Supplementary Public Document Pack

CITY OF LONDON

Audit and Risk Management Committee

Date: **MONDAY, 26 FEBRUARY 2024**

Time: **11.00 am**

Venue: **COMMITTEE ROOMS, GUILDHALL**

12. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

    a) City Fund Statement of Accounts Update (Pages 3 - 304)

       Report of the Chamberlain.

    b) City's Estate Statement of Accounts (Pages 305 - 378)

       Report of the Chamberlain.

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

Ian Thomas CBE
Town Clerk and Chief Executive

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Committee(s): Audit and Risk Management Committee – For decision	**Dated:** 26/02/2024
Subject: City Fund Statement of Accounts Update	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**N/A**
Does this proposal require extra revenue and/or capital spending?	**N**
If so, how much?	**N/A**
What is the source of Funding?	**N/A**
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: The Chamberlain	**For Decision**
Report author: Daniel Peattie, Assistant Director – Strategic Finance Liton Rahman, Interim Chief Accountant	

Summary

This report provides an update on the audit of the 2020-21 and 2021-22 Statement of Accounts, and the publication and audit of the 2022-23 Statement of Accounts.

The audited 2022-23 Statement of Accounts are presented in appendix 1 for approval. This reflects all changes agreed with the auditors at the time of submitting this report.

Recommendation(s)

The **Audit and Risk Management** Committee is asked to:

- **Recommend** approval of the 2022-23 Statement of Accounts to Finance Committee.
- **Delegate** authority to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, approval of any material changes to the financial statements required before the signing of the audit opinion by Grant Thornton, which is expected on 26th February 2024.
- **Consider** the Audit Progress Report for the City Fund 2022-23 as set out in Appendix 2.
- **Consider** the Auditor's Annual Audit Report 2022-23 as set out in Appendix 3.

Main Report

Background

1. The update provided to the committee on 6th November 2023 highlighted significant progress and ongoing challenges in the audit and financial reporting processes for the City Fund and Pension Fund accounts. Since then, here are the key points summarised from that update:

   <u>Prior year accounts</u>
2. Revised versions of the 2020-21 and 2021-22 accounts, incorporating all agreed changes were presented to the Committee and sign off was expected imminently.

   <u>2022-23 Accounts</u>
3. Significant changes were identified during the audit, including adjustments related to lease premiums, reclassification of creditors, and corrections in revenue expenditure funded by capital under statute (REFCUS).

   - Lease premiums (£224m) – during the audit of the 2021-22 accounts, the auditors raised concerns about the appropriateness of the accounting treatment applied to lease premia by the Corporation. At that point in time officers did not have access to sufficient information to satisfy the auditors concerns and therefore the lease premium adjustments were removed from the 2022-23 accounts that were published. However, upon further investigation, officers were able to provide the auditors with detailed justification of the previous accounting treatment and therefore the lease premium adjustments have now been added back in this version of the accounts.

   - Reclassification of creditors (£57m) – balances owed to Central Government in respect of S31 Grant and CARF monies were incorrectly recognised as short-term creditors in 2021-22. These monies should have been recognised as Grants and Contributions Received in Advance. This error has been rectified in the revised financial statements and is purely a reclassification with no impact on the overall City Fund position.

   - REFCUS correction (£4.6m) – During the preparation of the accounts for City's Cash, officers identified that £4.6m of REFCUS expenditure relating to City's Cash had been incorrectly recognised in the City Fund accounts and were financed from the Major Projects Reserve. This error has been rectified in the revised financial statements and has resulted in an increase in a £4.6m increase in the Major Projects Reserve balance.

4. Audit processes were progressing smoothly, with significant improvements noted since the previous audit cycle.

5. Auditors engaged in inquiries regarding fraud and compliance with laws and regulations.

6. Overall, the update highlighted both progress and challenges in the audit and financial reporting processes, with efforts ongoing to address outstanding issues

and ensure accurate and timely reporting for both the City Fund and Pension Fund accounts.

Current Position

Prior year accounts

7. The 2020-21 City Fund and Pension Fund accounts were signed off by the auditors on 8th November 2023, with an unqualified opinion. These accounts, unchanged from the version presented to the Committee on 6th November 2023, have been published on the Corporation's website.

8. The 2021-22 City Fund and Pension Fund accounts were officially signed off by auditors on 7th December 2023, with an unqualified opinion. There have been no material changes since the version presented to the committee on 6th November 2023. These accounts have been promptly published on the Corporation's website.

2022-23 Accounts

9. The updated version of the 2022-23 City Fund and Pension Fund Statement of Accounts is provided in Appendix 1. This revised version incorporates the following significant changes identified during the audit of the published accounts and results in a total decrease in Total Comprehensive (Income) and Expenditure, including the adjustments mentioned above, of £36.6m (from -£777.6m to -£741.0m):

    - Community Infrastructure Levy (£3.2m) – the Code states that CIL income accrues to the billing authority on the commencement date of the development. However, past practice has been to record the CIL income on the date when invoice was raised instead of the date when income accrued which is not consistent with the Code. This has resulted in £3.2m increase in the balances held as capital grants unapplied in 2022-23 with a total increase of £10.6m since the introduction of CIL.

    - Barbican Library (£1.8m) – the Barbican library was a double counted asset in the Fixed Asset Register. The asset was sitting against one asset code at its prior year depreciated value of £1,8m, but also on a different code at its revalued amount.

    - New Spitalfields Market (£2.8m) – the revaluation of the 'New Spitalfields Market' asset was not recorded and was being held at the prior year value less depreciation. The asset should have been valued at £50m to be in-line with the valuation report but was being held at £52.8m, resulting in an overstatement to OLB of £2.8m.

    - Central Criminal Court (£20.4m) – the value of the Court in the Fixed Asset Register does agree to the valuation report, however the value of the asset was not split accordingly between City Fund and City’s Estate resulting in an overstatement in the value held by City Fund.

    - Suspense Account (£2.6m) – during testing of debtors, the auditors identified 2 instances where debtors held at year end were not removed upon receipt of payment. As a result, debtors were overstated, and cash understated by £2.6m. Following further investigation of the error, the auditors gained understanding that these were isolated cases due unallocated funds managed in a suspense account.

- Salisbury Square (£17.1m) – costs in relation to Investment Properties transferred to Property, Plant and Equipment had not been derecognised in the Fixed Asset Register resulting in an overstatement of Investment Properties held on the balance sheet.

Corporate & Strategic Implications

10. Strategic implications – There are no specific links to the Corporate Plan. However, the accounts assist the City Corporation in maintaining a clear and transparent dialogue regarding its activities with residents and other stakeholders.

Conclusion

11. At present, there are no further queries remaining regarding the 2022-23 accounts. Having provided their Audit Findings Report and Value for Money Opinion, the external auditor is conducting final reviews of the Statement of Accounts, and an unqualified audit opinion is expected to be issued by GT by the end of February.

12. Should any material adjustments to the statement of accounts be required before that position is reached, it is recommended that authority to approve such amendments should be delegated to the Chamberlain in consultation with the Chairmen and Deputy Chairmen of the Audit and Risk Management and Finance Committees.

Appendices

- Appendix 1 – Revised City Fund Accounts 2022-23
- Appendix 2 – City Fund Audit Findings Report 2022-23
- Appendix 3 – Auditor's Annual Audit Report 2022-23

Background Papers

Audit and Risk Management Committee – Tuesday 30th November 2021 – Item 4: City Fund and Pension Fund Statement of Accounts 2020-21

Finance Committee – Tuesday 7th December 2021 – Item 9: 2020-21 City Fund and Pension Fund Statement of Accounts

Finance Committee – Tuesday 25th January 2022 – Item 15a: City Fund Accounts

Finance Committee – Tuesday 20th September 2022 – Item 7: 2020-21 City Fund and Pension Fund Statement of Accounts – Delegation of Approval

Audit and Risk Management Committee – Tuesday 22nd November 2022 – Item 6: 2020-21 City Fund and Pension Fund Statement of Accounts Approval

Audit and Risk Management Committee – Monday 16th January 2023 – Item 9: City Fund Audit Progress report and sector update

Audit and Risk Management Committee – Monday 13th March 2023 – Item 7: Auditor's Annual Report on the City of London Corporation: City Fund

Audit and Risk Management Committee – Monday 13th March 2023 – Item 15a: Audit Progress Report

Audit and Risk Management Committee – Monday 13th March 2023 – Item 15b: Audit Findings Report: Pension Fund

Audit and Risk Management Committee – Monday 11th September 2023 – Item 7: City Fund and Pension Fund Statement of Accounts Update

Audit and Risk Management Committee – Monday 11th September 2023 – Item 8: City Fund and Pension Fund Audit Plan 22-23

Finance Committee – Tuesday 19th September 2023 – Item 8: City Fund and Pension Fund Statement of Accounts Update

Audit and Risk Management Committee – Monday 6th November 2023 – Item 9: City Fund and Pension Funds Statement of Accounts Update

Finance Committee – Wednesday 8th November 2023 – Item 9: City Fund and Pension Funds Statement of Accounts Update

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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.

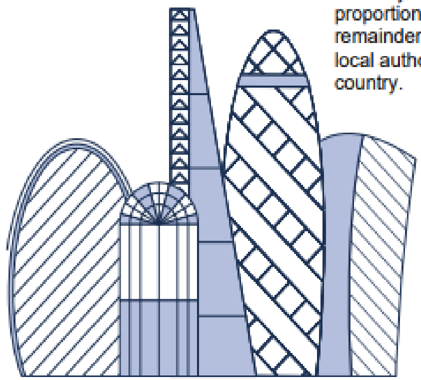
As the governing body of the Square Mile, we deliver the functions of a local authority and a police authority for our residents, workers, learners and visitors, as well as being the port health and animal health authorities for London. There are approximately 7,500 residents living in the Square Mile. However, we have a high daytime population in the Square Mile, which is up to 550,000 workers daily.

The City contributes to the rest of the economy, generating

£1.3bn

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

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

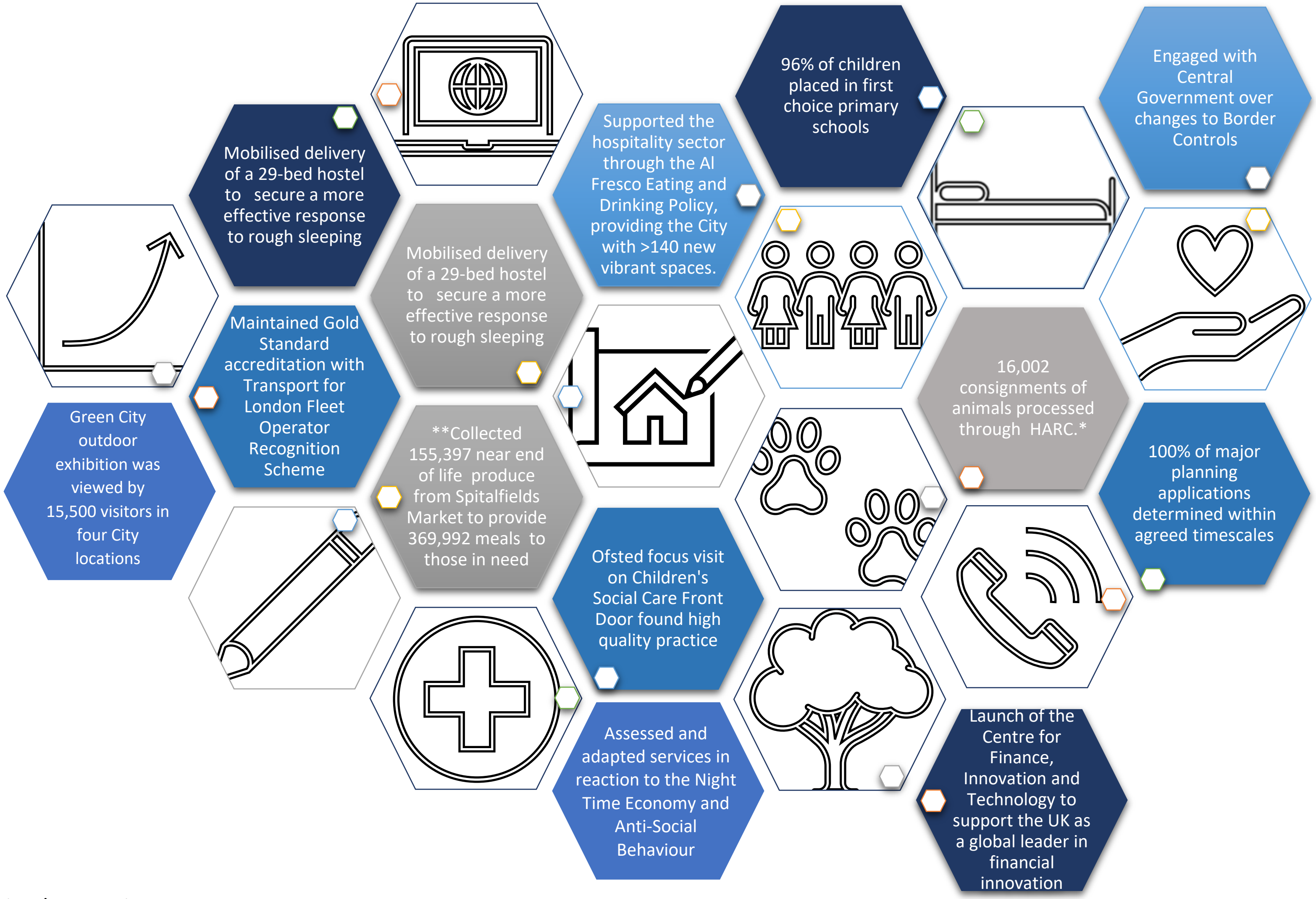
In common with other local authorities, City Fund receives funding via grants from central government, a share of business rates income and the proceeds of the local council tax. City Fund also generates rental and interest income to help finance its activities. A breakdown of these amounts for 2022-23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

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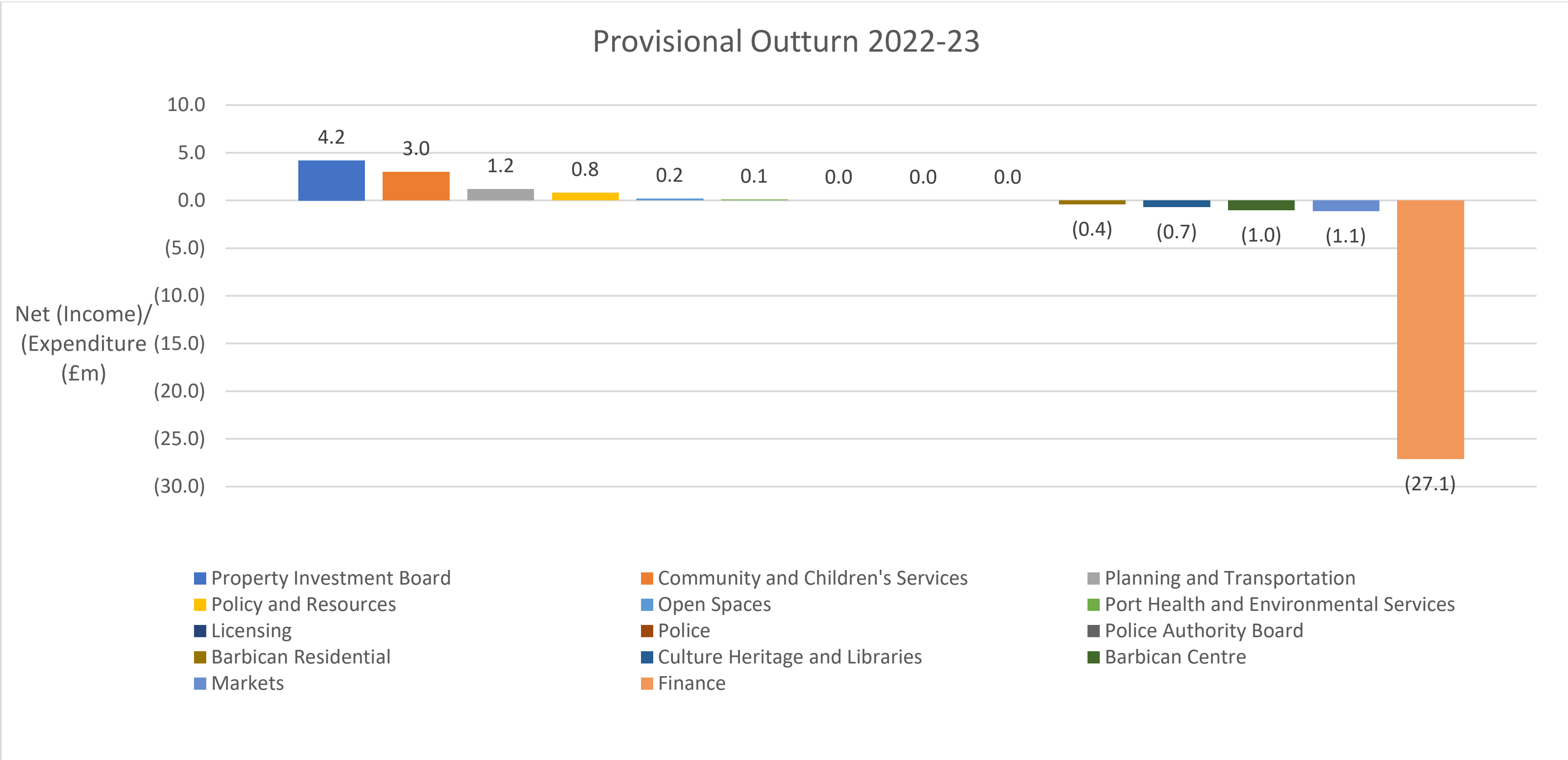
2022-23 FINANCIAL SUMMARY

