee has been replaced with Operational Property and Projects Sub Committee.

Page 527

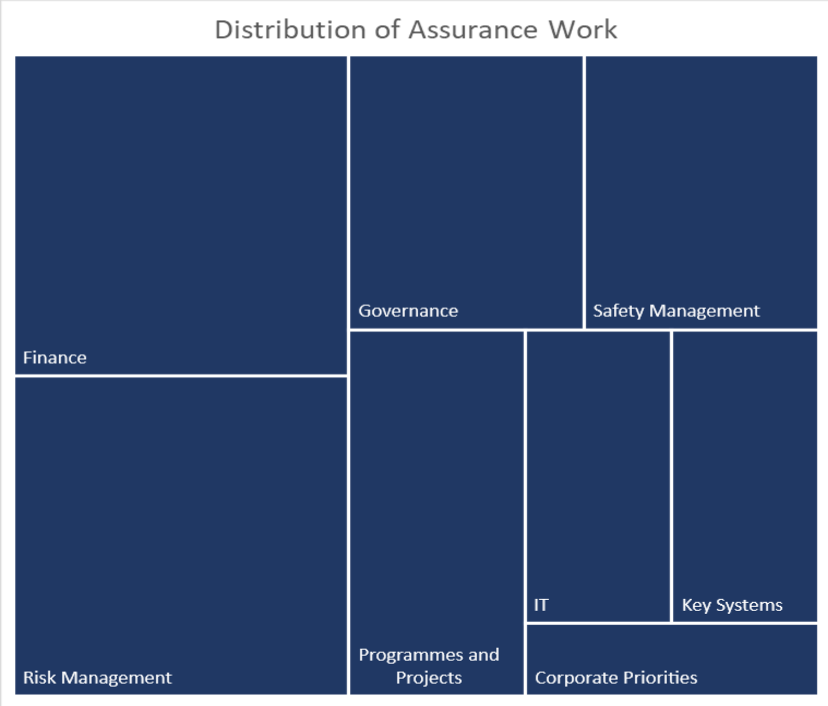
27. Further changes to the Procurement Code are anticipated in 2023 in response to the Procurement Bill that is currently being debated in Parliament. Progress of the Bill is being closely monitored at the Commercial Service is engaging with the Government Commercial Function to access preparatory development sessions.

Increasing transparency and consultation in the planning process

28. The City of London Corporation recently consulted on a new Statement of Community Involvement, which sets out the processes for how the Corporation will publicise planning applications and engage people as we develop new strategies and policy documents. The Corporation also published draft Developer Engagement Guidance, setting out how we expect developers to undertake meaningful public consultation at the early stages as they develop proposals for new development. The Corporation has procured Commonplace, a well-established online engagement software platform, and is setting it up to use on future planning consultations, particularly new planning guidance, the City Plan, and other projects run by the Planning Service. This will give stakeholders a single 'shop window' for planning consultations, with a user-friendly interface, and much more functionality to share ideas and give feedback online compared to traditional consultations.

Risk Management

29. As part of the Target Operating Model (TOM), oversight of City Corporation risk management moved on 1 April 2022 from the Internal Audit Team to the Corporate Strategy and Performance Team (CSPT). This was to support City Corporation efforts to tackle and exploit current and future challenges through an integrated, professional and insight led approach to corporate strategy, planning, risk management and performance. Risk management officer governance structures were also reviewed and updated terms of reference issued for the Chief Officer Risk Management Group (CORMG) clarifying their role as senior officers accountable for oversight of risk management on behalf of the Executive Leadership Board (ELB). CORMG met regularly during this period, with risk reports issued to ELB on the management of corporate and top red departmental risks and developing risk areas. A key focus was work on risk management culture to ensure we had an agile and responsive approach to risk management, and that risk 'themes' were identified and managed across City Corporation. Training was arranged for officers in support of this, with more sessions due later in 2023. Risk appetite has separately been identified as a key deliverable for FY2023-24.



Audit and Risk Management Committee

30. Risk management arrangements are reviewed annually by the [Audit and Risk Management Committee](#) which has a wide-ranging but focused brief that underpins the City of London Corporation's governance processes. The Committee continued to play an important and integral part in ensuring key risks were reviewed through regular risk updates and deep dives of corporate risks on a rolling basis. These corporate risk deep dives are now carried out by the Internal Audit Team to provide an additional level of assurance.

Role of Internal Audit

31. Internal Audit has provided independent and objective assurance across a range of City Corporation activities and services.

32. The diagram opposite indicates the broad categorisation of assurance work within the Internal Audit programme of work.

33. For 2022-23 the Internal Audit work has been driven by an ongoing assessment of risk and priorities. In practice, this has resulted in a move away from a detailed 1 year audit plan, working instead to a rolling quarterly plan with a statement of intent for a further 6 months, this has proven to be a more agile and dynamic process and has enabled better prioritisation of resources. The Head of Internal Audit has worked with the full engagement and support of the Audit and Risk Management Committee, with updates provided to each Committee meeting. Internal Audit implemented a new approach to provide assurance in relation to the management of Corporate Risk, providing objective scrutiny and clear escalation of concerns to Senior Leadership and the Audit and Risk Management Committee.

34. 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. An External Quality Assessment will be undertaken to validate this review by the end of July 2023.

Key Governance Issues

Health & Safety Review

35. The Corporate Health, Safety and Wellbeing Committee met quarterly in 2022-23. The revised Terms of Reference were reviewed approved by the Committee in December 2022 to ensure the Committee is well placed and effective in supporting the City of London Corporation in meeting its health and safety aims and objectives going forward. In December 2022 a Corporate Health and Safety Business Plan setting the overarching direction of travel for health and safety management, including the Governance arrangements, was approved by the Corporate Health and Safety Committee. In December Internal Audit carried out an audit: 2022-23: Corporate Wide Review: Health & Safety – Second Line of Defence. In January 2023 a draft report was submitted to the Chief Operating Officer (Chair of Corporate Health and Safety Committee and Chief Officer accountable for the health and safety business function) and the Corporate Head of Health and Safety. It identified a number of issues on the operational effectiveness of the Corporate Health and Safety Committee, the extent to which health and safety risk are escalated for corporate attention, and level of assurance to the City's Board and Members. The COO and Chair of Health and Safety Committee and the Corporate Head of Health and Safety put in place a plan to address the audit issues and the approved plan isd monitored by the Corporate Health and Safety Committee. The audit action plan will contribute to the workstreams outlined in the Corporate Health and Safety Business Plan.

Project Governance Review

36. Following the implementation of the TOM and the creation of a new Project Governance Division, a review of corporate project governance has been initiated. The aims of the review are to ensure effective governance and assurance frameworks are in place to enable successful delivery of projects and programmes delivering best value for the Corporation. The review includes both corporate and major projects which are currently subject to separate governance processes. The review also includes consideration of corporate change (revenue funded) projects which are out of scope of existing governance arrangements. The following intended outcomes were agreed by the Executive Leadership Board and Members (at Operational Property and Projects Sub-committee and Policy and Resources Committee) at the outset of the review:
   - The City Corporation is confident project and programmes represent best value and deliver the intended benefits
   - Project governance is risk-based and enables Members to focus on strategic issues and areas of high risk and/or value
   - Members are assured that lower risk/value projects are well managed and that an effective assurance framework exists to identify any potential issues or risks
   - Officers are empowered to effectively manage the projects they are responsible for, to take prompt decisions to manage operational risks and, are enabled by corporate systems and financial processes
   - The Corporation is clear on the role of the PMO ecosystem and its capacity to fulfil this role effectively
   - The project delivery operating model represents value for money with a clearly articulated value proposition

An external consultancy was engaged to lead the initial review phase to ensure understanding of current issues, to identify areas of best practice and to recommend a future operating model. The initial review phase was completed in February 2023 recommending the move to an enterprise-wide portfolio management approach. The Corporation is now beginning detailed design work and the agreement of an implementation plan for delivery in FY2023-24.

Equality Diversity & Inclusion

37. The City Corporation is driving forward Equality, Diversity and Inclusion (EDI) at all levels of the organisation. The new EDI Sub-Committee, set up as per Lisvane recommendations, is led by elected Members and strengthens the EDI governance structure and sets the strategic direction for EDI.

38. From May 2021 to November 2022, City Corporation successfully led the Government-commissioned Socio-Economic Diversity Taskforce which delivered an industry consultation and roadmap to incentivise employer actions. The Breaking the Class Barrier report was published in November 2022. Taskforce output included the development of a membership body for financial services known as Progress Together and a productivity analysis to build the business case for socio-economic diversity at senior management levels.

39. The City Corporation ranked at 67 in the top 75 Social Mobility Employer Index in December 2022. Efforts to improve diversity and inclusion are also progressed through the City of London Corporation being signatories of charters and accreditations including Women in Finance, Stonewall Diversity Champions, Disability Confident, London Living Wage and the Social Mobility Employers Index. HM Treasury's Women in Finance Charter commits signatories to support the progression of women into senior roles in the financial services sector by focusing on the executive pipeline and mid-tier level. The City Corporation became a signatory in 2019 and committed to women comprising 45% senior management roles by March 2025. In March 2022, the figure stood at 43%.The Barbican Centre's draft Equality, Diversity and Inclusion proposal was approved by the Barbican Board in February 2023. It consolidates work delivered over the last two years and demonstrates the ongoing commitment to addressing discrimination of all protected groups in the workplace.

40. The City Corporation's Equality, Diversity, and Inclusion directorate leads on embedding EDI across the Corporation and its institutions. Work has taken place to increase employee engagement and enhance the employee voice, though hosting a National Inclusion Week Celebration event for the 7 staff networks, facilitating focus groups sessions and workshops with staff, attending and promoting Disability and Wellbeing Network (DAWN) and City of London Ethnicity and Race Network (CLEAR) events and initiatives, presenting at the launch of the Young Employees Network (YEN) in October 2022, and supporting City Pride's float in the Lord Mayor's Show in November 2022. A Staff Network Handbook and Terms of Reference was created to steer network co-chairs and leads on the purpose of staff networks, facility time, the role of sponsors and the importance of cross collaboration between networks. Implementation of a communications strategy including use of social media, broadcast events, flyers and event booking has increased staff engagement with staff networks. The 'Meet the Staff Network' February broadcast drew 117 attendees and 83% positive feedback. Departmental Equality Representatives meet regularly and departmental Dignity at Work Advisers provide support to staff and aid the organisation in being an employer of choice.

Cost of living pressures and services

41. Recognising the growing cost-of-living pressures over the period, in response a multi-agency steering group was established to oversee immediate and long-term actions, in the areas of communications, targeting financial assistance, winter warmth, tackling food poverty, increasing income from employment and wellbeing, to support residents. Each month, following steering group meetings, an update on the action plan is shared with the Chairman of the Community

and Children's Services Committee. A dedicated cost of living internet page lists the range of support available, including a food pantry initiative, a Green Doctors Scheme to help reduce energy costs and the targeting of the Household Support Fund. There is also focus on improving the maintenance and management of the City Corporation's housing provision, which will be taken forward through a Housing Strategy which is in development.

42. In November 2022, the City Corporation received a focused visit from Ofsted in line with the inspection of local authority children's services (ILACS) framework. Inspectors looked at the arrangements for the 'front door', the service that receives contacts and referrals, and at decision-making about child protection enquiries, decisions to step down or step up from early help and child in need assessments. The inspectors found high-quality practice and responsive front door services, with the right support being delivered at the right time by highly skilled and committed practitioners. The visit also found that external quality assurance activity and oversight by the Achieving Excellence Board (AEB) provide additional scrutiny and assurance, supporting effective practice and decision making for children at the front door.

43. The Afghanistan Resettlement Programme continued to provide support to Afghanistan Refugees in the two bridging hotels in the City of London. During the year, many of these households were moved to permanent accommodation by the Home Office. In September 2022 one the bridging hotels was closed and in February 2023 the second one closed. Any remaining guests were moved to hotels in other parts of the country whilst they waited for permanent accommodation.

44. The City Corporation has also put in place local systems to support families and individuals seeking asylum and refugees, including those who fled the conflict in Ukraine. Information about support for Ukraine can be found on the City of London Corporation website here.