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

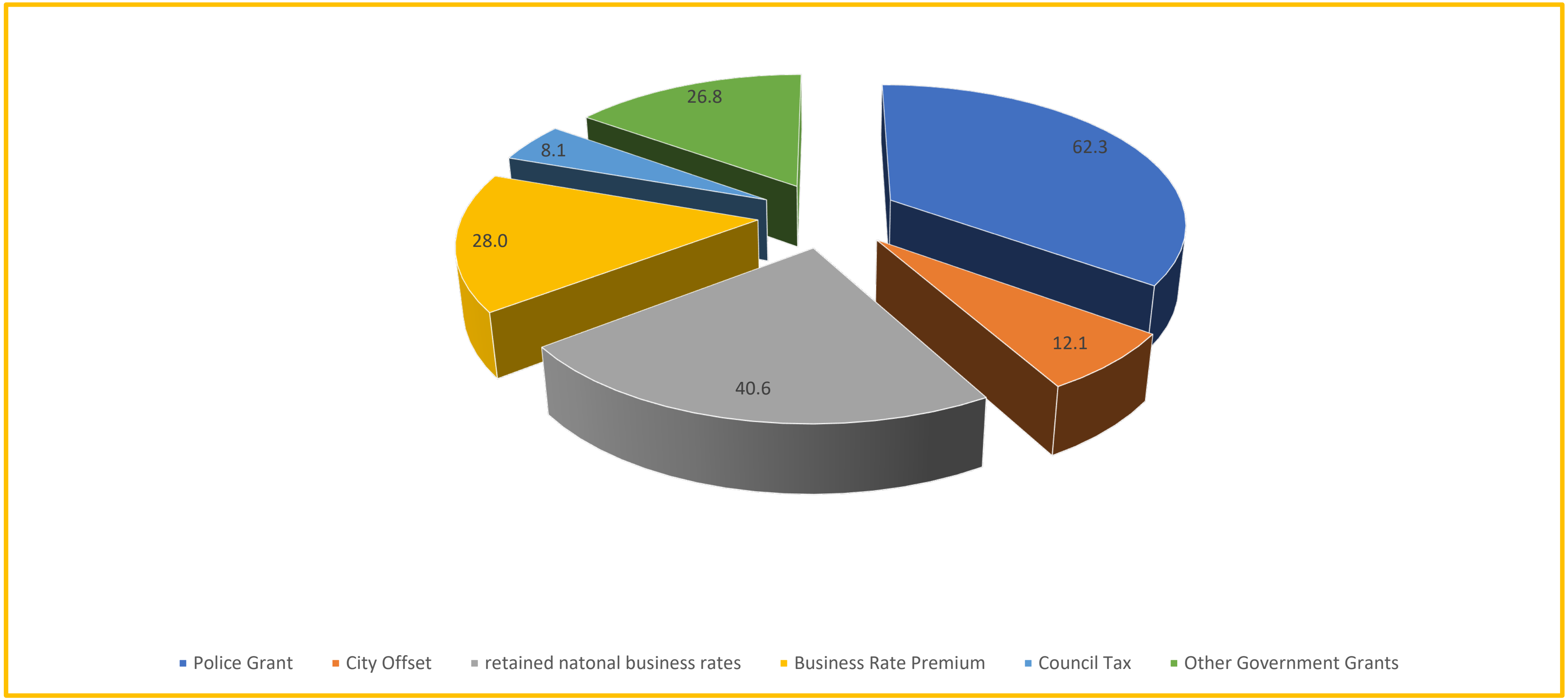
- Property Investment Board (£4.2m) – Shortfall in rental income due to empty rates in respect of Fleet Street Estate and 15/17 Eldon Street/6 Board St Place developments

- 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

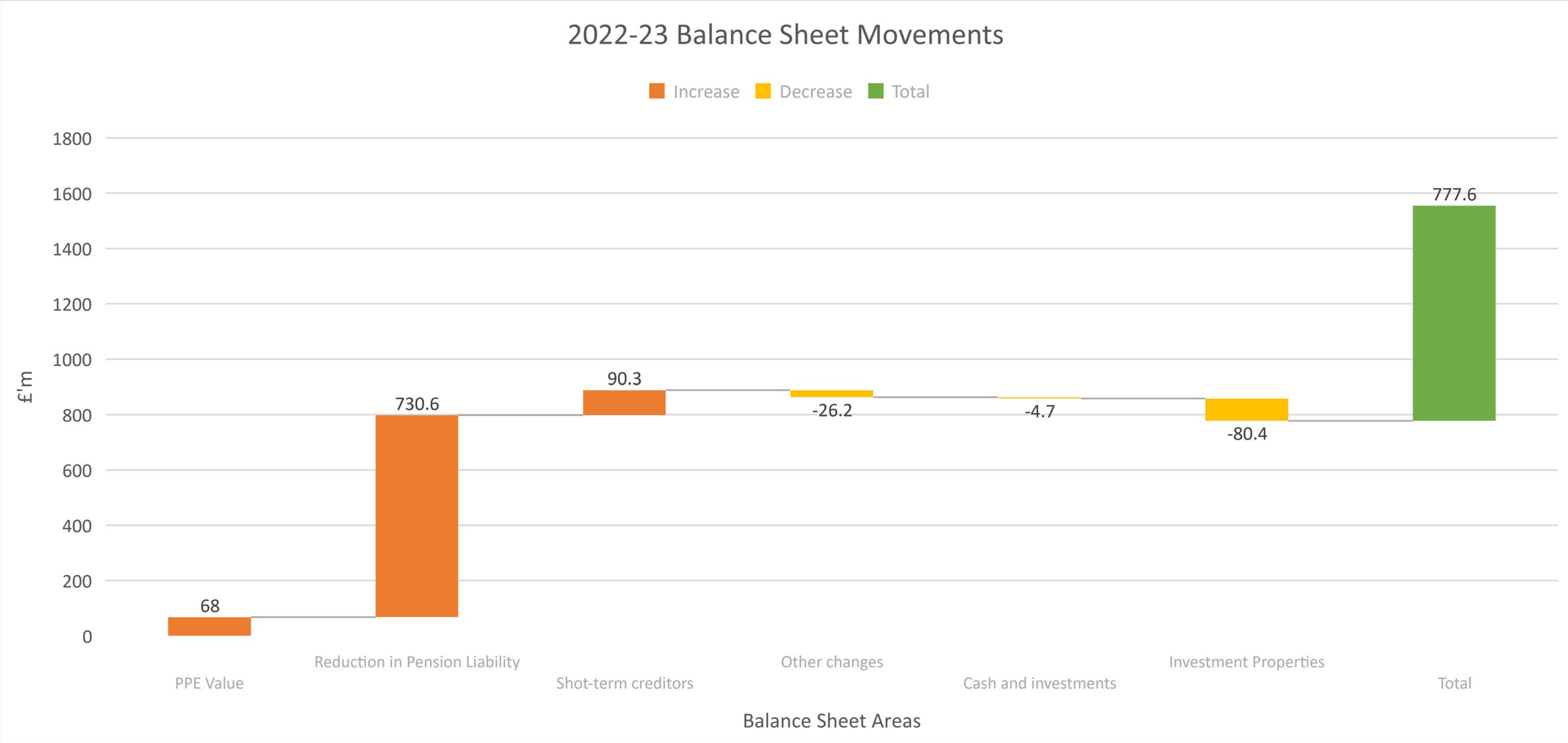
A breakdown of the City Fund taxation and grants income for 2022-23 can be seen in the chart below:



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

I 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.

Caroline Al-Beyerty - Chamberlain and Chief Financial Officer   Date: xx February 2024

The City Fund and Pension Fund Accounts were considered and approved on behalf of the Finance Committee.

Henry Nicholas Almroth Colthurst, Deputy

Chairman of the Finance Committee

Randall Keith Anderson, Deputy

Deputy Chairman of the Finance Committee

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

Core Financial Statements

Comprehensive Income and Expenditure Statement

2021-22 Restated				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
51.2	(17.8)	33.4	Barbican Centre		63.4	(28.7)	34.7
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	(35.7)	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
512.3	**(253.0)**	**259.3**	**Cost of Services**		**536.7**	**(268.8)**	**267.9**
		5.8	Other Operating Income	7			(20.7)
		(122.6)	Financing & Investment Income & Expenditure	7			92.2
		(219.0)	Taxation & Non-Specific Grant Income	7			(281.4)
		(76.5)	**(Surplus)/Deficit on the Provision of Services**				**58.0**
		(27.8)	Surplus on the Revaluation of Property, Plant & Equipment	13			(12.5)
		(36.3)	Remeasurements of the Pensions Liability	26			(786.5)
		(64.1)	**Other Comprehensive (Income) & Expenditure[2]**				**(799.0)**
		(140.6)	**TOTAL COMPREHENSIVE (INCOME) & EXPENDITURE**				**(741.0)**

[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)**	**(53.7)**	**(1.4)**	**(385.9)**	**(937.2)**	**(1,323.1)**
Movement in reserves during 2022-23									
Total Comprehensive Income & Expenditure		**51.7**	**6.3**	**0.0**	**0.0**	**0.0**	**58.0**	**(799.0)**	**(741.0)**
Adjustments between accounting basis & funding basis under regulations	11	(52.1)	(6.3)	(20.2)	4.0	1.7	(72.9)	72.9	0.0
Net (increase)/decrease before Transfers to Earmarked Reserves		**(0.4)**	**0.0**	**(20.2)**	**4.0**	**1.7**	**(14.9)**	**(726.1)**	**(741.0)**
Transfer to/(from) - earmarked reserves		33.7	0.0	0.0	(33.7)	0.0	0.0	0.0	0.0
(Increase) or decrease in 2022-23		**33.3**	**0.0**	**(20.2)**	**(29.7)**	**1.7**	**(14.9)**	**(726.1)**	**(741.0)**
Balance at 31 March 2023 carried forward*		**(266.8)**	**(0.2)**	**(50.7)**	**(83.4)**	**0.3**	**(400.8)**	**(1,663.3)**	**(2,064.1)**

*The City Fund balance of £266.8m comprises unallocated revenue funds of £50.7m and earmarked revenue reserves of £216.1m (see note 12, page 46).

Restated	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)**	**(43.4)**	**(2.0)**	**(356.3)**	**(826.2)**	**(1,182.5)**
Movement in reserves during 2021-22									
Total Comprehensive Income & Expenditure		**(79.2)**	**2.7**	**0.0**	**0.0**	**0.0**	**(76.5)**	**(64.1)**	**(140.6)**
Adjustments between accounting basis & funding basis under regulations	11	16.6	(2.7)	25.9	6.5	0.6	46.9	(46.9)	0.0
Net (increase)/decrease before Transfers to Earmarked Reserves		**(62.6)**	**0.0**	**25.9**	**6.5**	**0.6**	**(29.6)**	**(111.0)**	**(140.6)**
Transfer to/(from) - earmarked reserves		16.8	0.0	0.0	(16.8)	0.0	0.0	0.0	0.0
(Increase) or decrease in 2021-22		**(45.8)**	**0.0**	**25.9**	**(10.3)**	**0.6**	**(29.6)**	**(111.0)**	**(140.6)**
Balance at 31 March 2022 carried forward*		**(300.1)**	**(0.2)**	**(30.5)**	**(53.7)**	**(1.4)**	**(385.9)**	**(937.2)**	**(1,323.1)**

*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 Restated		Notes	31 March 2023
£m			£m
1,048.5	Property, Plant and Equipment	13	1,090.6
9.0	Heritage Assets	14	9.0
1,642.1	Investment Property	17	1,543.2
0.4	Intangible Assets		2.9
12.3	Long-Term Debtors	16	11.5
2,712.3	**Long-Term Assets**		**2,657.2**
992.1	Short-Term Investments	18	964.8
2.7	Assets Held for Sale		8.6
0.5	Inventories		0.6
162.4	Short-Term Debtors	20	155.7
33.3	Cash and Cash Equivalents		32.1
1,183.5	**Current Assets**		**1,161.8**
(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)
(57.1)	Other Long-Term Liabilities	29	(52.9)
(2,012.6)	**Long-Term Liabilities**		**(1,294.3)**
1,315.6	**NET ASSETS**		**2,064.2**
(385.9)	Usable Reserves		(400.8)
(937.2)	Unusable Reserves	31	(1,663.4)
(1,323.1)	**TOTAL RESERVES**		**(2,064.2)**

The Statement of Accounts was authorised for issue by the Chamberlain on xx February 2024. Events after the balance sheet date and up to xx February 2024 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
(76.5)	Net (surplus)/deficit on the provision of services		58.0
(30.1)	Adjustments for non-cash movements	32	(103.5)
70.9	Adjustments for items that are investing and financing activities	32	98.1
(35.7)	**Net cash (inflows)/outflows from operating activities**		**52.6**
180.5	Investing activities	33	(46.6)
(151.2)	Financing activities	34	(4.8)
(6.4)	**Net (increase)/decrease in cash and cash equivalents**		**1.2**
(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**		**(32.1)**

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 93). 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 £913.2m (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 £854m (£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£85m.</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 £1,543m (£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 £15.4m 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

2022-23					
	As Reported to Management	Adjustments to Arrive at Net Charge to General Fund and HRA Balances	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
Committees					
Police	95.7	(3.6)	92.1	11.0	103.1
Police Authority Board	1.0	0.0	1.0	0.0	1.0
Barbican Centre	30.8	(0.2)	30.6	4.1	34.7
Community and Children's Services	18.2	0.6	18.8	1.1	19.9
HRA	0.0	(0.1)	(0.1)	7.0	6.9
Planning and Transport	15.9	(6.9)	9.0	2.5	11.5
Port Health and Environmental Services	16.3	(1.5)	14.8	(0.6)	14.2
Culture, Heritage and Libraries	22.3	(5.4)	16.9	6.2	23.1
Finance	(28.6)	(7.6)	(36.2)	48.6	12.4
Barbican Residential	1.9	0.0	1.9	(2.9)	(1.0)
Policy and Resources	6.6	3.1	9.7	3.3	13.0
Open Spaces and City Gardens	2.0	0.0	2.0	0.2	2.2
Property Investment	(29.1)	0.0	(29.1)	29.0	(0.1)
Licensing	0.3	0.0	0.3	0.2	0.5
Markets	(1.4)	(0.2)	(1.6)	1.6	0.0
London NNDR Pool Strategic Investment Pot	0.0	3.3	3.3	1.3	4.6
Pension Past Service Cost	0.0	0.0	0.0	1.8	1.8
Major Project Cost	0.0	20.1	20.1	0.0	20.1
Net Cost of Services	**151.9**	**1.6**	**153.5**	**114.4**	**267.9**
Other Income and Expenditure	(151.9)	31.7	(120.2)	(89.7)	(209.9)
(Surplus) or Deficit on the Provision of Services	**0.0**	**33.3**	**33.3**	**24.7**	**58.0**
Opening City Fund and HRA Balances			**(300.3)**		
Add (Surplus) or Deficit on City Fund and HRA Balance in Year			33.3		
Closing City Fund and HRA Balances at 31 March*			**(267.0)**		