Residents

45. City-wide Residents Meetings were held in the Guildhall in May 2022 and in the east of the City in the Artizan Street Library in January 2023. These meetings provide residents with the opportunity to ask questions or raise issues about living in the City to the Policy Chairman and senior officers from the City of London Police and the City Corporation. In response to feedback from residents, and reflecting the importance in which the City Corporation holds the relationships it has with them, more frequent opportunities for engagement with residents and other stakeholders are being arranged in different locations in the city. Increasing the number of residents and stakeholders meetings to four per year, and holding them in different areas to reach more people, is a key part of resetting the relationship, improving communications and enabling communities to hold the City Corporation to account for delivery.

Responding as an employer of choice

46. The Corporation has a Corporate HR Function led by the Chief People Officer. Institutions also have their own HR functions who are professionally accountable to the Chief People Officer for all HR matters. The HR functions provide a range of services to the Corporation which are designed to ensure that leaders and the workforce are effectively supported and that the best talent can be hired, and the Corporation is an employer of choice. The work of the HR function is overseen by the Executive Leadership Board and Corporate Services Committee. The Corporation had an employee turnover rate of 18.69% at the end of 2022. This is a high and is affected by factors including labour market shortages and high levels. Recruitment and Retention is a Corporate risk and plans to mitigate

and address the risk is in place. To support this, additional funding has been provided to increase the capacity of HR function to support and enable Leaders and the Corporation to respond to these challenges through a range of measures which are set out below:

People Strategy Framework

Creation of a People Strategy Framework was approved by the Corporate Services Committee (CSC) in December 2022. Staff engagement with over 300 key staff using the framework during March/April 2023 will inform the development of a three-year People Strategy

Reward refresh

Reviewing the Corporation's approach to reward and developing options for a new pay and grading structure and total reward package which will enable the Corporation to be attract and retain the best talent. Options for change will be considered in May 2023.

Listening and responding to the views of the workforce

A staff survey was undertaken in May 2022 that has resulted in actions being taken across the City of London to address specific areas of concern. Pulse surveys on the topics of reward and recognition and working patterns will be undertaken in spring 2023 and a full staff survey will take place in autumn 2023. Action is also planned, in part to respond to feedback received, to engage with staff on the organisation's vision, values and culture.

Apprenticeships

Apprenticeships and other work-placed continuous learning programmes also continue to grow and is a key organisation priority, with the City of London working with 88 apprentices during the 2022/23 year, along with a host of traineeships and other workplace learning. Growing apprenticeships and increasing the level of graduate training scheme participants to inform succession planning for key areas of need will continue in 2023/24.

Learning and Organisational Development

Serving the organisation across a range of activities, including an open enrolment management development programme, a host of skills programmes and targeted team and department development interventions. A review of new staff induction is underway, including a review of mandatory training. The 2023 City of London People Awards was the largest and most successful ever; 135 nominations in 20 Categories and 32 winners, runners up and highly commended awards acknowledging staff contributions to City Corporation work.

UN Sustainable Development Goals

47. The UN Sustainable Development Goals (SDGs) provide a comprehensive framework for organisations to assess, understand and make a positive impact on the major issues impacting society, the environment, and the economy. As an organisation with reach locally, nationally, and internationally, the City of London Corporation is committed to working towards achieving the SDGs and supporting the UN Global Compact in its ambition to drive business awareness and action to achieve the SDGs. The City of London Corporation became a signatory to the UN Global Compact in December 2020 and as such is required to report a Communication on Engagement stating how it is supporting the ten prinicples – in the areas of human rights, labour, environment and anti-corruption - within two years of becoming a signatory and bi-annually thereafter. The City of London Corporation works collaboratively with a wide range of partners to inspire, develop and act on responsible business. It is committed to creating positive impact across its activities and decisions to ensure a sustainable future where individuals and communities can flourish, and the planet is healthier. Progress in these areas is communicated through key policies, such as the Modern Slavery Statement, commitment to the London Living Wage, and initiatives such as the Lord Mayor's Dragon Awards, which recognise and celebrate businesses that are achieving excellence in social impact and inspire others by sharing best practice. In December 2022 The City Corporation submitted its first Communication on Engagement report as a signatory to the UN Global Compact. An Ethical Policy Statement, which sets in one document, the ethical and responsible principles

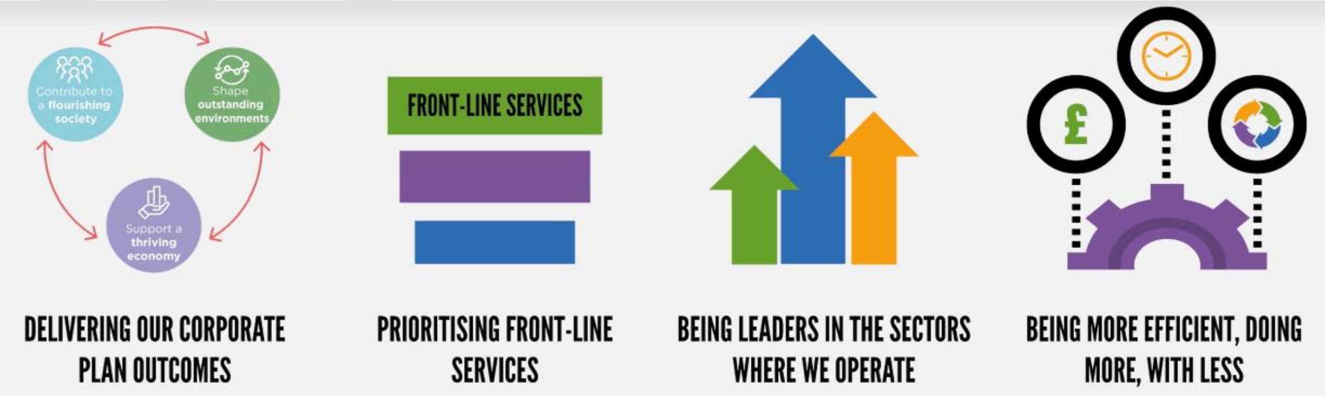
and aims encapsulated in the City Corporation's plans, activities and strategies, has been developed. It captures the City Corporation's commitment to treating people fairly, being transparent and honest, respecting human rights and the environment and complying with the law and regulation.

Becoming a data driven organisation

48. The City of London Corporation is embarking on a journey to become a data driven organisation, working with a partner to assess the current situation and recommend steps forward to bring value from our data. It is a Microsoft first organisation, with skills in PowerBI & Azure, some of which sit inside the Digital and Information Technology Services (DITS) division, and other skills spread across the organisation. A Data Maturity Assessment will drive a business case to support change which will focuses on key challenges that need to be solved, gap analysis of the current and desired position of the City Corporation while identifying good practises and ways to scale this across the organisation and institutions. DITS staff are being included in the future design of the service through regular communications and engagement.
49. Transfer of services from our managed service provider back in house or to alternative suppliers is continuing. Approximately 20 staff will be transferred through TUPE, which is to complete by August 2023. A new IT Service Management Tool has been provisioned and will continue to be enhanced to better exploit opportunities for automation and improved self service. Following on from the transition of IT services in house, DITS is relooking at what functions are required, if they should they be delivered in-house or by a partner and the optimal team structure to deliver these services. Corporation-wide engagement will enable users to co-design the future delivery model. There are IT Teams and functions and pockets of IT spend across the organisation. Work is in progress to examine functions that might be combined to and bring greater standardisation and sharing and provide a more effective and efficient IT service for the entire of the Corporation. There is a particular focus on Cyber Security where minimum security standards and a shared security operations centre are being investigated. DITS is deploying several new technologies across the organisation. The organisation will require support to adopt these new technologies, and to use them in an effective manner. DITS is investigating putting together a team that will focus on working across the organisation to assist with embedding these new technologies in the workplace.

Target Operating Model

50. Implementation of the Target Operating Model (TOM) has continued, as have efforts to implement the budgetary reductions approved alongside the TOM. The programme was originally due to complete by the end of March 2022, when the TOM Programme Management team was stood down, however, due to its complexity and scale, this has taken longer, and is now anticipated to draw to a close by the end of 2023. Parts of the organisation are still due to develop their second phase of TOM plans (the first phase of plans referring to the completed Chief Officer level restructuring): City of London Police, Bridge House Estates and Barbican. A small number of departments are currently mid-way through implementing their second phase of TOM plans, including Environment, City Surveyors, Chamberlains



(for financial services), Chief Operating Officer (for Human Resources); Schools are mid-way through agreeing and signing off their phase two plans. Officer and Member governance continues to be provided through the Design Advisory Board, and relevant Committees. An interim report on the status of the TOM, including detail on where savings have been made and what has been achieved to date went to Finance Committee (February 2023), Corporate Services Committee (March 2023) and Policy and Resources (March 2023). A final report will follow in summer 2023. The TOM programme, covering departmental restructures and associated savings requirements, are expected to finalise by the end of 2023.

Accountability and Action Plans

51. The City Corporation proposes over the coming year to take the following actions to address these key governance issues:

Delivery of the Corporate Plan Annex 2024 informing the onward development, including priorities and performance measurement, of the City of London Corporation Corporate Plan 2025-30

Lead:
Chief Strategy Officer

Implementing the recommendations of the Internal Audit review: Corporate Wide Review: Health & Safety – Second Line of Defence

Lead:
Chief Operating Officer

Developing a Housing Strategy improving the management of the City Corporation's housing provision.

Lead:
Executive Director Community and Children's Services

Positioning the City of London Corporation as employer of choice through our people and talent offerings

Lead:
Chief People Officer

Enabling the City of London Corporation to be a data driven organisation through appropriate technology provision and capability

Lead:
Chief Operating Officer

Continuing to strengthen Equality, Diversity & Inclusion

Lead:
Chief Operating Officer

52. This annual governance statement was approved by the City Corporation's Audit and Risk Management Committee on 12 May 2023.

Christopher Hayward
Chair, Policy and Resources Committee
Date: May 2023

Ian Thomas CBE
Town Clerk and Chief Executive
Date: May 2023

Further Information

Accounting Standards	Rules set by International Accounting Standards Board that set out how transaction are to be shown in an organisation's accounts
Accrual	The recording of income and expenditure when it becomes due rather than when the cash is paid out/received.
Balance Sheet	A statement showing the assets and liabilities of City Fund
Billing authorities	District, unitary, metropolitan and London Borough who collect council tax and non-domestic rates on behalf of all local councils
Cash flow Statement	This statement summarises the cash flows that have been made into and out of City Fund during the year.
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.
Comprehensive income and expenditure statement	This statement shows all the income and expenditure of City Fund
Current asset	An asset which will be consumed or cease to have value within the next accounting period; examples are stock and debtors.

Current liability	An amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.
Current service cost (pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
Curtailment (pensions)	For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include: • termination of employees' services earlier than expected, for example as a result of discontinuing an activity, and • termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.
Debtors	Individuals or organisations that owe the City Fund money at the end of the financial year.
Dedicated Schools Grant	A grant from the Government used by City Fund to fund schools
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.
Housing Revenue Account	An account used to record the income and expenditure related to council housing
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.
Movement in reserves statement	This statement shows the impact of the financial year on the City Fund's reserves
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.

Net expenditure
The amount City Fund spends on providing services after capital financing costs and specific government grants are taken into account

Non-operational assets
Long-term assets held but not directly occupied, used or consumed in the delivery of service. Examples are investment properties.

Past service cost (pensions)
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Projected unit method
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Provision
An amount set aside in the accounts for liabilities of uncertain timing or amount that have been incurred. Provisions are made when:

- the City of London has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Reserves
Reserves are reported in two categories in the Balance Sheet of local authorities:

- Usable reserves - surpluses of income over expenditure and amounts set aside outside the definition of a provision and which can be applied to the provision of services. Certain reserves are allocated for specific purposes and are described as earmarked reserves.

Unusable reserves - those that cannot be used to provide services. This category of reserves include adjustment accounts which deal with situations where statutory requirements result in income and expenditure being recognised against the City Fund or HRA balance on a different basis from that expected by accounting standards.