2021-22 Restated					
	As Reported to Management	Adjustments to Arrive at Net Charge to General Fund and HRA Balances	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
Committees					
Police	88.8	(7.0)	81.8	9.1	90.0
Barbican Centre	29.9	(0.2)	29.7	3.7	33.4
Community and Children's Services	16.3	0.6	16.9	1.6	18.5
HRA	0.0	0.0	0.0	3.3	3.3
Planning and Transport	14.5	(7.2)	7.3	3.7	11.0
EPort Health and Environmental Services	13.4	(1.9)	11.5	0.8	12.3
Culture, Heritage and Libraries	20.7	16.7	37.4	(14.9)	22.5
Finance	(18.5)	(9.1)	(27.6)	59.5	31.8
Barbican Residential	2.2	0.0	2.2	(2.9)	(0.7)
Policy and Resources	4.9	2.4	7.3	3.5	10.8
Open Spaces and City Gardens	1.9	0.1	2.0	0.5	2.5
Property Investment	(37.6)	0.2	(37.4)	38.4	1.0
Licensing	0.2	0.0	0.2	0.1	0.3
Markets	0.3	(0.3)	0.0	0.0	0.0
London NNDR Pool Strategic Investment Pot	0.0	(0.5)	(0.5)	0.7	0.2
Pension Past Service Cost	0.0	0.0	0.0	4.8	4.8
Major Project Cost	0.0	0.0	0.0	16.6	16.6
Net Cost of Services	**137.0**	**(6.2)**	**130.9**	**128.5**	**259.2**
Other Income and Expenditure	(137.0)	(39.6)	(176.7)	(159.2)	(335.8)
(Surplus) or Deficit on the Provision of Services	**0.0**	**(45.8)**	**(45.8)**	**(30.7)**	**(76.5)**
Opening City Fund and HRA Balances			**(254.5)**		
Add (Surplus) or Deficit on City Fund and HRA Balance in Year			(45.8)		
Closing City Fund and HRA Balances at 31 March*			**(300.3)**		

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 Restated						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	(0.9)	9.1	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	0.2	3.7	Barbican Centre	0.8	2.9	0.0	0.4	4.1
0.0	1.5	0.0	0.1	1.6	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	0.7	3.7	Planning and Transport	0.1	1.8	0.0	0.6	2.5
0.0	2.9	0.0	(2.1)	0.8	Port Health and Environmental Services	0.0	2.1	0.0	(2.7)	(0.6)
0.0	1.7	0.0	(16.6)	(14.9)	Culture, Heritage and Libraries	5.4	1.2	0.0	(0.4)	6.2
51.3	1.3	0.0	6.9	59.5	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	0.0	3.5	Policy and Resources	2.3	1.1	0.0	(0.1)	3.3
0.2	0.4	0.0	(0.1)	0.5	Open Spaces and City Gardens	0.0	0.2	0.0	0.0	0.2
0.0	0.1	0.0	38.3	38.4	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	(0.3)	0.0	Markets	0.0	0.2	0.0	1.4	1.6
0.0	0.0	0.0	0.7	0.7	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**	**41.1**	**128.5**	**Net Cost of Services**	**40.0**	**22.3**	**0.0**	**52.1**	**114.4**
(144.4)	32.6	(12.2)	(35.2)	(159.2)	Other Income and Expenditure	(23.1)	42.6	(66.6)	(42.6)	(89.7)
(84.4)	**60.0**	**(12.2)**	**5.9**	**(30.7)**	**Surplus or Deficit on Provision of Services**	**16.1**	**64.9**	**(66.6)**	**9.5**	**24.7**

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 Restated		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	39.3
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	93.4
885.1	**Total expenditure**	**1,027.1**
	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)
(285.6)	Government grants and other grants, contributions and reimbursements	(262.5)
(119.0)	Unrealised (gains)/loss on revaluation of investment properties	0.0
0.0	Gain on the disposal of assets	(21.7)
(961.6)	**Total Income**	**(969.1)**
(76.5)	**(Surplus) or Deficit on the Provision of Services**	**58.0**

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	93.4
(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**	**92.2**

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

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 Restated		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)
(36.6)	Section 106 and CIL	(22.5)
(4.2)	Other Capital Grants and Contributions	(14.2)
(219.0)	**Total Taxation and Non-Specific Grant Income**	**(281.4)**

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**	**3.6**
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 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 - 84,999	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 – E.Moore	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
Chief Strategy Officer – D.Corradine	40%	179.0	53.0	0.0	0.0	0.0	53.0	11.0	64.0
Executive Director of Environment – B.Roberts	100%	175.0	175.0	0.0	0.0	0.0	175.0	0.0	175.0
Deputy Town Clerk – D.Roberts	55%	166.0	92.0	0.0	0.0	0.0	92.0	19.0	111.0
Temporary Commissioner – P.O'Doherty	100%	166.0	166.0	10.0	0.0	0.0	176.0	50.0	226.0
Assistant Commissioner – P.Betts	100%	166.0	166.0	10.0	0.0	0.0	176.0	50.0	226.0
Director of Innovation and Growth - D.Nussbaum	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	22.0	0.0	22.0
Managing Director Barbican Centre – W.Gompertz	100%	14.0	14.0	0.0	0.0	0.0	14.0	3.0	17.0
Managing Director Barbican Centre – S.Dwesar	55%	15.0	15.0	0.0	0.0	0.0	15.0	3.0	18.0

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) – I.Dyson	100%	47.0	47.0	3.0	0.0	5.0	55.0	14.0	69.0
Executive Director of Environment (started August 2021) – B.Roberts	100%	112.0	112.0	0.0	0.0	0.0	112.0	18.0	130.0
Director of Innovation & Growth – D.Nussbaum	67%	146.0	98.0	0.0	0.0	0.0	98.0	20.0	118.0
Chief Operating Officer (started July 2021) – E.Moore	65%	133.0	87.0	0.0	0.0	0.0	87.0	18.0	105.0
Director of Community & Children's Services -Finlay	100%	146.0	146.0	0.0	0.0	0.0	146.0	31.0	177.0
Chamberlain (left April 2021)- P.Kane	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	0.0	1.0	1.0	94.3
0.0	0.0	0.0	0.0	£100,001 - £150,000	0.0	2.0	2.0	125.9
20.0	**3.0**	**23.0**	**181.0**	**Total**	**40.0**	**7.0**	**47.0**	**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: £41,000) 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
492.8	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.	411.5
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
517.8		**436.5**

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)	(123.2)	(8.4)				131.6
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	**(130.4)**	**(9.1)**	**0.0**	**0.0**	**0.0**	**139.5**
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)**	**3.6**	**(1.7)**	**(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	**(52.1)**	**(6.3)**	**(20.2)**	**4.0**	**1.7**	**72.9**

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)	48.1	(5.5)				(42.6)
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	**(7.5)**	**(6.6)**	**0.0**	**0.0**	**0.0**	**14.3**
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	**16.8**	**(2.7)**	**25.9**	**6.5**	**0.6**	**(46.9)**

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	0.6	0.0	0.0	0.0	0.0	0.0	2.1
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4.6)	(2.0)	0.0	0.0	0.0	0.0	0.0	(6.6)
Derecognition - disposals	(6.2)	(0.1)	0.0	3.0	0.0	0.0	0.0	(3.3)
at 31 March 2023	**249.2**	**611.9**	**7.8**	**126.1**	**1.5**	**138.7**	**0.4**	**1,135.6**
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	8.8	0.0	0.0	0.0	0.0	0.0	10.5
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)**	**(7.3)**	**(2.2)**	**(80.2)**	**0.0**	**0.0**	**0.0**	**(89.8)**
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**	**604.6**	**5.6**	**45.9**	**1.5**	**138.7**	**0.4**	**1,045.8**

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	1,048.5
47.7	Infrastructure Assets	44.8
1,048.5	**Total PPE Assets Net Book Value**	**1,090.6**

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

At 31 March 2023, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2023/24 and future years budgeted to cost £591m. The major commitments are:

- £1.2m relating to the Barbican Estate Redecoration programme
- £428.5m relating to Salisbury Square demolition and development scheme
- £1.0m relating to Assessment Centre for Rough Sleepers
- £2.1m relating to the Poultry Market (Museum of London Relocation)
- £39.2m relating to the Sydenham Hill Provision of Social Housing
- £2.8m relating to Holloway Estate Windows Replacement Programme
- £3.3m relating to Southwark Estate Windows Replacement Programme
- £1.5m for Middlesex Street Estate - Replacement of Heating & Hot Water
- £45m for York Way Estate Provision of Social Housing
- £2.8m for Fire Door Replacement - Avondale

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 £7.4m reflects the recognition of £5.1m of additional borrowing requirement to fund capital schemes, a £3.7m adjustment to correct the closing CFR position to bring it in line with the balance sheet CFR calculation, 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)
0.0	Adjustment to CFR	3.7
86.7	**Closing Capital Financing Requirement**	**94.1**

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
0.0	Adjustment to CFR	3.7
33.3	**Increase/(decrease) in Capital Financing Requirement**	**7.4**

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	(93.4)
1,642.1	**Balance at end of the year**	**1,543.2**

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 Restated		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	95.0	Amortised Cost	11.5	64.7
12.3	**95.0**	**Total Debtors**	**11.5**	**64.7**
		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 investments, 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 Restated			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	964.8
95.0	95.0	Short Term Debtors	64.7	64.7
1,099.4	**1,099.4**	**Total financial assets**	**1,041.0**	**1,041.0**
		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 Restated		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
45.2	Trade Debtors	53.5
10.0	Other	11.0
(10.5)	Less: Impairment allowances for expected credit losses and doubtful debts	(10.3)
19.7	City Fund's Share of National Business Rates Arrears	27.5
(9.0)	Less: Impairment allowances for expected credit losses and doubtful debts in respect of Business Rates Arrears	(10.6)
162.4	**Total**	**155.6**

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%

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 17 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	0.1
0.1	Actuarial gains/losses arising from changes in financial assumptions	0.9
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	(715.5)
(1,234.4)	Police Pension Schemes	(829.7)
(2.8)	Judges Pension Scheme	(2.3)
	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

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.

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

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	46.4
163.4	Later than one year and not later than five years	155.6
3,228.0	Later than five years	3,244.3
3,437.1	**Total**	**3,446.3**

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.

31. Unusable Reserves

31 March 2022		Note	31 March 2023
£m			£m
(346.4)	Revaluation Reserve	A	(353.5)
(2,267.2)	Capital Adjustment Account	B	(2,207.7)
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**		**(1,663.4)**

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	(55.6)
8.3	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	43.0
(27.8)	**Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(12.5)**
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**	**(353.5)**

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	39.1
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:**	**69.6**
(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**	**64.2**
	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	(34.6)
(3.2)	Application of grants to capital financing from the Capital Grants Unapplied Account	(2.1)
(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	93.4
0.2	Museum of London loan principle	0.2
(2,267.2)	**Balance at 31 March**	**(2,207.7)**

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	105.7
28.3	Increase/(Decrease in debtors	(12.2)
(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	(93.4)
(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	(11.4)
(30.1)	**Total**	**(103.5)**

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	70.0
70.9		**98.1**

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	(1,612.9)
2,044.5	Purchase of short-term and long-term investments	1,595.6
(24.5)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(27.7)
(36.0)	Capital grants received	(72.0)
6.7	Other receipts from investing activities	0.4
180.5	**Net cash outflows/(inflows) from investing activities**	**(46.6)**

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.	-	(4,873)	Provision of service costs received 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 a equity partner and one member is a consultant to DL A Piper UK LLP	(66)	(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	-	56	Service costs paid by City Fund and catering and hire fees received by City Fund

Related party	Connected party	2022-23	2021-22	Detail of transaction
		£000	£000	
	Member to the East London NHS Foundation Trust			
Hiscox Group	A Member is the Chief Executive of Hiscox Group	2/(11)	(10)	Contribution received by City Fund
London Councils	A member is a Director in London Councils Ltd	4/(30)	-	Refund for services and contribution payment
New London Architecture	A member is Chairman of New London Architecture	(102)/(99)	-	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.	(3)/(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	-	(50)	Rent and Insurance costs paid to City of London
UBS	A Member is the Chief Operating Officer of UBS *	(46)	-	

*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

Related party	Connected party	2022-23	2021-22	Detail of transaction
		£000	£000	
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
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 Lambeth	A member is employed by the London Borough of Lambeth	-	29/(1,868)	Provision of service costs received by City Fund
London Borough of Sutton	A Member is the Head of Pensions Investments	(203)	-	Provision of service costs received by City Fund
Royal Borough of Kingston	A Member is the Head of Pensions Investments	(219)	-	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
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
Walbrook Club	A Member is a Member of Walbrook Club	-	12	Business rate relief

Related party	Connected party	2022-23	2021-22	Detail of transaction
		£000	**£000**	
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	5,420/(531)	5,451/(574)	Payment of grants and rental income paid to 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 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	**0.4**

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
	0.6	0.6	Premium			1.2	1.2
			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/(Deficit)				
0.6	(37.7)	(37.1)	City		0.3	(37.7)	(37.7)
0.1	(51.6)	(51.5)	GLA		0.0	(46.5)	(46.5)
	(45.8)	(45.8)	Central Government			(41.5)	(41.5)
9.3	**1,143.9**	**1,153.1**	**TOTAL EXPENDITURE**		**9.5**	**1,052.9**	**1,062.4**
0.1	(50.1)	(50.0)	(Surplus)/Deficit for Year		(0.3)	(222.0)	(222.3)
(0.6)	191.3	190.7	Balance 1 April		(0.5)	141.2	140.7
(0.5)	**141.2**	**140.7**	**Balance 31 March**		**(0.8)**	**(80.8)**	**(81.6)**

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	INNER	CITY AREA	TOTAL
	TEMPLE	TEMPLE	EXCLUDING	CITY
			TEMPLES	AREA
A	0.00	0.00	2.33	2.33
B	0.00	0.00	141.99	141.99
C	0.00	0.00	424.98	424.98
D	0.00	0.00	754.07	754.07
E	9.78	0.92	2,986.93	2,997.63
F	32.14	25.28	1,690.91	1,748.33
G	23.33	60.00	2,009.88	2,093.21
H	0.00	4.00	408.00	412.00
AGGREGATE RELEVANT AMOUNTS	**65.25**	**90.20**	**8,419.09**	**8,574.54**
COLLECTION RATE	97%	97%	97%	
TAX BASES	**63.29**	**87.49**	**8,166.52**	**8,317.30**

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		
0.5	- 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.

Independent Auditors report to the Members of City of London Corporation 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**

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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	0.0	4.4
0.5	0.0	0.0	0.5	Pooled property investments	0.6	0.0	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**

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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 2022-23 financial year and its position at the year end of 31 March 2023. 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 2022-23 (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) 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.

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.

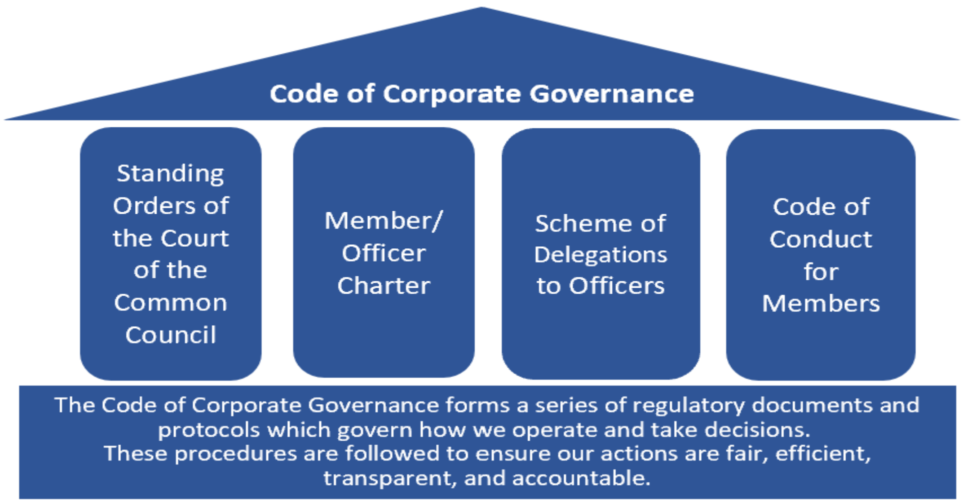
Annual Governance Statement

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.

Court of Common Council

This is the City Corporation's primary decision-making assembly, and usually meets every four weeks. Its main business focuses on the reports of committees and members' questions and motions. It works through committees, like any other local authority, and has a majority independent elected membership.

Court of Aldermen

There are 25 Aldermen, one elected for each Ward in the City of London. They all serve on the Court of Aldermen, which meets eight times a year and is chaired by the Lord Mayor. Aldermen are elected at least every six years on a rolling basis.

Committees

Councillors represent a wide range of professions and City interests and take the major strategic decisions that direct the work of the City Corporation. They sit on a variety of committees – most are open to the public - that manage the organisation's different functions. There are two main types of committee – the first is made up of one member from each of the City's wards plus ex-officio members (membership due to holding a specific office or role); the second is made up members directly elected by the Court of Common Council plus ex officio members. They are elected on a non-party political basis. Some committees also include external members who are appointed to serve, for example the Audit & Risk Management Committee.

Sub Committees

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

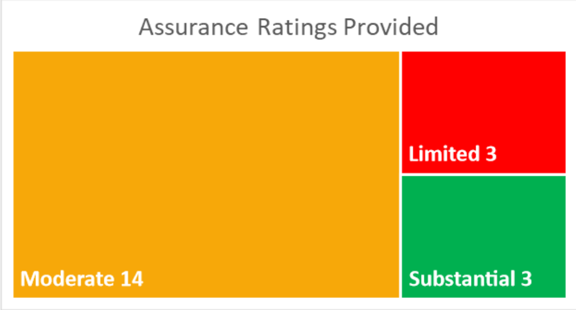
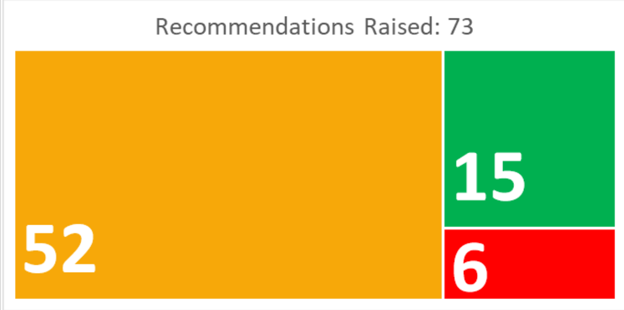
9. The City of London Corporation has taken action to progress the issues that were identified in the Annual Governance Statement 2021-22, listed below.

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.

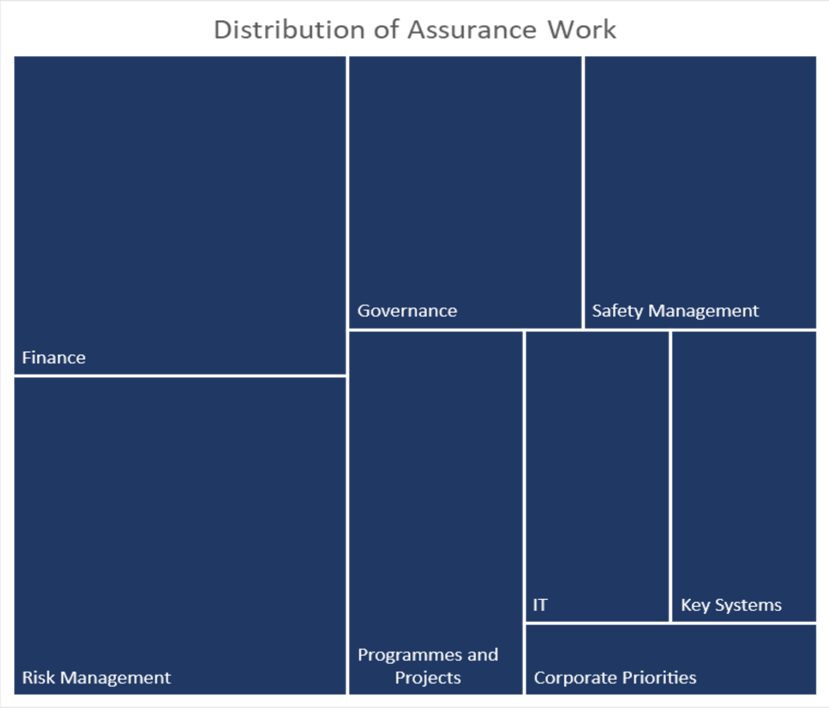
27. Further changes to the Procurement Code are anticipated in 2023 in response to the Procurement Bill that is currently being debated in Parliament. Progress of the Bill is being closely monitored at the Commercial Service is engaging with the Government Commercial Function to access preparatory development 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.

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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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City of London Corporation City Fund – Audit Findings

Year ended 31 March 2023

Contents

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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 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 Authority 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 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. Its contents will be discussed with management and the Audit and Risk Management Committee.

Sophia Brown
For Grant Thornton UK LLP
February 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the City of London Corporation City Fund (‘the Authority’) and the preparation of the Authority’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 Authority’s financial statements give a true and fair view of the financial position of the Authority and the Authority’s 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.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed in a hybrid manner during October 2023 to February 2024. Our findings are summarised in Section 2 of this report, as well as in Appendices B to D. We have identified several adjustments to the financial statements that have resulted in material adjustments to the Authority’s Comprehensive Income and Expenditure Statement, detailed in Appendix D. We have also raised a number of recommendations for management as a result of our audit work, set out in Appendix B. Our follow up of recommendations from the prior year’s audit are detailed in Appendix C.

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

- Resolution of queries raised regarding business rates income;
- Receipt of management representation letter;
- Review of the final set of financial statements; and
- 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.

We continued to work closely with your finance team and key finance officers, in a joint endeavour to complete the 2022-23 audit in a significantly shorter timeframe than the prior year audit. Your senior officers have taken key steps to support this, through investment in interim staff members to work through the audit backlog, filling staff vacancies with experienced personnel and streamlining the process in which audit queries and evidence requests are responded to. We have also invested in our team, ensuring the audit has had sufficient, experienced resources throughout and resource continuity from the 2021-22 audit to create efficiencies. This investment and work on both sides resulted in the 2021-22 City Fund financial statements being signed in December 2023 following the signing of the 2020-21 financial statements in November 2023.

On completion of our audit work, we expect to issue an unmodified audit opinion on the 2022-23 financial statements in February 2024, meaning the Authority will have caught up on all outstanding years of audit. Given the challenges the finance team face, with servicing and supporting audits of other Corporation funds, this is a big step forwards from the situation six months ago.

Despite this progress, we have identified a greater volume of findings in this year's audit than in the prior year. We note that this may be, in part, due to the cumulative impact of preparing the 2022-23 financial statements with three open financial years in place, along with the impact of staff turnover. With additional findings to work through for both us and the finance team, additional resource and work was required in January and February to conclude the audit. This has resulted in fee overruns; however, due to the improved processes put in place by the finance team these overruns have been much lower than in the prior year. The updated fees can be found in Appendix E. The key issues that we faced were:

- A significant increase in the number of control findings identified in Appendix B;
- Working through a significant number of errors present in the fixed asset register and corresponding working papers;
- Detailed testing of the completeness of CIL income recognition; and
- Identification, assessment and reporting on a significant number of misstatements, particularly in disclosure notes such as Related Parties and the Remuneration Report.

Our work on the Authority’s Value for Money (VFM) arrangements is complete. The outcome of our VFM work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report (AAR) and will be presented at the Audit and Risk Management Committee on 26 February 2024. We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance.	We will present our Auditor's Annual Report at the Audit and Risk Management Committee meeting on 26 February 2024. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness and are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code but cannot formally conclude the audit and issue the audit certificate for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to the Whole of Government Accounts (WGA) for the year ended 31 March 2023 – we await guidance from the National Audit Office on 2022-23 WGA procedures. Please also refer to page 21 of the report for further detail.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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 2022. 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 – **About time? (grantthornton.co.uk)**.

We would like to thank everyone at the Authority for their support in working with us on the audit. Together we have made significant progress in the last 4 months to be able to sign off the financial statements of the last two financial years. This is a significant step in the right direction.

National context – level of borrowing

All councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on council budgets, there are concerns as councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

The City of London Corporation City Fund holds no borrowings, has a healthy general fund position and adopts prudent earmarking of reserves, enabling the Authority to utilise their investment property portfolio as a source of recurrent income.

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 will be discussed with management and 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 Authority's business and is risk based. This included:

An evaluation of the Authority's internal controls environment, including its IT systems and controls:

- Substantive testing of significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks; and
- We determined financial statement materiality based on a proportion of the City Fund's total annual expenditure, minus the loss on revaluation of investment properties and the business rates tariff and levy payments. This methodology, to determine materiality, represents a revision from the methodology communicated to you in the 2022-23 Audit Plan at the Audit and Risk Management Committee meeting in September 2023. We have detailed our rationale for this, and the revised materiality, performance materiality, and triviality figures, on the following page.

Conclusion

We have substantially completed our audit of your financial statements and subject to resolution of final audit queries, we anticipate issuing an unqualified audit opinion, as detailed in Appendix G.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As noted previously, the Authority's finance team has faced unique challenges with three financial years being worked on simultaneously across two audit firms. We thank management for their continued support and patience in what we appreciate has been a challenging situation to work in. We have worked with management in a hybrid way, coming into offices when requested and also weekly as a full team to ensure good progress was made. We have also used remote arrangements for accessing financial systems, video calling for meetings and to verify the completeness and accuracy of information provided remotely produced by the Authority.

2. Financial Statements

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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.

We have revised our materiality, performance materiality and triviality figures, communicated in the Audit Plan at the Audit and Risk Management Committee in September 2023. This is due to a revision of our methodology employed to determine materiality. For the 2021-22 audit, we used the gross cost of services expenditure as our benchmark for materiality. Whereas, for the 2022-23 audit we have used the total expenditure, minus the loss on revaluation of investment properties and the business rates tariff and levy payments. The loss on revaluation has been excluded due to being volatile year-on-year, and the business rates tariffs and levies do not constitute actual spend for the Authority.

Driving factors to revise our methodology to calculate materiality included the City's unique activities and responsibilities compared with other local authorities, and the significance of their fixed asset base and strong reserves position.

We set out, in this table, our determination of materiality for the City of London Corporation City Fund.

	City Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	£12,031,500	We considered materiality from the perspective of the users of the financial statements. The Authority prepares an expenditure-based budget for the financial year with the primary objective to provide services for the community, visitors and businesses. We determined that the use of total expenses for the City Fund is the appropriate benchmark and applied a rate of 1.95% to calculate the materiality.
Performance materiality	£8,422,050	Performance materiality is based on a percentage (70%) of the overall materiality. We have set performance materiality at 5% higher than the percentage applied for the 2021-22 audit (65%). This is on the basis that there were both material and non-material adjustments in the prior year. However, we note that these were primarily confined to complex accounting issues regarding lease premiums and disclosure notes, such as the Expenditure and Funding Analysis and critical judgements.
Trivial matters	£601,600	This balance is set at 5% of the overall materiality.

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
The revenue cycle includes fraudulent transactions (rebutted)	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. In the Audit Plan, we had determined that the risk of fraud arising from revenue recognition can be rebutted, because: • There is little incentive to manipulate revenue recognition. • Opportunities to manipulate revenue recognition are very limited. • The culture and ethical frameworks of Local Authority's, mean that all forms of fraud are seen as unacceptable. There have been no changes to our assessment as reported in the Audit Plan. To gain assurance over revenue, we: • Documented our understanding of the revenue business process. • Tested a sample of revenue to gain assurance over the accuracy and occurrence of revenue recorded during the financial year. • Performed testing over post year-end receipts to assess completeness of revenue and receivables recognition. Identified misstatements relating to revenue recognition have been detailed in Appendix D.
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 City Fund faces external scrutiny of its spending, and 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 City Fund, which was one of the most significant assessed risks of material misstatement. There have been no changes to our assessment as reported in the Audit Plan. We undertook the following procedures: • Evaluated the design effectiveness of management controls over journals • Analysed the journals listing and determined the criteria for selecting high risk unusual journals • Identified and tested journals we considered to have the greatest risk of material misstatement or from our data analytics Journals that were identified to be unusual. We then tested these Journals for appropriateness and corroboration to evidence. • Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness Our work on management override of controls is complete. We have nothing to bring to the attention of those charged with governance and management.

2. Financial statements – significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Council Dwellings	<u>Council Dwellings (£249.1m):</u> City Fund measures its dwellings at fair value, determined using the basis of existing use value for social housing, and is revalued on a cyclical approach using the Beacon methodology. City Fund has appointed an external valuer to carry out this work. We undertook the following procedures: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Discussed with, and wrote to, the valuer to confirm the basis on which the valuation was carried out. • Engaged our own valuer expert to provide commentary on: the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and the guidance regarding the valuation of council dwellings and social housing. • Reviewed and tested a number of assets back to market data for properties in that area. • Reviewed a sample of assets to test the appropriateness of the Beacon applied as well as undertaking existence testing of a sample of assets. • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding. No issues were identified from our testing procedures.
Valuation of Investment Properties	<u>Investment Properties (£1,560.3m)</u>*:* City Fund measures its investment properties at fair value, revalued on an annual basis. City Fund has appointed four external valuers to carry out this work. We undertook the following procedures: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Discussed with and wrote to the relevant valuer to confirm the basis on which the valuation was carried out. • Engaged our own valuer expert to provide commentary on: the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and the valuation methodology and approach, resulting assumptions adopted and any other relevant points. • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding. • Recalculated the valuations, testing key inputs including yields applied, rental information used, and all other key assumptions applied in the valuers' calculations behind the asset's valuation. • Tested revaluations made during the year to see if they have been input correctly to the City Fund's asset register. • Assessed the value of a sample of assets in relation to market rates for comparable properties. **There was one adjusted misstatement identified in relation to an investment property where the valuation had not been appropriately recorded in the fixed asset register. We also identified one immaterial unadjusted misclassification between investment properties and long-term debtors. Refer to Appendix D.**

2. Financial statements – significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings	Other Land and Buildings (£630.5m): City Fund revalues its land and buildings on a rolling five-year basis. City Fund has appointed an external valuer to carry out this work. We identified the valuation of land and buildings, council dwellings and investment properties, particularly revaluations and impairments, as a significant risk, one of the most significant assessed risks of material misstatement, and a key audit matter. We undertook the following procedures: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Discussed with, and wrote to, the valuer to confirm the basis on which the valuation was carried out. • Engaged our own valuer expert to provide commentary on: the instruction process in comparison to requirements from CIPFA/IFRS/RICS (Royal Institute of Chartered Surveyors); and the valuation methodology and approach, resulting assumptions adopted and any other relevant points. • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding. • Recalculated the valuations, testing key inputs including BCIS rates, floor areas, obsolescence and other assumptions used in both Depreciated Replacement Cost and Existing Use Valuations. We also considered the appropriateness of each method to determine the assets valuation. • Tested revaluations made during the year to see if they have been input correctly to the City Fund's asset register. • Confirmed via site inspections the asset details corroborated with those in the valuation report. • Confirmed the material accuracy of the carrying value, from the current value, of assets not revalued at 31 March 2023 through an indexation exercise using market data. **We found several errors in the fixed asset register which translated into material misstatements in the Property, Plant and Equipment balance on the Balance Sheet. Identified misstatements, both adjusted and unadjusted, relating to other land and buildings have been detailed in Appendix D. We have also raised a control deficiency in relation to this matter, detailed in Appendix B.**

2. Financial statements – significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability	The pension fund net liability, as reflected in the City Fund's balance sheet as pensions liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£913.2m) and the sensitivity of the estimate to changes in key assumptions. The City Fund's pension liability consists of the City Fund's share of the City of London Corporation's net pension liability, the unfunded City Police pension scheme and the Judge's Pension Scheme. We therefore identified valuation of the City Fund's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter. We undertook the following procedures: • Gained an understanding of the processes and controls put in place by management to ensure that the City Fund's pension fund net liability is not materially misstated and evaluate the design of the associated controls. • Evaluated the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work. • Assessed the competence, capabilities and objectivity of the actuary who carried out the City Fund's pension fund valuation and the actuary who undertook the valuation of the unfunded Police Pension Liability. • Assessed the accuracy and completeness of the information provided by the City Fund to the actuary to estimate the liability. • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • Documented the scope of the actuary's work for the triennial valuation • Identified, documented and evaluated the procedures and controls used by the City of London Pension Fund to establish the accuracy and completeness of the source data, and over the provision of this source data, to the actuary for the purposes of preparing the triennial valuation. • Performed audit procedures in respect of the triennial valuation data submitted by the actuary. • Tested individual member data used by the actuary in their triennial valuation calculations against independent records. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). The source data used by the actuaries to produce the IAS 19 estimates is provided by administering Authority's and employers. We verified that this source data was accurate. Our work on the valuation of the pension fund liability is complete. We have nothing to bring to the attention of those charged with governance and management.