Revaluation Reserve	Represents increases in valuations of assets since 1 April less amounts written off due to the ‘additional depreciation’ (including impairment due to consumption of economic benefit) arising because property, plant and equipment are carried at a revalued amount rather than historic cost. It can also include reductions in values to investment properties where the reductions are not considered to be permanent.
Revenue expenditure	The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, repairs, maintenance and supplies.
Revenue expenditure funded from capital under statute	Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to revenue and impact on council tax. These items are generally grant payments and expenditure on property not owned by the authority.
Scheme liabilities	The liabilities of a defined benefits pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.
Section 106 agreement	A legal agreement between Local Authorities and developers; these are linked to planning permissions and can also be known as planning obligations.
Section 278 agreement	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.
Treasury management	The management of the cash balances and borrowing needs from City Fund’s cash flows
Triennial valuation	Actuarial valuation of defined benefit pension schemes that is required every three years
Valuation office agency (VOA)	The government agency responsible for valuing domestic and non-domestic properties

AAAmmf………………………………………………………..AAA Money Market Fund (Credit Rating)

AVC …………………………………………………………Additional Voluntary Contributions

BACS…………………………………………………………Bankers Automated Clearing System
BCMS ………………………………………………………Business Continuity Management System
BID……………………………………………………………Business Improvement District
BRS …………………………………………………………Business Rate Supplement
CARF…………………………………………………………COVID Additional Relief Fund
CFR …………………………………………………………Capital Financing Requirement
CI&ES………………………………………………………Comprehensive Income and Expenditure Statement
CIL …………………………………………………………Community Infrastructure Levy
CIPFA………………………………………………………Chartered Institute of Public Finance & Accounting
CPF…………………………………………………………. Corporate Performance Framework
CPI …………………………………………………………Consumer Price Index
CRC…………………………………………………………. Cyber Resilience Centre
CSPT…………………………………………………………Corporate Strategy and Performance Team
DfE …………………………………………………………Department for Education
DLUHC………………………………………………………Department for Levelling Up, Housing and Communities (formerly MHCLG)
DSG …………………………………………………………Dedicated Schools Grant
EBITDA……………………………………………………..Earnings before Interest, Taxes, Depreciation and Amortization
EDI…………………………………………………………..Equality, Diversity & Inclusion
ELB…………………………………………………………….Executive Leadership Board
EIR……………………………………………………………..Environmental Information Regulations
EUV …………………………………………………………Existing Use value
FTE …………………………………………………………Full Time Equivalent
FOI……………………………………………………………Freedom of Information
FVOCI………………………………………………………Fair Value through Other Comprehensive Income
FVPL…………………………………………………………..Fair Value through Profit or Loss
GAAP ………………………………………………………Generally Accepted Accounting Practice
GLA …………………………………………………………Greater London Authority
GMP…………………………………………………………..Guaranteed Minimum Pension
HRA …………………………………………………………Housing Revenue Account
IAS …………………………………………………………International Accounting Standards

I&G……………………………………………………………………Innovation and Growth Services
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
LLP……………………………………………………………………Limited Liability Partnership
LMA……………………………………………………………………London Metropolitan Archives
MHCLG………………………………………………………………Ministry of Housing, Communities & Local Government (now DLUHC)
MRP …………………………………………………………………Minimum Revenue Provision
NAV……………………………………………………………………Net Asset Value
NNDR ………………………………………………………………National Non-Domestic Rate
OFSTED ……………………………………………………………Office for Standards in Education, Children's Services and Skills
PCN……………………………………………………………………Penalty Charge Notice
Power BI……………………………………………………………Power Business Intelligence
PPE……………………………………………………………………Property, Plant and Equipment
PRAG…………………………………………………………………Pensions Research Accountants Group
RICS……………………………………………………………………Royal Institution of Chartered Surveyors
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
SME……………………………………………………………………Small and Medium-Sized Enterprises
SOLACE ……………………………………………………………Society of Local Authority Chief Executives
SPA……………………………………………………………………State Pension Age
TOM……………………………………………………………………Target Operating Model
VAT ……………………………………………………………………Value-Added Tax
VOA …………………………………………………………………Valuation Office Agency

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The Audit Findings Report for City of London Pension Fund

Year ended 31 March 2023

October 2023

Contents

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Page 546

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Risk Management Committee.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of City of London Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely primarily in September. Our findings are summarised on pages 5 to 13.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- completion of the 2020/21 financial statements audit by your predecessor auditor;
- completion of the 2021/22 financial statements by Grant Thornton UK LLP ;
- receipt of management representation letter;
- review of the final set of financial statements.
- consideration of any post balance sheet events that arise prior to the sign off date.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority (the City Fund) is complete.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Pension Fund for their support in working with us to work constructively with the Pension Fund to not to fall behind and to issue the assurance letters and issue a timely audit opinion.

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by , Barnett Waddingham LLP, and showed that and found that the Pension Fund's funding position had improved to 98% (from 90% as at 31 March 2019). Employers' contributions are set based on Triennial actuarial funding valuations. Since the last such valuation was at 31 March 2022, employer contribution rates resulting from this exercise will apply from 1 April 2023. For 2022/23, employer contribution rates range from 15.0% to 21.0% of pensionable pay. The results of the latest triennial valuation are reflected in note 18 of the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample of this data and found the source data to be complete and accurate/or include a summary of findings. This additional testing is only required after each triennial review, rather than annually and this work was done as part of the completion of the 2021-22 audit, as the prior year figures required restatement due to the audit still being open.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be discussed with the Audit and Risk Management Committee .

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the completion of the following items:

- completion of the 2020/21 financial statements audit by your predecessor auditor and our review of their workpapers;
- receipt of management representation letter;
- review of the Annual report; and
- review of the final set of financial statements.
- consideration of any post balance sheet events that arise prior to the sign off date.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

	Pension Fund Amount (£)
Materiality for the financial statements	15.8m
Fund Account Materiality	4.3m
Trivial matters	0.8m

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in September 2023.

As set out in our audit plan we have set two materiality's. This reflects the fact that there is a disparity between the asset values at the Pension Fund and the figures that go through the Fund Account. Therefore to ensure our work on the Fund Account is sufficiently detailed a lower materiality has been set for this balance, as set out above.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.	We have: • Evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determine the criteria for selecting high risk unusual journals. • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our work has not identified any issues except for the ongoing control deficiency identified in 2021/22 financial statements audit by the predecessor auditor. Our work is now complete and we have no other items to bring to your attention regarding this matter,

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 investments You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date. By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. We therefore have identified Valuation of Level 3 Investments as a significant risk.	We have: • evaluated management's processes for valuing Level 3 investments and gain an understanding over the role of the custodian in the valuation process; • reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • independently requested year-end confirmations from investment managers and the custodian for all investments held; • for the private equity and infrastructure funds , obtained audited financial statements for the investments as at 31 December 2022 and we have reconciled any cash movements between the intervening period to 31 March 2023, for all accounts. • performed additional testing for the full pooled property investments by using indices obtained externally to benchmark against those used by the Fund Manager. The indices reports we have used are from the GT Real Estates Team. • evaluated the competence, capabilities and objectivity of the valuation expert; and • reviewed investment manager service auditor report on design and operating effectiveness of internal controls. Our audit work has not identified any issues in respect of the valuation of Level 3 investments.