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2. Financial statements – other risks

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

Risks identified in our Audit Plan	Commentary
Fraud in expenditure recognition (rebutted)	In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). Having considered the risk factors relevant to the City Fund and the relevant expenditure streams, we determined that no separate risks relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 8 relating to revenue recognition apply. We considered that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which have been considered as part of the standard audit tests and our testing in relation to the significant risk of management override of controls set out on page 8. There have been no changes to our assessment as reported in the Audit Plan. To gain assurance over expenditure, we: • Tested a sample of operating expenses to gain assurance over the accuracy and occurrence of expenditure recorded during the financial year. • Performed testing over post year-end transactions to assess completeness of expenditure recognition. Identified misstatements relating to expenditure recognition have been detailed in Appendix D.

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2. Financial statements – key judgements and estimates

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

Judgement or estimate	Summary of management's approach	Audit comments	Assessment
Business Rates Appeal Provision - £21.4m	The City of London Corporation City Fund is responsible for repaying a proportion of successful rateable value appeals. Management uses an external organisation, Analyse Local, to obtain information on the level of challenges, checks and threats to rateable values, as well as information on the outcomes of appeal. This is based upon the latest information which Analyse Local obtain from the Valuation Office Agency (VOA). Analyse Local also carry out sensitivity analysis work and provide advice to management. Management then use this information to determine the provision required. Due to the closure of the 2017 appeals list on 31 March 2023, and correspondingly the now lack of threats to the 2017 rateable values, the provision has decreased by £18.8m in 2022-23 (from £40.2m in 2021-22). The methodology adopted in previous years has always been to provide for the full amount for challenges and threats, but to provide nothing for Checks. These are cases raised by ratepayers to confirm property details and report any changes to the VOA. Management's judgement was that there was limited information available to accurately determine a rate to apply against the check cases, on the basis that each of them is highly unique. Through management's experience of the provision over a number years, they are of the view that the total amount of challenges and threats materially equated to the amount successfully appealed for and that the checks were not necessary to consider. However, due to the year-end deadline for submitting appeal cases, the VOA has seen significant spikes of check cases in the months leading up to the year-end, as there is no negative impact to businesses in raising an application. The total value of the rateable values disputed through check cases has increased by nearly eight times, year-on-year.	We carried out the following procedures on the business rates appeal provision: • Gained an understanding of the provision, including the relevant source data and assumptions which drive the calculation, as well as Analyse Local's role in the provision, their competency, capability and objectivity. • Detailed testing of the source data and assumptions. • Benchmarking the provision against other local authorities, operating in a similar area and space. • An assessment as to whether the provision meets IAS 37 recognition criteria. • Detailed testing of appeals settled in-year. Through our work we identified that in some assumptions management had been prudent and other areas there were indications of optimism. The areas we identified potential optimism assumptions in the provision were: • Check data was not considered in the estimate. • Our benchmarking data identified the Authority's provision was low compared to other authorities in the area. Management identified this was due to having a higher portfolio of office vs retail businesses in the area. We also identified that management had not utilised success rates provided by Analyse Local to the reports which indicated the likelihood of success on appeal cases, which provides a more prudent assumption. Through our own work we identified these two matters largely net off and we are therefore satisfied the provision is fairly stated. We have, however, raised a control recommendation regarding management's methodology to not account for checks or success rates, refer to Appendix B for further detail. Our own benchmark exercise identifies the Authority's provision to be lower than other similar authorities. We have rated the Authority's estimate as potentially optimistic.	**Light purple**

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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

Judgement or estimate	Summary of management’s approach	Audit comments	Assessment
Minimum Revenue Provision - £1.4m	The City of London Corporation City Fund is responsible, on an annual basis, for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. We have assessed the Authority’s approach in line with Statutory Guidance on MRP. The Authority has opted for option 3 under the statutory guidance. Option 3 is the asset life method, with MRP based on the estimated life of the assets. The policy has not changed from the prior year and is appropriate for the Authority as there are no external borrowings, which is required for Option 1 and Option 2. The year end MRP charge was £1.4m, a net increase of £0.3m from 2021-22.	We carried out the following procedures on the minimum revenue provision: • We confirmed that the MRP was been calculated in line with statutory guidance. • We assessed whether any changes to the Authority’s policy on MRP were discussed and agreed with those charged with governance and approved by Full Council. • Analysed the Authority’s MRP as a percentage of Capital Financing Requirement (1.6%). We are satisfied that this is a reasonable rate for the City Fund. Our work on MRP is complete. Through the Balance Sheet check, we identified that the CFR was understated by £3.7m, see Appendix D.	**Light purple**
Impairment allowances for expected credit losses and doubtful debts: **Non-Collection Fund - £10.3m** **Collection Fund - £11.7m**	The City of London Corporation City Fund has recognised a £22.0m impairment allowance for expected credit losses and doubtful debts for 2022-23 against a total debtor balance of £159.3m (representing approximately 14% of outstanding debts). This is made up of £10.3m for non-Collection Fund related debtors and £11.7m for Collection Fund related debtors. Bad debt provisions are determined on a service-line basis. Management for the relevant service line are provided with a standardised bad debt provision template which has been used for a number of years at City Fund. This is the same format for each of the service lines, allowing for there to be consistency in the approach applied across the Fund whilst also putting the administrative and estimation process in the hands of the people who understand the outstanding debts best. Guidance on the relevant accounting standards e.g., IFRS 9/CIPFA is provided in the template. There are then instructions detailing that explanations are required from the relevant service line manager for significant fluctuations in income, debt levels and provision balances compared with the prior-year. An assessment of expected credit loss is also required for the debtors under each service line. Explanations are provided by management for any difference between the bad debt provision and the expected credit loss. These returns are then compiled together to determine the City Fund’s total provision.	We have carried out the following procedures on the impairment allowances for expected credit losses and doubtful debts: • Obtained a breakdown of the Authority's bad debt provision and allowance for doubtful debts. • Tested the appropriateness of the accounting estimate by reperforming calculations, gaining an understanding of, and assessing the reasonableness of, the underlying assumptions, and corroborating any changes in policy from the prior year to relevant supporting evidence. • Tested the adequacy of expected credit losses provision for consistency with IFRS 9, as interpreted by the Cipfa Code. Our work on the expected credit loss provision is complete. We have raised only one disclosure misstatement in Appendix D, in which we noted that the Collection Fund provision was reported net of the associated debtors and not disclosed separately. Management has agreed to amend this.	**Light purple**

2. Financial statements – information technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	**Level of assessment performed**	**Overall ITGC rating**	**Security management**	**Technology acquisition, development and maintenance**	**Technology infrastructure**	**Audit comments**
Oracle E-Business Suite	Detailed ITGC assessment (design and implementation effectiveness)	Orange	Orange	Green	Green	Our IT Audit team carried out a review of the design and implementation of the City of London Corporation's financial reporting system (the main ERP system hosted by City of London). The work was carried out in December 2022 and identified two deficiencies. The first in relation to the timeliness of revocation of user access in Oracle EBS, and the second relates to the management of generic database administrator accounts. Recommendations for these two deficiencies have been detailed in Appendix C. These were also detailed in our 2021-22 Audit Findings Report which was reported after the 2022-23 period-end. As such, we did not expect management to have implemented measures to reduce the risk posed by these control deficiencies for the 2022-23 financial year.

In our audit plan, we stated that we would be carrying out a design implementation assessment for iTrent (Payroll), Capita (Collection Fund) and Orchard/Civica (Benefits). On obtaining a more detailed understanding of the systems, we scoped-out our assessment of Orchard/Civica based on the systems having an immaterial impact on the financial statements. We also scoped-out our assessment of Capita based on the system not driving any of the significant risk/estimates outlined in the previous slides. Our assessment of iTrent identified no risks to the financial statements.

Assessment

- Red — Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Orange — Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- Green — IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Grey — Not in scope for testing

2. Financial statements – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Conclusion
During the audit there were national issues raised in relation to Reinforced Autoclaved Aerated Concrete (RAAC) and its use in the public sector setting. We have been required to consider the impact that this could have on the Authority's accounts.	We are satisfied that the Authority has followed government advice in checking properties for the presence of RAAC. In doing so, the following has taken place: • With there being over 2,200 properties over the whole City of London Corporation, the Authority created a RAAC tracker to log issues. Where the RAAC material is identified, a risk assessment is undertaken. • As of January 2024, the inspections have revealed no immediate concerns around Authority assets, with no suspension of asset use. • There have been no associated liabilities or asset impairments identified in association with this matter, that would require provision.	From this assessment, we note the following: • There has been no closure of Authority assets as a result of the RAAC issue. • No significant issues have been identified that would require amendment of the useful lives of assets. • There has been no identified remedial action or potential legal provisions identified as a result of the RAAC issue. Therefore, at the current date, we are satisfied that no adjustments are required to the Authority’s asset valuations or provisions in the financial statements. We have agreed with management that updates on this issue should be made in the narrative report and in the financial statements, within the post balance sheet events disclosure.
Following recent issues at other local authorities, in relation to significant liabilities associated with equal pay disputes arising from recent court cases, we considered the potential impact of this to the City of London Corporation’s City Fund accounts.	From our discussions with management, no liabilities in relation to this matter have been identified. From our review of legal expenditure and inquiries with the legal services team, we are satisfied that this issue does not impact the Authority.	No significant issues identified in relation to equal pay liabilities.

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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 other 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 has been requested from the Authority, including specific representations in respect of the Authority's assessment of whether the national concerns around RAAC are material to the Local Authority and that there is no impact regarding potential liabilities associated with the equal pay tribunal that would impact the Authority which is included in the Audit and Risk Management Committee papers.
Confirmation requests from third parties	We requested from management permission to send a confirmation requests to relevant Investments held with third parties. This permission was granted, and the requests were sent out with all requests having been received.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided. Management has made a notable improvement since the 2021-22 audit, where we faced difficulties in obtaining supporting evidence that met our quality requirements on a timely basis. We note that management have settled into their new posts and have dealt with audit queries in a detailed and prompt manner for the 2022-23 audit. Our budgets and expectation is that for a Unitary Authority of your size, the audit should typically take 10-12 weeks. Due to additional findings and some pressure on the finance team of having other Funds being audited, we required additional time in January and February to complete the audit. However, we note the pace this was completed in was a marked improvement to the 2021-22 audit. We also would like to thank the finance team for putting additional resources in place during the first two months of the 2022-23 audit period. This alleviated pressures on the other team members and allowed for us to progress with our fieldwork testing at a good pace.

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2. Financial statements – other communication requirements

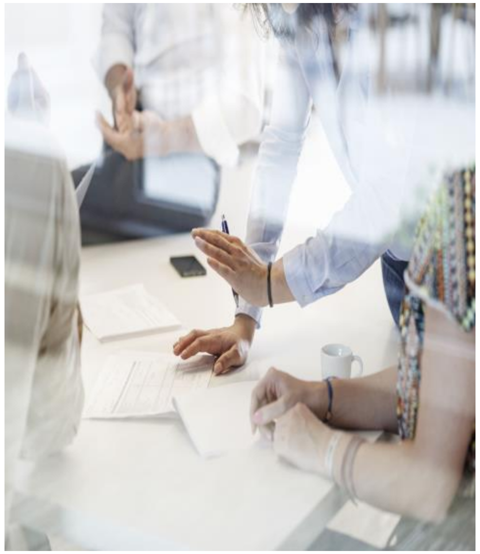
Our responsibility

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).

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 Authority 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; and • 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. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. 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 Authority 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 Authority and the environment in which it operates; • the Authority's financial reporting framework; • the Authority's system of internal control for identifying events or conditions relevant to going concern; and • 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; and • 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	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund financial statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • if we have applied any of our statutory powers or duties; or • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. We will complete WGA work after we sign the financial statements. The Authority exceeds the HMT Treasury threshold of having assets in excess of £2 billion (excluding Property Plant and Equipment), sitting at £2.735 billion. Therefore, we are required to undertake more comprehensive procedures around the WGA process as set out by the NAO, following the completion of our audit work.
Certification of the closure of the audit	In addition to the 2022-23 WGA procedures, we also are required to conclude on the 2021-22 WGA procedures prior to certifying the 2022-23 audit. The City Fund did not meet the submission deadline for the 2021-22 WGA and the system is now closed. We were therefore unable to complete the required review procedures on the 2021-22 WGA submission. We have communicated with the NAO on this matter and cannot certify the 2021-22 WGA audit until we obtain final confirmation that no further work is required for 2021-22. Once we have resolved/completed the 2021-22 and 2022-23 WGA procedures we will complete our certification of the 2022-23 audit.



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3. Value for Money (VFM) arrangements

Approach to Value for Money work for 2022-23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years).

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

3. VFM – our procedures and conclusions

Our work on the Authority's VFM arrangements is complete and the outcome of our VFM work will be reported in our commentary on the Authority's arrangements in our 2022-23 Auditor's Annual Report (AAR). The AAR will be presented to the Audit and Risk Management Committee meeting on 26 February 2024. As part of our work, we have considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In our 2022-23 VFM work we did not identify any risks of significant weakness, but we identified additional areas of focus in relation to:

- Sustainability of the Housing Revenue Account.
- Review of the Authority's capital projects.

These additional areas of focus led to additional procedures and our findings are included in the 2022-23 AAR.

4. 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 E.

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.

4. 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 Authority. We are required to make you aware of all non-audit work undertaken by the firm that has taken place during the course of the audit. This therefore does not just relate to work that took place during the 2022-23 audit but from the date we were appointed to the date the audit is complete.

Service	Fees £	Threats identified	Safeguards
Audit related			
Housing Benefit Assurance Process	Work has not started or taken place in-year	Self-interest	This work has not started but we have been appointed to the Authority's HBAP for the 2020-21 and 2021-22 financial years. We have not been able to start this work as the previous year's certifications remain outstanding. To date we have not undertaken or charged any fees for this work and do not expect to before we complete our audit work on the 2022-23 financial statements.
Non-audit related			
Research services analysing US financial sector	10,000	Self-interest	The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £357,500 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.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the City of London Corporation that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the City of London Corporation or investments in the City of London Corporation held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the City of London Corporation as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the City of London Corporation.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the City of London Corporation's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

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. The Firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

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. Action plan – audit of financial statements

We identified 9 recommendations for the Authority as a result of issues identified during the course of our audit. This is in addition to six recommendations raised in the 2021-22 Audit Findings Report which management has not acted on – see Appendix C. We have agreed our recommendations with management and will report on progress on these recommendations during the course of the 2023-24 audit. The matters reported here are limited to those deficiencies that we have identified during the 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
● High	**Management of the fixed asset register** The audit team noted several misstatements whilst carrying out detailed testing of PPE and investment property revaluations. ISA 265 requires that we identify and communicate deficiencies in internal control, noting that these may be identified through misstatements that were not prevented, or detected and corrected, by the Authority's internal controls. The primary cause of the misstatements identified in our revaluations work, arose due to clerical errors made by the capital accountants when recording the revaluations into the fixed asset register (FAR). There were several assets for which their respective revaluations were not recorded in the FAR, and subsequently the ledger, or where the asset value was not appropriately apportioned between the City Fund and City Cash accounts. In many cases, assets were held at their prior-year value, adjusted for relevant movements such as depreciation, additions and disposals. This was despite the fact there had been an in-year revaluation on the assets carried out by external valuers, in line with the City Fund's revaluation programme. In aggregate, these misstatements were material and have management have agreed amend the financial statements for them. Refer to Appendix D for detail.	The prevalence of the issues in the FAR drives our recommendation for management to implement more robust controls through a formalised process of reconciling the FAR and the valuation reports. Management should prepare a reconciliation between the valuation reports and the FAR to ensure that each valuation has been captured accurately. and should perform a high-level review of any unusual movements between asset values year-on-year. Where assets are componentised into sub-assets in the FAR management should ensure that there are checks and controls in place to ensure assets are not duplicated and that the approach adopted for componentisation is consistent. **Management response** Management accept the recommendation and will implement a formal reconciliation between each valuation and the FAR. Unusual changes in valuations are explored with the valuers but we will ensure explanations for any unusual year to year changes are accompanied with an explanation. We are also looking to implement the CIPFA asset register in the coming years, which will allow more control and less duplication compared to the current spreadsheet register.

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

B. Action plan – audit of financial statements

We identified 9 recommendations for the Authority as a result of issues identified during the course of our audit. This is in addition to six recommendations raised in the 2021-22 Audit Findings Report which management has not acted on – see Appendix C. We have agreed our recommendations with management and will report on progress on these recommendations during the course of the 2023-24 audit. The matters reported here are limited to those deficiencies that we have identified during the 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
● High	**Community Infrastructure Levy (CIL) income recognition** In our procedures to confirm the completeness of income and debtors, we identified a control weakness in relation to management's income recognition processes that failed to identify CIL income pertaining to the 2022-23 financial period. Under the CIPFA Code para 2.2.2.8, CIL is received without outstanding conditions and is recognised at the commencement date of the chargeable development in the CIES. Management has failed to recognise CIL income at the appropriate time and have incorrectly recognised the income at the point in which it is billed, invoiced or the cash is received. This resulted in management reporting CIL income in incorrect financial periods, as supported by the agreed £3.171m adjusted misstatement per Appendix D. This deficiency is of a heightened risk as CIL payments are often high-value given that they fund capital expenditure. There is a high risk of material misstatement to the financial statements if this deficiency is not remediated. We verified that no prior-period adjustment is required as 2021-22 CIL income pertaining incorrectly allocated to 2022-23 was highly immaterial.	We recommend that management develop a robust process to recognise CIL income appropriately. The communication channel between the Environment department and the finance team should be robust so that the commencement dates of developments, schedules of ongoing/upcoming developments, and any other relevant matters are made known to finance the finance team to enable timely accrual of CIL income. In addition, we recommend management to review all standard operating procedures to ensure that they are in line with prescribed accounting treatment per the Code. A three-year review cycle, plus a specific review for years of significant updates to the Code, would ensure that internal processes remain relevant and in accordance with the reporting accounting framework. **Management response** Management accept the recommendation; clear processes will be established between the Environment Department and Finance to ensure commencement dates are communicated and adjustments made between invoiced and commencement date so that CIL income is accurately reported in accounts.

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

B. Action plan – audit of financial statements

Assessment	Issue and risk	Recommendations
● Medium	**Debtors/Creditors between the City of London Corporation's funds** Our debtor testing identified two instances where management did not remove a year-end debtor upon receipt of payment. As a result, debtors were overstated, and cash understated by £2.58m. Following further investigation, we came to understand that cashiers, on receipt of the funds, had allocated these receipts to a City Cash suspense account due to a lack of details about the transaction. The receipts should have been recognised under City Fund. We reviewed the suspense accounts and did not identify any other issues; however, we note that a risk is created through management not clearing down suspense codes promptly, exacerbated by the complexities of having multiple funds using the same ledger system and bank accounts.	We recommend that management routinely review suspense codes across the whole organisation, with particular emphasis around year-end. We would encourage management to support the cashier team to clear down cash receipts/payments that are held in suspense accounts to ensure that cash balances across funds are reported accurately. **Management response** Management accept the recommendation. Management acknowledge the importance of clearing suspense accounts and for 23/24 have introduced a P10 balance sheet review and creation of a standardised reconciliation template to strengthen our control process.
● Medium	**Related Parties disclosure note preparation process and declaration of interest checks** During our testing of the Related Parties disclosure (Note 35), we identified issues in the note preparation. As part our testing of the disclosure, we corroborated balances representing transactions between the City of London City Fund and their related parties, in the note, and the sum of the transactions on the ledger. We identified variances in this test for eight unique counterparties, these misstatements are referred to in Appendix D. These variances indicated that the process of preparing the disclosure note was loosely defined and had insufficient controls in place to mitigate against the risk of inaccurate reporting of related party transactions. We also found issues relating to incomplete declarations of interests by Members. As part of our testing, we carried out Companies House checks to verify the completeness of Member declarations. We identified several interests that were not disclosed in Members' declarations. On review of the ledger, we did not identify any transactions with the City of London City Fund and these associated parties. However, there is a risk around management not being aware of these relationships as related party declarations may be inaccurate. Members who represent the City of London Corporation's interest in City development may also be able to facilitate transactions in their own interests if sufficient understanding of these interests is not known by the Corporation.	We recommend that management incorporates a review control over the working paper used to prepare the Related Parties note to ensure that the disclosures in the draft accounts are of a sufficient quality. This review control could involve a senior accountant carrying out a reperformance of the note preparation, through running their own reports from the ledger for each relevant related party. This will then allow them to detect and correct any errors in the draft note. We also recommend that management develops a reference log for counterparty names. Some organisations have variations of their name in the ledger, leading to management sometimes mistakenly including/excluding the wrong entity when preparing the accounts. A log referencing the correct names for counterparties will prevent this from happening in the future. Management should seek to carry out checks of Companies House, on a regular basis for all members, to ensure that all interests are known to the Corporation. They should ensure that the guidance issued to members when completing their declarations is clear, particularly with respect to what constitutes as an interest. **Management response** Management accept the recommendation, we are committed to making enhancements to our SOA preparation procedures and will explore methods to implement additional checks and validations in the identification of related party transactions. We are actively working with Town Clerks to reinforce controls ensuring both related party declarations and declarations of interests are diligently completed.

B. Action plan – audit of financial statements

Assessment	Issue and risk	Recommendations
● Medium	**Accounting treatment regarding revenue expenditure funded from capital under statute (REFCUS)** In testing additions and REFCUS, we identified a deficiency relating to the process in which management identify and record REFCUS. Management's approach is to capitalise all REFCUS as an asset under construction (AuC) until project completion. On completion, spend is then transferred out and charged, in that year, to the CIES as REFCUS. We failed a sample that pertained to capital expenditure on an academy owned by City Cash. From the City Fund's perspective, the spend should have been treated as REFCUS. The project was multi-year and we noted that the asset had been capitalised to AuC, with management's intention being to transfer this out on completion. We disagreed with this accounting treatment as management should be treating the in-year expenditure as REFCUS instead of waiting until the specific asset is complete. This had the impact of overstating property, plant and equipment and understating in-year expenditure. We carried out detailed testing of the AuC population and did not identify any other issues pertaining to this matter.	We recommend that management develops a robust process to recognise REFCUS appropriately. This would involve ensuring that the nature of the capital spend is clearly known to the capital accountants recording the expenditure, and carrying out a review process, at least on an annual basis, to ensure that the assets under construction population does not include any REFCUS. In addition, we recommend management to review all standard operating procedures to ensure that they are in line with prescribed accounting treatment per the Code. A three-year review cycle, plus a specific review for years of significant updates to the Code, would ensure that internal processes remain relevant and in accordance with the reporting accounting framework. **Management response** Management accept the recommendation, we will ensure REFCUS classification have clear explanations and justifications on why they have been treated in that regard. Additionally any AUC additions will be reviewed to ensure that they still meet the definition, including checks for any REFCUS expenditure.

B. Action plan – audit of financial statements

Assessment	Issue and risk	Recommendations
Medium	**Business rates appeal provision methodology** The City Fund is responsible for repaying a proportion of successful rateable value appeals. Management uses an external organisation, Analyse Local, to obtain information on the level of challenges, checks and threats to rateable values, as well as information on the outcomes of appeal. Management then use this information to determine the provision required. Due to the closure of the 2017 appeals list at 31 March 2023, and correspondingly the now lack of threats to the 2017 rateable values, the provision has decreased by £18.8m year-on-year. The methodology adopted in previous years has always been to provide for the full amount for challenges and threats, but to provide nothing for checks. These are cases raised by ratepayers to confirm property details and report any changes to the VOA. Management's judgement was that there was limited information available to accurately determine a rate to apply against the checks, as each of them are highly unique. Through management's experience of the provision over a number years, they are of the view that the total amount of challenges and threats materially equated to the amount successfully appealed for, and that the checks were not necessary to consider. However, due to the year-end deadline for submitting appeal cases, the VOA has seen significant spikes of check cases in the months leading up to the year-end, as there is no negative impact to businesses in raising an application. As above, management has not accounted for these in their provision. The Authority were also provided with national success rates by Analyse Local for checks and challenges which management disregarded in the calculation of their provision. We carried out a reperformance using our own method, considering success rates and check cases, noting that this did not result in a material variance to the provision. However, this recommendation acts as a point to adopt good practice going forward.	We recommend that management strengthen their methodology to determine the business rates appeal provision, by making use of all information provided to them by Analyse Local, such as checks data and success rates. We would encourage management to apply and document all judgements regarding this, where relevant. **Management response** The City retained a provision of £67.5m. The City made use of all available data when determining its appeal provision, including the success rate provided by Analyse Local. The City did not adjust for the success rate on Challenges and Appeals, as to have incorporated this data into our methodology would have resulted in a reduction to our existing provision of circa £46m which Management felt would have resulted in insufficient provision being maintained. The City looked at the required provision in the round and in the context of the 2017 List coming to an end. It would be wrong for Management to adopt a fixed and rigid approach in attempting to forecast the Appeal Provision given the external factors that often impact appeals. This was particularly true of 22/23 with the ending of the 2017 Valuation List. The methodology used for setting the 22/23 appeal provision has proved to be correct, with the forecast of the provision being extremely accurate. This fully vindicates the approach, decisions and process used and documented by Management.

B. Action plan – audit of financial statements

Assessment	Issue and risk	Recommendations
● Medium	**Assessment of historical grants received in advance** In testing grants received in advance, we identified several grants, primarily s106 agreements, that were still recognised in the financial statements despite being a number of years old. Several of these were greater than 10 years old. The Cipfa Code requires that once conditions have been met for a grant, be it capital or revenue, then the Authority must recognise the grant immediately in the CIES. Commonly with s106 agreements, there are several conditions which are met at different stages over the course of the development build. As such, these grants are often initially held on the balance sheet as a grant received in advance, with income then drawn down as and when conditions are met, usually matching the capital expenditure incurred. The issue with this approach is that often a balance may remain on the balance sheet, even after the agreement expires. With many s106 agreements, the developer holds the rights to clawback any unspent capital funds provided to the Authority. For the grants received in advance we tested as part of our audit procedures, we were able to obtain evidence that there remained a likelihood of clawback for each of them, rationalising management's judgement to not draw down the associated revenues. However, obtaining this evidence did take a considerable amount of time and we noted that management was not regularly reviewing the grants received in advance listing.	We recommend that management regularly reviews all significant grants received in advance, particularly those balances which are greater than 5 years old to identify whether there is any risk of clawback. This should be carried out on an annual basis as a minimum. Management should seek to create an information log to record details on each grant such as whether there is any further work still ongoing on the project, and any outstanding conditions or expressed intentions of clawback from the developer. **Management response** Management accept the recommendation, any grants in advance working papers should include risk of clawback and this should be then tracked from year to year, allowing the organisation to then act as appropriate, and act as a log to check conditions. The S106 information on the agreement status is something which the planning team should track, we can make sure that this information is reviewed along with grants received in advance.

B. Action plan – audit of financial statements

Assessment	Issue and risk	Recommendations
Low	**Accounting treatment regarding internal recharges** Our testing of fees, charges and other income identified several transactions which pertained to internal recharges between City Fund departments. The transactions all related to the shared usage of Walbrook Wharf offices, for which journals were raised to charge each department's usage of the offices to their respective cost centres. As such, there were equal and opposite entries to income and expenditure, totalling £1.058m, which had not been reversed out of the respective account codes. Whilst there is no impact on the bottom-line surplus/deficit, the income and expenditure reported in the financial statements are both overstated by the above amount. The Authority record similar recharges for other shared costs e.g. administrative buildings, support services, IT, etc. However, we verified that this issue was isolated to the Walbrook Wharf costs by confirming that the other recharges had been appropriately reversed out of income and expenditure. We have detailed management's treatment of the error in Appendix D.	It is important for the Authority to develop robust policies and procedures for internal recharges and ensure that these are followed consistently. We recommend that the Authority develops a control system to ensure that internal recharges do not remain within the ledger to mitigate against overstatement of expenditure and income in the financial statements. A log of journalled recharges should be maintained to ensure that at the closing of the ledger, all appropriate recharge reversals have been recorded. **Management response** Management accept the recommendation. Management are committed to improving our year end processes through training, enhanced working papers and a robust review process to ensure the financial statements are accurately produced. In addition, management are in the process of reviewing the internal recharges policy, including SLA's.
Low	**Unsigned employee contracts** In testing of employee contracts we identified six contracts that had not been signed by employees as evidence of acceptance of their employment. Human Resources (HR) acknowledged this, explaining that, at times, employees do not return their contracts, instead confirming their acceptance of employment through their line managers. Unsigned employee contracts can pose various risks, such as the incomplete or incorrect recording of employee benefits expenditure or legal and compliance risks e.g., disputes with employees over entitlements. Although we did not identify any material issues relating to employee benefit expenditure, or any associated legal and compliance matters, a lack of a signed contract does create an uncertainty around responsibilities and expectations if disputes were to arise.	It is important for the Authority to ensure that employee contracts are signed and maintained as part of the internal control environment. We recommend that the Authority mandates the signing of contracts and does not accept verbal acceptance of employment contracts. **Management response** Management accept the recommendation and are working closely with HR to strengthen processes to ensure signed contracts are received. Management gain some assurance of employees acceptance of terms and conditions as part of the onboarding process for online applications which are retained in personnel files.

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C. Follow up of prior year recommendations

We identified the following issues in the audit of the 2021-22 City of London Corporation City Fund's financial statements, which resulted in 10 recommendations being reported in our 2021-22 Audit Findings Report. Those that have not been addressed are not included in Appendix B. For further detail on the prior-year recommendations please refer to our Audit Findings Report for the year ended 31 March 2022.

We note the overall progress against these recommendations and are satisfied that management has acted on four of the ten issues identified in the prior-year audit.

It is worth noting that the 2021-22 deficiencies were reported after the preparation of the 2022-23 financial statements, and so we would not have expected management to have implemented measures to reduce the risk posed by all deficiencies.