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £1,153m	The Pension Fund have investments in pooled funds that in total are valued on the balance sheet as at 31 March 2023at £1,153m. The underlying investments are traded on an open exchange/market although the pooled valuation of the investment is subjective. The Fund obtains valuations from the fund manager and custodian to ensure that valuations are materially fairly stated.	From the procedures undertaken: • We have reviewed the estimation process for the Level 2 investments and are satisfied that these are in line with industry standards. • We have compared the valuations provided by the fund managers with the custodian and are satisfied that there are no significant differences in the valuations. • We have reviewed the accounting policies and valuation techniques stipulated within the financial statements and these are in line with expectations. Our audit work has not identified any issues in respect of the valuation of Level 2 investments.	Light purple

Page 553

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £213.2m	The Pension Fund has investments in the following: • Infrastructure funds that in total are valued on the balance sheet as at 31 March 2023 at £75.6m; • Private equity funds that in total are valued on the balance sheet as at 31 March 2023 at £29.2m; and • Pooled property investments that in total are valued on the balance sheet as at 31 March 2023 at £108.2m; Management have reviewed the year end valuations provided by the Fund Managers and have treated them as management experts. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs.	From the procedures undertaken: • We have deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments. • We have obtained audited accounts for all Infrastructure and Private Equity funds and are satisfied that the movements between 31 December 2023 and 31 March 2023 are reconciled to appropriate and known movements in the intervening period. • We have performed additional testing for pooled property investments by using indices obtained externally to benchmark against those used by the Fund Manager. • We are satisfied that the method, data and assumptions used by management to derive the accounting estimate is appropriate. • We are satisfied that the disclosure of the estimate in the Fund's financial statements is sufficient. • We have reviewed the accounting policies and valuation techniques stipulated within the financial statements and these are in line with expectations. In our challenge procedures we perform analysis of the latest financial statements versus the valuation of the assets held. From this a variance of £5m was identified which is below our materiality levels. Our audit work has not identified any issues in respect of the valuation of Level 3 investments.	Light Purple

Page 554

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Risk Management Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Pension Fund to be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.
Audit evidence and explanations	We requested from management permission to send confirmation requests to your custodian, fund managers and banks. This permission was granted and the requests were sent.

2. Financial Statements: other communication requirements

Page 556

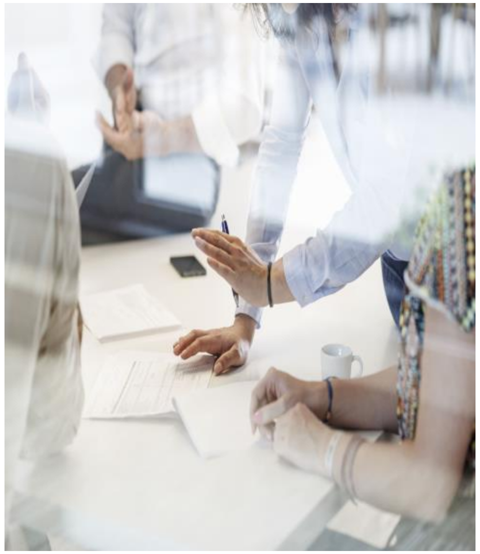
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by the City of London Corporation- City Fund (the 'Authority'), and the Pension Fund's accounts form part of the Authority's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. We will ensure this information is fully reviewed prior to signing the audit opinion.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We have not yet reviewed this yet but will prior to the completion of the audit work. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters



3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Follow up of prior year recommendations

The prior year audit identified the following issues in the audit of City of London Pension Fund's 2021/22. We note these findings were presented to management in March 2023 and therefore there was limited time to respond to these points in the 2022/23 financial year.

Page 561

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Journals authorisation The predecessor auditor has identified that there is no evidence is retained in the management's review of journals.	As part of our journals testing, we have determined that this is not resolved, and we recommend that management implement a control where all journals over £100k are sent over approvals and the approval logs are reviewed on a frequent basis. This control should also be documented to ensure a clear audit trail. Note this issue applies both to the Pension Fund and the City Fund.
✓	Management of generic database administrator accounts. Whilst the passwords for privileged generic accounts for both the Oracle EBS application and supporting Oracle database are held in a KeePass password manager, we were unable to verify whether access to the password manager is restricted to the DBA team as it is held in a shared network drive. Management should implement suitable controls to restrict access to the KeePass password manager. This could be through limiting access (i.e. a specific network folder or SharePoint site) to the KeePass password manager to only authorised members of the DBA team.	**Management response** The password database is itself password protected so regardless of where it lives on the network only persons who know the password (the current 3 dbas) have the ability to open it. The password database has now been moved to the DBA SharePoint site..

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Note in our level 3 Investments testing to provide further challenge to the valuations provided we have obtained other information to challenge the Pension Funds valuation of the Investments. This includes reviewing the most up to date financial statements of the investment and using the Pension Fund's percentage holding to calculate the expected value. In doing so we expect to identify differences but use this process to challenge/identify if further work is required on the level 3 Investment valuations. From this work an overall £5m variance was identified which was within our accepted thresholds and therefore no further testing was identified. As this procedure is not a full valuation of the asset and a method we use to challenge the valuation we do not consider this to be a factual misstatement in the Pension Fund's accounts.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Minor disclosure and narrative adjustments	In our review of the accounts, we raised with management a number of minor disclosure adjustments and other such narrative amendments.	✓
Critical Judgements note	Enhancements were identified to the Critical judgements note to comply with IAS 1 requirements.	✓
Note 10 Management expenses	Audit fees in the note do not tie back to our overall fees by £14k. We note the fee used was the most accurate information management had at the time to make the assessment and this is why no adjustment has been made to the fee.	X
Note 16 – Interest rate risks	**Prior year figures did not tie to the prior year accounts in error and this required updating.**	✓
Note 18 Funded Obligation of the Overall Pension Fund	• Changes in relation to the triennial valuation which required the prior year figures to be updated along with the key assumptions. • The GMP equalisation disclosure required updating as more up to date information was available	✓
Note 24 Contingent liabilities and contractual commitments	The commitment of £15m to Lime property purchase fund units was cancelled as at 15 march 2023 but the client has still disclosed it as outstanding commitment as at 31 March 2023, which is not correct.	✓