Assessment	Risk level	Issue and risk previously communicated	Update on actions taken to address the issue
X	● Medium	Weaknesses around the internal control process regarding management's review of journals	This issue has not been resolved for the 2022-23 financial period. We recommend the measures outlined in our Audit Findings Report for the year ended 31 March 2022.
X	● Medium	Records to support capital commitments and capital spend were not in line with best practice	This issue has not been resolved for the 2022-23 financial period. We recommend the measures outlined in our Audit Findings Report for the year ended 31 March 2022.
✓	● Medium	Quality of working papers and audit evidence provided, and the capacity of the finance team to support the audit team	Acknowledging the challenges faced during the prior-year audit, significant improvements have been made, including filling vacant positions and enhancing processes.
✓	● Medium	Lack of a maintained log of key judgements impacting the financial statements	Management implemented measures to hold a log of significant accounting judgements. This has proven effective.
X	● Medium	Timeliness of revocation of user access in Oracle EBS	This issue has not been resolved for the 2022-23 financial period. We recommend the measures outlined in our Audit Findings Report for the year ended 31 March 2022.
✓	● Medium	Material input errors in the Balance Sheet as a result of manually typing the figures into the accounts	Management introduced a consistency checker into the accounts preparation process to minimise manual input errors. This step has proven effective.
X	● Medium	Management of generic database administrator accounts	This issue has not been resolved for the 2022-23 financial period. We recommend the measures outlined in our Audit Findings Report for the year ended 31 March 2022.
X	● Low	Lack of historical records to support bank reconciliations and reconciliation issues	This issue has not been resolved for the 2022-23 financial period. We recommend the measures outlined in our Audit Findings Report for the year ended 31 March 2022.
✓	● Low	Fixed assets reclassified outside of the fixed asset register system, Terrarius	Management opted to prepare their fixed asset register manually for the 2022-23 financial period, thus removing this risk.
X	● Low	RICS-compliant Terms of Engagement not held between the Corporation and property valuers	This issue has not been resolved for the 2022-23 financial period. We recommend the measures outlined in our Audit Findings Report for the year ended 31 March 2022.

Assessment

✓ Action completed

X Not yet addressed

D. Audit adjustments – adjusted misstatements

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m
Double-counted Barbican Library asset The Barbican library was a double-counted asset in the fixed asset register, and correspondingly the ledger. The asset was sitting against one asset code at its prior-year depreciated value of £1.811m, but also on a different code at its revalued amount. As such, there was an overstatement of £1.811m to land and buildings which management acknowledged was a clerical error.	Dr Surplus on the Revaluation of PPE **1.81m**	Cr PPE **1.81m**	**Dr 1.81m**
Inaccurate value of the Exhibition Halls asset The revaluation, as at 31 March 2023, of the Exhibition Halls asset in the Barbican Estate was not recorded. Instead, the asset was held at the opening value, adjusted for relevant movements such as depreciation, additions and disposals. As such, there was an understatement to land and buildings of £0.259m. Whilst we note this is a trivial misstatement management agreed to amend as there were several related errors.	Cr Surplus on the Revaluation of PPE **0.26m**	Dr PPE **0.26m**	**Cr 0.26m**
Inaccurate value of the New Spitalfields Market asset The revaluation, as at 31 March 2023, of the New Spitalfields Market asset was not recorded. Instead, the asset was held at the opening value, adjusted for relevant movements such as depreciation, additions and disposals. As such, there was on overstatement to land and buildings of £2.777m.	Dr Surplus on the Revaluation of PPE **2.78m**	Cr PPE **2.78m**	**Dr 2.78m**
Inaccurate value of the Central Criminal Court asset The revaluation, as at 31 March 2023, of the Central Criminal Court (CCC) asset did not reflect the appropriate value as per the apportionment between City Fund and City Cash reflected in the site plan held by the City Surveyor. According to the City Surveyor's records, the City Fund owns 80.4% of the estate, with the residual amount held by City Cash. However, in the financial statements, the City Fund had recognised the entire asset, valued at £103.852m as per the valuation report. In line with the apportionment described above, we would have expected the full valuation of £103.852m to be apportioned between the two funds, meaning that we would expect £83.497m to be the value sitting in the City Fund accounts (80.4%), resulting in a decrease in value from the draft financial statements of £20.355m.	Dr Surplus on the Revaluation of PPE **20.36m**	Cr PPE **20.36m**	**Dr 20.36m**

D. Audit adjustments – adjusted misstatements

Impact of adjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m
Inaccurate value of the Barbican Block Stores asset The revaluation, as at 31 March 2023, of the Barbican Block Stores asset in the Barbican Estate was not recorded. Instead, the asset was held at the opening value, adjusted for relevant movements such as depreciation, additions and disposals. As such, there was an overstatement to land and buildings of £0.360m. Whilst we note this is a trivial misstatement management agreed to amend as there were several related errors.	Dr Surplus on the Revaluation of PPE **0.36m**	Cr PPE **0.36m**	**Dr 0.36m**
Inaccurate value of the Barbican Car Park and Bicycle Stores asset The revaluation, as at 31 March 2023, of the Barbican Car Park and Bicycle Stores asset in the Barbican Estate was not recorded. Instead, the asset was held at the opening value, adjusted for relevant movements such as depreciation, additions and disposals. As such, there was on overstatement to land and buildings of £0.84m.	Dr Surplus on the Revaluation of PPE **0.84m**	Cr PPE **0.84m**	**Dr 0.84m**
Inaccurate disposals treatment There were two assets, Woodredon Farm (valued at £2.22m in the fixed asset register) and 17 Fleet Street (valued at £2.90m in the fixed asset register), which were disposed in-year. Management mistakenly did not write down the net book value of the asset, instead recording the proceeds all as gains on disposal. As such, there is an overstatement to gains on disposal of £5.12m (£2.90m + £2.22m).	Dr Surplus on the Revaluation of PPE **2.90m** Dr Financing and Investment Income and Expenditure **2.22m**	Cr PPE **2.90m** Cr Investment Properties **2.22m**	**Dr 5.12m**
Suspense account error Our debtor testing identified two instances where management did not remove a year-end debtor upon receipt of payment. As a result, debtors were overstated and cash understated by £2.58m. Following further investigation, we came to understand that cashiers, on receipt of the funds, had allocated these receipts to a City Cash suspense account due to a lack of details about the transaction. The receipts should have been recognised under City Fund. We reviewed the suspense accounts and gained comfort that this is a factual error and does not require extrapolation.	Dr Cash **2.58m** Cr Short-Term Debtors **2.58m**	Nil	Nil

D. Audit adjustments – adjusted misstatements

Impact of adjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m
Community Infrastructure Levy (CIL) We identified three transactions in relation to the CIL income, summing to £3.171m which were recorded in the incorrect period. These errors are due to management's interpretation for the recognition of CIL income being inconsistent with the Code. Management recorded the CIL income on the date when invoice was raised instead of the date when income accrued. The Code states that CIL income accrue to the billing authority on the commencement date of the development and the City had entered into an arrangement with the developer allowing for two instalments of the CIL income. This arrangement does not affect when income accrues to the City but intends to relieve the developer from a one-off large sum payment. On notice of the commencement date, the City should record the income, not when invoiced. We have raised a corresponding control deficiency for this, as described in Appendix B.	**Cr** Government grants and other grants, contributions and reimbursements **3.17m**	**Dr** Short-Term Debtors **3.17m**	**Cr 3.17m**
Investment properties' reconciliation error In testing investment properties we carried out a reconciliation between the fixed asset register, financial statements, trial balance and the valuation reports. We identified an overstatement of £17.1m from the valuation reports. This was due to investment properties being double-counted and overstated in the financial statements by the same amount.	Dr Financing and Investment Income and Expenditure **17.10m**	Cr Investment Properties **17.10m**	**Dr 17.10m**
Overall impact	**Dr £44.94m**	**Cr £44.94m**	**Dr £44.94m**

D. Audit adjustments – unadjusted misstatements

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Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022-23 audit which have not been made within the final set of financial statements. The Audit and Risk Management Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m	Reason for not adjusting
Misclassification between long-term debtors and investment properties There is a misclassification of £1.125m between these two balance sheet lines. This arose due to the accounting treatment adopted by management for a lease premium associated with one of the investment properties.	Nil	Dr Long-Term Debtors **1.13m** Cr Investment Properties **1.13m**	Nil	Immaterial classification error
Under-accrual of expenditure and income There are several transactions between the City Fund and Barbican Exhibitions Ltd, both income and expenditure, which have been under-accrued. The total factual misstatement is £2.219m.	Dr Expenditure **2.22m** Cr Fees, Charges and Other Income **2.22m**	Dr Short-Term Debtors **2.22m** Cr Short-Term Creditors **2.22m**	Nil	Immaterial
Fees, charges and other income over-accrual We identified an extrapolated error of £1.814m in our testing of fees, charges and other income. This related to an overstatement to income as a result of over-accruing.	Dr Fees, Charges and Other Income **1.81m**	Cr Short-Term Debtors **1.81m**	**Dr 1.81m**	Immaterial extrapolation
Internal recharges As described in Appendix B, we identified several internal recharges relating to Walbrook Wharf which had not been reversed out of the financial statements, effectively overstating both income and expenditure.	Dr Fees, Charges and Other Income **1.06m** Cr Expenditure **1.06m**	Nil	Nil	Immaterial

D. Audit adjustments – unadjusted misstatements

Impact of unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m	Reason for not adjusting
Overstatement to land asset valuations Based on the measurements tested for two land assets, we identified an overstatement of land area, which extrapolated to an overstatement to the land and buildings asset class of £1.471m.	Dr Surplus on the Revaluation of PPE **1.47m**	Cr PPE **1.47m**	**Dr 1.47m**	Immaterial classification error
Indexation of assets not revalued Based on our indexation exercise of assets not revalued, using market data, we are of the view that the land and buildings asset class is £3.828m understated.	Cr Surplus on the Revaluation of PPE **3.83m**	Dr PPE **3.83m**	**Cr 3.83m**	Immaterial
Additions/REFCUS treatment We identified capital expenditure of £3.096m (extrapolated) on an academy owned by City Cash which had been capitalised by City Fund, rather than being recognised as revenue expenditure funded by capital under statute (REFCUS). This accounting treatment has been reported as a control recommendation in Appendix B.	Dr REFCUS **3.10m**	Cr PPE **3.10m**	**Dr 3.10m**	Immaterial extrapolation
Overall impact	**Dr £2.55m**	**Cr £2.55m**	**Dr £2.55m**	

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D. Audit adjustments – prior year unadjusted misstatements

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021-22 financial statements

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m
Two HRA Beacons were double-counted in the fixed asset register causing Property Plant and Equipment to be overstated by £2.20m.	Dr Surplus on the Revaluation of PPE **2.20m**	Cr PPE **2.20m**	**Dr 2.20m**
Inaccurate apportionment of the Central Criminal Court asset between City Cash and City Fund. The Central Criminal Court had been apportioned as 22.05% to City Cash and 77.95% to City Fund. The records held by the Estates team, however, indicate that it should be apportioned as 19.6% to City Cash and 80.4% to City Fund. This led to the Authority's accounts being understated by £2.44m.	Cr Surplus on the Revaluation of PPE **2.44m**	Dr PPE **2.44m**	**Cr 2.44m**
We identified an extrapolated error of £3.33m relating to work that had not taken place in year by third parties, but which had been charged to capital expenditure, with the spend being shown within the creditor population.	Nil	Dr Creditors **3.33m** Cr PPE **3.33m**	Nil
Misstatement in the classification between investment properties and long-term debtors, relating to lease premiums (£1.48m).	Nil	Dr Long-Term Debtors **1.48m** Cr Investment Properties **1.48m**	Nil
During our testing of post year end receipts, we identified that the Authority had understated income by £0.411m. We noted that this may be indicative of further misstatements in this area but from our work we are satisfied there is no material risk of understatement within income.	Cr Income **0.41m**	Dr Debtors **0.41m**	**Cr 0.41m**
Overall impact	**£0.65m**	**£0.65m**	**£0.65m**

D. Audit adjustments – misclassification and disclosure

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the 2022-23 audit which have been made in the final set of financial statements.

Area of the accounts	Auditor recommendation	Adjusted?
Property, Plant and Equipment	We identified a variance of £1m between the trial balance and the fixed asset register for both other land and buildings (OLB), and vehicles, plant and equipment (VPE). Management explained that there was an inaccurate journal was posted that resulted in OLB being overstated by £1m and VPE being understated by £1m.	Yes
Capital disclosures	We identified a misstatement in Note 15 (Capital Expenditure and Finance), in which the REFCUS balance in the accounts is stated to be £28.5m, whereas the ledger was reporting a balance of £23.8m. This was the result of a clerical error when preparing the accounts.	Yes
Capital disclosures	During our review of the Capital Commitments disclosure in Note 13, we noted that not all commitments had been captured. In the draft accounts, capital commitments above £1m totalled £21.2m for nine projects. The correct disclosure for capital commitments above £1m should be £527m for 11 projects. Two projects had not been disclosed, notably the Fleet Street Development.	Yes
Capital disclosures	During our review of the Capital Financing Requirement (CFR) disclosure in Note 15, we noted a variance of £3.7m when applying the balance sheet check. Management explained that this was due to a historical issue. The CFR in the draft accounts was £90.4m. Through discussions held, management agreed to amend the CFR to £94.1m.	Yes
Collection Fund	During our review of Note 3 in the Collection Fund accounts, we noted that the tax bases disclosed do not agree to the tax bases approved by the Chamberlain and as per the City Fund 2022-23 medium-term budget. Management has indicated that they had mistakenly included the tax bases for 2023-24 in the accounts rather than the 2022-23 tax bases.	Yes
Debtors	The prior-year comparatives for trade debtors under short-term debtors (Note 20) were inconsistent with the prior-year accounts. They should have read £37.7m instead of £39.7m, resulting in a total debtors of £154.9m instead of £156.9m. This was a clerical error.	Yes
Debtors	During our review of the short-term debtors (Note 20), we noted that the collection fund bad debt provision (£11.7m) was netted off the balance on the 'City Fund's Share of National Business Rates Arrears' line and not reported separately. This was also the case for the PY balance (£9.5m), which management also agreed to split out.	Yes
Financial instruments	During our review of the financial instruments' disclosure, we noted that the carrying value and the fair value for the short-term investments were the same. This matter has been detailed in Appendix B. We recommend that management includes a disclosure to explain their judgement that the fair value and carrying value is the same for the short-term investments.	Yes
Related parties	Auditor identified several variances in the balances disclosed under Note 35 (Related Parties). Management explained that these were a result of clerical errors and agreed to adjust the disclosures accordingly.	Yes

D. Audit adjustments – misclassification and disclosure

Misclassification and disclosure changes

Area of the accounts	Auditor recommendation	Adjusted?
Judges Pension Scheme	As part of our work on the Judges' Pension Scheme (Note 25), we carried out a reconciliation between the actuary's report and the draft accounts. We noted two above-trivial variances on the line items 'Actuarial gains/(losses) arising from changes in demographic assumptions' and 'Actuarial gains/(losses) arising from changes in financial assumptions'. Management acknowledged this was a clerical error made when preparing the note.	Yes
Pension liability	We noted that the narrative in Note 23c stated that the duration liability is 21 years, instead of 17 years as stated in the actuary report. Management acknowledged this was a clerical error made when preparing the note.	Yes
Operating leases	During our testing of the new operating leases the City Fund entered into as lessor in 2022-23, we identified that the stepped rents had been incorrectly added together in management's workings for two of them. Management provided detailed calculations showing the actual rent due in each year and compared it to the original calculation of future rents. The overall impact was that the future minimum lease payments receivable within a year were overstated by £0.604m, and the payments receivable in 2 to 5 years were overstated by £1.088m. Management acknowledged this was a clerical error made when preparing the note.	Yes
Expenditure and Funding Analysis (EFA)	The net expenditure chargeable to City Fund and HRA Balances column in the EFA note did not reconcile to the outturn balances included in the narrative report. Auditor also recommended management considers a five-column approach to to meet the segmental reporting requirements. Management agreed to make both amendments.	Yes
Remuneration disclosures	In our work on the remuneration disclosures (Note 9), we identified several clerical errors had been made when preparing the note. These were as follows: • Officers' remuneration > £50k: There were several variances, resulting from transposition errors, in the number of employees within each band in the prior-year comparatives. • Officers' remuneration > £50k: The band '£80,000 - £84,999' was stated as '£80,000 - £89,999'. • Officers' remuneration > £50k: Salaries greater than £150k were included in this table, however this should have been the cut-off point as any salaries above this threshold must be included in the Senior Officers table within Note 9. • Exit packages: The number, and classification, of exit packages in the table did not agree to the total number, and classifications, of exit packages identified in the listing extracted from the payroll system. • Senior Officers' Remuneration: There were several variances in the senior officer remuneration note, regarding pensions remuneration in which the amount received had not been apportioned appropriately to the City Fund. • Senior Officers' Remuneration: During our work, we noted that several senior officers were excluded from the note. These were identified through a completeness test using payroll data and through reviewing the entity's corporate structure. Two of these staff members will require prior-year comparative figures in the note.	Yes

D. Adjustments between the published draft accounts and the audited draft accounts

The draft 2022-23 City Fund financial statements were published on the Corporation's website on 12 July 2023. At this date, we remained engaged in closing down the 2021-22 audit. There were several adjustments that were made to the 20212-2 financial statements in the period between the publishing of the City Fund accounts and our finalisation of the 2021-22 audit. As such, there were several adjustments that were required to be made to the 2022-23 financial statements as a result of the adjustments to the 2021-22 financial statements. We carried out our audit procedures for 2022-23 on a second draft of the financial statements. Below, we have summarised the changes made by management between the draft 2022-23 accounts, published on the Corporation's website, and the financial statements that we carried out our audit procedures on. These adjustments summarise the changes to the core financial statements. We have carried out a detailed review of all notes to the accounts to ensure consistency within our expectations.