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Indicative Final fee
Pension Fund Audit	£39,500	£39,500
Total audit fees (excluding VAT)	**£39,500**	**£39,500**

Non-audit fees for other services	Proposed fee	Final fee
IAS19 Assurance letters for Admitted Bodies	£9,500	£9,500
Total non-audit fees (excluding VAT)	**£9,500**	**£9,500**

E. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Page 564

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

Appendix F - Audit opinion

Our anticipated audit report opinion will be unmodified

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Informing the audit risk assessment for City of London Corporation Pension Fund 2022/23

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Table of Contents

Purpose

The purpose of this report is to contribute towards the effective two-way communication between City of London Corporation Pension Fund's external auditors and City of London Corporation Pension Fund's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the City of London Corporation Pension Fund's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from City of London Corporation Pension Fund's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?	There have been no key events or issues that have a significant impact on these statements. Following the Triennial review , Grant Thornton asked for the IAS 26 for 2021/22 to be revised, this meant the 2022/23 report had to be revised to ensure opening balances were correct. This is a standalone note and does not impact the Fund Account/Net Asset Statement of the Pension Fund accounts.
2. Have you considered the appropriateness of the accounting policies adopted by City of London Corporation Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Accounting policies are reviewed as part of the preparation of the accounts. No changes have been made in 22/23
3. Is there any use of financial instruments, including derivatives? If so, please explain	The pension fund monies are invested with fund managers within different asset classes such as equity, multi asset, private equity and infrastructure
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by City of London Corporation Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	No external solicitors are used by the Pension Fund.

General Enquiries of Management

Question	Management response
9. Have any of the City of London Corporation Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Pension Fund has Mercer as its investment consultant. Mercer provide general advice around the investments of the fund, state of the market etc. Barnett Waddingham are the Pension Fund actuary
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Assessment of expected credit losses are made on all non-statutory account debtors as per the requirements. Provision are made based on backward and forward looking factors

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As City of London Corporation Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from City of London Corporation Pension Fund's management.

Fraud risk assessment

Question	Management response
1. Has City of London Corporation Pension Fund assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process? How do the City of London Corporation Pension Fund's risk management processes link to financial reporting?	Reliance is placed on the controls in place to prevent fraud e.g. systems/processes/financial monitoring/procurement practice etc and any concerns would be flagged to the Chamberlain and Audit and Risk committee, which would be factored into the financial statements preparation. A fraud register is maintained of any actual or suspected fraud cases. Internal Audit has provided independent and objective assurance across a range of City Corporation activities and services through delivery of a continuous programme of Internal Audit reviews. The programme of Audit work has been managed proactively throughout the year in accordance with the Public Sector Internal Audit Standards and with the engagement and support of the Audit and Risk Management Committee considering the risk profile of the organisation and the resources (capacity and capability) available. The Head of Internal Audit 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.
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	See response to Qu 5 below
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within City of London Corporation Pension Fund as a whole, or within specific departments since 1 April 2022? If so, please provide details	No

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Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Biannual counter fraud and investigation reports delivered to the Audit & Risk Management Committee. Corporate risk report as standard item at each meeting of the Audit & Risk Management Committee.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within City of London Corporation Pension Fund where fraud is more likely to occur?	Yes – those areas where there is an inherent risk of fraud, despite having a sound control framework, the risks of human fraud or error can still exist • Continued payment of pensions following death • Over payment of pensions • Scammers targeting scheme members to persuade them to transfer their benefits to other arrangements that may be unusual or high risk or allow the scammers to steal the funds outright. No
6. What processes do City of London Corporation Pension Fund have in place to identify and respond to risks of fraud?	Fraud risks are considered as part of each internal audit assignment, with appropriate testing undertaken to assess the scale of the fraud risks in that service. Internal Audit's counter fraud team consider fraud risks as part of corporate fraud investigation activity and these are reported as appropriate to management, with recommendations made as appropriate to improve the control framework.

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Fraud risk assessment

Question	Management response
7. How do you assess the overall control environment for City of London Corporation Pension Fund including: • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details	Delivery of a programme of Internal Audit work, this incorporates assurance work reviewing controls within key financial systems as well as a risk based programme of activity (the approach to the latter still focusses on the adequacy of the Internal Control environment). Segregation of duties is built into many of our existing processes, often driven/enforced by the design and implementation of our IT systems. The review of the effectiveness of the system of internal control is based upon review and analysis of completed Internal Audit work and other relevant information that the Head of Internal Audit becomes aware of, this is a judgement/opinion based assessment so does not follow a specific process. Refer to Head of Internal Audit Annual Opinion report to Audit and Risk Management Committee to identify risk areas from absent/weak internal controls. Mitigating actions are usually to implement /improve the controls identified as weak. There is always the potential for override or inappropriate influence, some of the City Corporation's financial arrangements are complicated and not necessarily transparent, that said, Internal Audit work has not identified any specific instances
8. Are there any areas where there is potential for misreporting? If so, please provide details	Not to my knowledge

Fraud risk assessment

Question	Management response
9. How does City of London Corporation Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	Both the Corporate Anti-Fraud & Corruption Strategy and the Whistleblowing Policy provide confidential routes for staff to report any fraud concerns to the Internal Audit & Counter Fraud division for consideration of further investigation. A mandatory fraud awareness eLearning package is in place to raise staff awareness of fraud risks and acts as a reminder to staff about what risks they need to report. This eLearning is repeated periodically for staff employed in high fraud risk areas, such as housing, benefits, accounts payable etc. Staff are encouraged to report any concerns they may have, these are triaged by the Internal Audit & Counter Fraud division upon receipt with appropriate action taken.
10. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	Posts where there is an inherent risk of fraud through misappropriation of funds or the Pension Fund's assets. These include, pensions administration, cashiers and investments. Staff in high risk posts are required to submit a declaration of interest return on an annual basis to their Chief Officer, any third party interests are considered on the basis of the risks posed and appropriate safeguards put in place. The mandatory fraud awareness eLearning training is repeated periodically for staff employed in high fraud risk posts.
11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details How do you mitigate the risks associated with fraud related to related party relationships and transactions?	No Self declaration of conflicts of interests/ third party interests expected to be reported by officers and Members. The City utilises the NFI AppCheck as part of its recruitment checks to see if staff have a third party interest (recorded within NFI data) that may impact their duties at CoL. Scope exists to use AppCheck periodically for high risk posts, but not known if this is being done holistically at present.

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Fraud risk assessment

Question	Management response
12. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	The Audit & Risk Management Committee receive an annual counter fraud & investigation report to its May committee and a half yearly report to its November committee. Regular updates on follow up work and have the power to hold officers to account, through calling management to committee to explain why recs not implemented Overall arrangement for reporting and responding to recs has been positive and not required further intervention by ARMC
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	No
14. Have any reports been made under the Bribery Act? If so, please provide details	No

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that City of London Corporation Pension Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does City of London Corporation Pension Fund have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the City of London Corporation Pension Fund's regulatory environment that may have a significant impact on the City of London Corporation Pension Fund's financial statements?	Various regulations are awaited from central government, these will affect the accounts for 2023/24 onwards. No
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	See corporate risk management procedure.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details	No
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	No

Impact of laws and regulations

Question	Management response
5. What arrangements does City of London Corporation Pension Fund have in place to identify, evaluate and account for litigation or claims?	Management and insurance arrangements - see annual governance statement.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No, not that we are aware.

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Related Parties

Matters in relation to Related Parties

City of London Corporation Pension Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by City of London Corporation Pension Fund;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Pension Fund;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Pension Fund, or of any body that is a related party of the Pension Fund.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Pension Fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

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Related Parties

Question	Management response
1. Have there been any changes in the related parties including those disclosed in City of London Corporation Pension Fund’s 2020/21 financial statements? If so please summarise: • the nature of the relationship between these related parties and City of London Corporation Pension Fund whether City of London Corporation Pension Fund has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions	Members have agreed to disclose all related party transactions of £10k to ensure transparency so our disclosures go above the strict accounting requirement. The disclosure in the accounts makes clear the movements from the previous year.
2. What controls does City of London Corporation Pension Fund have in place to identify, account for and disclose related party transactions and relationships?	Members are required to complete these disclosures as part of their role. Related parties linked to roles obtained through the Corporations are included by default
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	The Corporation does not operate single member decision making so all decisions are routed through the committee system. All procurement activity follows procurement rules which would usually result in a tender or approved framework being utilised with a transparent selection process.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Whilst delegation limits are in place for Officers to action transactions most if not all significant transactions would be routed through a committee process. An audit trail of approvals will be required in order for payments to be processed

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Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government pension scheme bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by City of London Corporation Pension Fund will no longer continue?	The Pension Fund undergoes a triennial valuation to set the employer contribution rates for the following three years. Each year an IAS 19 and IAS26 is produced as are FRS102 (for some of the admitted bodies).
2. Are management aware of any factors which may mean for City of London Corporation Pension Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
3. With regard to the statutory services currently provided by City of London Corporation Pension Fund, does City of London Corporation Pension Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for City of London Corporation Pension Fund to cease to exist?	The City of London Pension Fund is a local government pension scheme and is governed by regulations. There are no plans for it to “cease to exist”. The administration of the pension fund will continue to be provided in house.
4. Are management satisfied that the financial reporting framework permits City of London Corporation Pension Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

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Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	These are disclosed in the accounts.
2. How does the City of London Corporation Pension Fund's risk management process identify and address risks relating to accounting estimates?	This is disclosed in the accounts under Critical Judgements in apply accounting policies and Assumptions about other major sources of estimation uncertainty
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	This is mainly driven by technical reporting requirements (IAS19, IAS26 and FRS 102) which are undertaken by the actuary (Barnett Waddingham)
4. How do management review the outcomes of previous accounting estimates?	Many of these areas are constantly evolving and therefore these estimates only reflect a point in time. Previous years values form the starting point against current year estimates will be measured,. Se also Qu 3 above.
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	No

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Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	These are largely focused on the key areas of estimation which are material to the accounts requiring specialist training in making assessment (e.g. property and actuarial valuations) or where access to specialist knowledge provides support and advice when linking into the estimations process (e.g. NNDR provisions) Actuarial valuations must be undertaken by an actuary – for the City of London Pension Fund, the actuary is Barnett Waddingham.
7. How does the City of London Corporation Pension Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The pension valuations are largely formulaic, but we do ensure that significant movements between years are understood. At the triennial valuation, the draft valuation is subject to review and challenge by officers and a small group of Members.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	See Qu 7 above
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements.	Se Qu 7 above Actuary Actuary Accounting policies

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	These are established processes which are supported by external advice adhering to professional standards
12. How is the Audit & Risk Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The Audit & Risk Committee are aware of any prior audit issues raised with accounting and are informed of changes made to address these issues. Briefing sessions are held on the accounts prior to sign off which can enable Members (within and outside of the committee) to challenge the approach to any aspect of the accounts. Member appoint senior staff within Chamberlain's with appropriate skills and qualifications to provide the relevant assurance around the statement of accounts. The Audit & Risk committee also maintains 3 independent members with appropriate skills and experience to provide challenge to all element of the Audit & Risk Committee remit including the approval of the statement of accounts.

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Actuarial PV of Retirement Benefits	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.	Underlying data is provided by CoL, estimates are reviewed and challenged once provided by Actuary.	Yes, Barnett Waddingham	There is a degree of uncertainty involved due to the long-term nature of pension liability.	No
Level 2 investments	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. 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).	Underlying data provided by Fund Manager and Custodian. CoL challenge any variances between Custodian and Fund Managers values.	Fund Manager/Custodian	Degree of uncertainty is low as market values are provided by Fund Manager/Custodian, potential differences arise from different foreign exchange rates used (i.e. rounding of decimal places) and whether values have been taken as at MID pricing or BID pricing.	No
Level 3 investments	As above for Infrastructure (IFM) and Property. For Private Equity and Infrastructure (DIF), this is determined by using latest available data and calculated using the latest available market values (31 December, in most cases) and adjusted for cash flow and foreign exchange movements occurring during the period.	Underlying data provided by Fund Manager. The adjustments used for cashflows are reconciled on a quarterly basis.	Fund Manager/Custodian	There is a degree of uncertainty involved due to the adjustment for cash flow and foreign exchange movement.	No
Contribution Accruals	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.	N/A, no estimates used	No	Contributions are as per sent by employers/members per rates and adjustment certificates	No

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