Financial Statement line item	2021-22 or 2022-23 balance affected	Impact of adjustment	Nature of adjustment
CIES – major project cost	2022-23	Draft Accounts: £24.7m Revised Draft Accounts: £20.1m	REFCUS adjustment for a transaction that should have been recorded in the City Cash statements
Other operating income	2021-22	Draft Accounts: £7.4m Revised Draft Accounts: -£5.8m	The draft accounts balance was a clerical error and should have read -£5.8m as per the final 2021-22 accounts
Financing and investment income/expenditure	2021-22 and 2022-23	Draft Accounts: £73.7m (PY £76.6m) Revised Draft Accounts: £75.1m (PY £122.6m)	Lease premia adjustments as a result of 2021-22 audit findings – refer to the 2021-22 audit findings report
Investment properties	2021-22 and 2022-23	Draft Accounts: £1,337.8m (PY £1,418.2m) Revised Draft Accounts: £1,560.3m (PY £1,642.1m)	Lease premia adjustments as a result of 2021-22 audit findings – refer to the 2021-22 audit findings report
Short-term investments	2022-23	Draft Accounts: £961.1m Revised Draft Accounts: £964.8m	Cash and Investments adjustments for an error made on apportionment between City Fund and City Cash
Short-term debtors	2021-22	Draft Accounts: £156.9m Revised Draft Accounts: £154.9m	Debtors adjustments as a result of 2021-22 audit findings – refer to the 2021-22 audit findings report
Cash and cash equivalents	2022-23	Draft Accounts: £28.6m Revised Draft Accounts: £29.5m	Cash and Investments adjustments for an error made on apportionment between City Fund and City Cash
Short-term creditors	2021-22	Draft Accounts: £397.5m Revised Draft Accounts: £395.5m	Creditors adjustments as a result of 2021-22 audit findings – refer to the 2021-22 audit findings report
Grants received in advance	2021-22 and 2022-23	N/A	Splitting out the grants received in advance from the creditors population as a result of 2021-22 audit findings – refer to the 2021-22 audit findings report

E. Fees and non-audit services

We confirm below our final fees charged for the audit.

Audit fees	Proposed fee 2022-23
Fee per Audit Plan	**£357,500**
Evaluation of the impact on the financial statements of a significant number of control deficiencies	£18,350
A detailed review of historical grants received in advance	£7,400
Working through a significant number of errors in the fixed asset register	£6,300
Detailed testing of the completeness of Community Infrastructure Levy (CIL) income	£11,600
Identification, assessment and reporting on a significant number of misstatements, particularly in disclosure notes such as Related Parties and the Remuneration Report	£3,950
Additional work required under the Value for Money audit	£6,400
Total audit fees (excluding VAT)	**£411,500**
WGA procedures – the Authority is above the threshold for 2022-23 and requires detailed WGA procedures, we are required to undertake additional work as required by the NAO.	**TBC**
Final fee	**TBC**

Final Fee 2021-22
£492,805

As detailed in the audit plan, the 2022-23 fee was expected to increase due to the following factors:

- The need to meet the requirements of ISA 315 (Revised) - £4,000
- The need to meet the requirements of ISA 540 (Revised) - £6,000
- Pension fund triennial valuation additional procedures - £6,000
- New system implementation additional procedures - £1,500

These adjustments give rise to the initial adjustment of £17,500 from the fee as per the contract.

The additional £54,000 of adjustments take the fee to the proposed £411,500. These reflect cost implications as a result of various difficulties faced, for which we were required to invest more time and resource.

F. 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.

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.

G. Audit opinion

We anticipate that we will provide the Authority with an unmodified audit report.

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Auditor’s Annual Report on The City of London Corporation: City Fund

2022-23

February 2023

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Corporation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Corporation's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you.
In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

Executive summary

Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Corporation of the City of London: City Fund ('the Corporation') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Corporation's arrangements under specified criteria and 2022-23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Corporation's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Corporation may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022-23 Risk assessment		2022-23 Auditor judgement on arrangements		2021-22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but eight improvement recommendations made.	A	No significant weaknesses in arrangements identified, but two improvement recommendations made.	↑
Governance	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but four improvement recommendations made.	A	No significant weaknesses in arrangements identified, but four improvement recommendations made.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but three improvement recommendations made.	A	No significant weaknesses in arrangements identified, but three improvement recommendations made.	↔

G	No significant weaknesses in arrangements identified or improvement recommendation made
A	No significant weaknesses in arrangements identified, but improvement recommendations made
R	Significant weaknesses in arrangements identified and key recommendations made

Executive summary

Financial sustainability

The Corporation achieved a positive outturn position in 2022-23 allowing it to contribute to reserves, as planned, and roll forward additional contingencies into 2023-24 to help mitigate emerging risks. The Corporation has continued to set a balanced annual budget for 2023-24 which, again, allows a contribution to reserves to build them up for planned use on future projects. However, like many local authorities, the medium-term outlook is more challenging with deficits anticipated in individual years in the latter stages of the medium-term financial plan (MTFP). As a last resort, the Corporation does have sufficient reserves to support medium-term gaps, and the cumulative position over the MTFP remains a surplus. However, to protect reserves and achieve medium-term financial sustainability it is important that the Corporation looks to develop an efficiency and savings succession plan now that the Target Operating Model (TOM), Fundamental Savings Review and the flat 12% saving target of previous years have been maximised.

In addition, the Housing Revenue Account (HRA), although in surplus for the medium-term at its latest update, has a relatively low balance in the early years of its medium-term outlook. As such, unanticipated pressures pose a risk to housing revenue reserves. The position has been caused by pressures within costs of repairs and maintenance and an increase in the level of emergency repairs required.

We have made a number of improvement recommendations, identified to help achieve longer term financial sustainability, however no risks of significant weaknesses in arrangements have been identified.

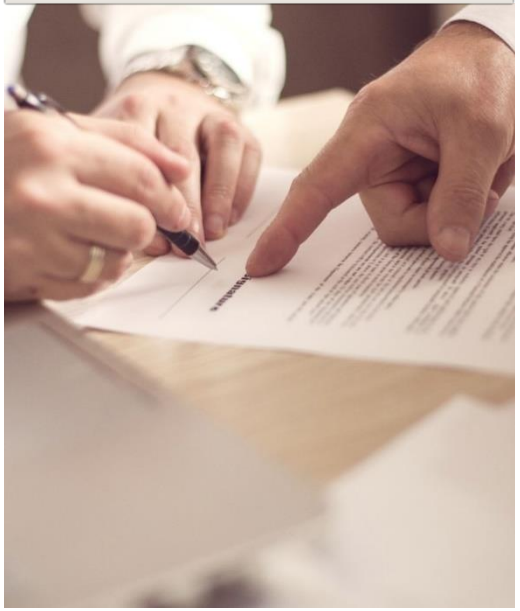
Governance

Although we have noted some minor areas of improvement in relation to risk management, Internal Audit, training, and project governance, overall governance arrangements are robust, and no risks of significant weaknesses have been identified. There is evidence that the Corporation reviews and updates arrangements on a regular basis to ensure they remain fit for purpose.

Improving economy, efficiency and effectiveness

Overall, arrangements continue to be appropriate, and no risks of significant weaknesses have been identified. We have raised some improvement recommendations and these cover common themes consistent with our prior year findings, most notably performance management reporting software and the ERP system implementation, both of which remain areas of work in progress due to a focus on responding to the backlog of financial statements production and audit. The procurement of an Enterprise Resource Planning (ERP) system was paused following the implementation of the Target Operating Model, due to changes in personnel, this has delayed the implementation by approximately two years, and following a budget review has seen an increase in the cost of the project by three times the original budget. However, it's important to clarify that this budget increase is not primarily attributable to the delay. Instead, it stems from a comprehensive review of the level of change needed and ensuring resources are aligned to that objective. This review process incorporated insights from other organisations' ERP implementations, guiding the reassessment of project scope and resource requirements. The Corporation has undertaken a deep dive exercise, making changes to those involved in the project, to ensure successful delivery within updated timelines and budget constraints.

We consider that the responses provided by management are appropriate and encourage the Audit and Risk Management Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.



Use of auditor's powers

We bring the following matters to your attention:

	2022-23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.	We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

Securing economy, efficiency and effectiveness in the Corporation's use of resources

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Corporation's responsibilities are set out in Appendix A.

Local authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement. Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Corporation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial sustainability

Arrangements for ensuring the Corporation can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Corporation makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Corporation makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Corporation delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Our commentary on the Corporation's arrangements in each of these three areas, is set out on pages 10 to 51.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of relevant committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit & Risk Management Committee
- Considering the work of Internal Audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Annual Governance Statement and other publications

The current LG landscape

National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for local authority services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of local authority income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the Covid-19 pandemic which, for example, have contributed to workforce shortages in a number of service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023-24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs of delivering services will exceed their core funding by £2bn in 2023-24 and by £900m in 2024-25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many bodies have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of authorities who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of local authorities.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and local authority owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape

National context

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Cost of living crisis

The rising costs of fuel, food and other essentials are combining with existing disadvantage and vulnerability factors, putting many households at greater risk of both immediate hardship and reduced opportunity and wellbeing.

Local authorities and local partners continue to do what they can to protect people against higher costs, targeting help at those facing the most complex challenges.

Local authorities' range of front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience.

The dramatic increase in inflation alongside increases to the National Living Wage, have added £2.4 billion in extra costs onto the budgets of local authorities in 2022-23. In 2023-24 local authorities are facing a funding gap of £3.4 billion, with a funding gap of £4.5 billion the following year.

To support its most vulnerable residents through the cost-of-living crisis, local authorities face additional cost pressures which will need to be addressed to avoid further cuts to vital frontline services.

Housing

Local authorities work closely with registered providers for social housing to deliver England's social housing supply. Their work is regulated by the Regulator of Social Housing, using value for money as a key regulatory standard.

The housing sector faces significant economic challenge. In 2022, the Regulator estimated that half of housing providers' headline costs related to major repairs. Where local authorities have borrowed to finance housing, the margin for paying rising interest rates and setting aside repayment funds is becoming more difficult to achieve.

Managing trade-offs is difficult. Members need to have a clear understanding of their organisation's performance, and decisions need to be transparent for stakeholders. Local authorities need to get the best out of the resources they have available for delivering safe, well-maintained homes. This means using effective procurement and contract management arrangements; adopting rolling plans of service reviews, supported by strong performance indicator reporting; recruiting and retaining staff with the right skills; and maintaining physical control over assets.

Carbon reduction

The UK government has a target of 100% reduction in 1990 greenhouse gas emissions by 2050. Many of the carbon budgets set by the government are relevant to local authorities. By June 2022, more than 250 English local authorities in England had declared Climate Change Emergencies and set carbon reduction targets of their own.

To deliver value for money whilst also implementing carbon reduction, local authorities need strong processes. Carbon reduction costs need to be reflected within medium-term financial plans; funding needs to be consistent with other strategic priorities; costs need to be accurately recorded and monitored; and the relative costs of acting versus not acting need to be evaluated on an ongoing basis.

Climate change is often already reflected on local authority risk registers and where local authorities set themselves strategic goals around carbon reduction, effective processes for monitoring progress against those goals is needed. Training should be kept up to date both for executives and for Members overseeing climate change and carbon reduction risk and performance. As legal requirements are evolving and new sources of funding and grants continue to come forward, horizon scanning for new duties and opportunities will need to be vigilant.

The current LG landscape

National context

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Children and young people – social care

Single tier councils and county councils spent £12.2 billion in 2021-22 and have increased their budget to £12.7 billion in 2023-24 as demand for children's social care services have increased.

Local authorities have a statutory duty to safeguard and promote the welfare of children at risk. A range of services can be provided including support to families as well as keeping children safe from harm and providing services for those children who are 'looked after' by the authority.

In recent years there has been an increase in demand with an increase in the number of child protection places and looked after children, as well as an increase in complexity of the needs of the children.

The increase in demand and complexity has resulted in an increase in the cost of individual residential placements which are often not local and outside the local authority's geographical locality as well as private and agency foster carers.

Many authorities have failed to model and anticipate the increase in demand and as a result lack sufficient local quality provision and are now actively trying to meet this challenge.

Workforce

Local government faces multiple workforce challenges including skill shortage in areas like social work and planning and the lessening attractiveness of local government as a career choice when staff can be paid more for less stressful work in other sectors.

The need for future workforce planning to ensure the organisation has the appropriate staff, with the right skills, at the right time to deliver sustainable council services is therefore clear.

To achieve this aim, local authorities need to develop a workforce plan or strategy which not only sets out aims and aspirations but also a roadmap with numerical targets against which outcomes can be measured and assessed.

The workforce strategy needs to be clearly linked with strategic objectives and financial planning.

Without a corporate workforce plan, organisations cannot take a strategic view of how the needs of the local authority in terms of human resources will develop over the medium- term and appropriate development through training and recruitment may not be undertaken.

Financial sustainability

We considered how the Corporation:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

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2022-23 Budget and outturn position

In line with local government statute the Corporation set a balanced budget for 2022-23 for the City Fund which was approved by Common Council on 10 March 2022. This consisted of net expenditure of £157.7m met by funding generated from government grants and tax revenues, such as council tax and business rates, of £167.3m, allowing the Corporation to contribute £9.6m to reserves.

The year-end outturn position for 2022-23 was better than initially anticipated, with an underspend of £20.8m against a revised budget of £172.5m. The underspend was almost entirely attributable to the Finance department as a result of unused contingencies set aside within the budget, slippage in Supplementary Revenue Projects and a sizeable rates refund. Although, overall, the position represents strong financial performance at Fund level there were several overspends observed and many of the causes of underspends were non-recurrent or temporary in nature. There continues to be a need to address the underlying causes of any overspends to mitigate future financial pressures. The most significant overspends were a result of increasing costs associated with children's social care, unaccompanied asylum seekers and rates relief payments on properties being redeveloped.

As a result of the underspend on the City Fund the Corporation were able to carry forward £27.7m into 2023-24 to fund delayed activity, roll forward unspent contingency balances and create further contingencies to manage inflationary pressures in 2023-24.

2023-24 Budget and Medium-Term Financial Plan (MTFP)

The 2023-24 budget and MTFP for the City Fund was approved by Common Council on 9 March 2023. It assumes net expenditure of £160.5m met by income and funding of £185.7m, offset by a £2m drawdown of reserves. This produces a surplus position and allows for a contribution to reserves of £23.2m to achieve a balanced budget.

At the end of Quarter 2 (Q2) the 2023-24 forecast outturn position is an underspend of £15.6m against this budget, suggesting there may be scope for a greater contribution to reserves than planned or to set aside additional contingency for pressures in future years.

There is a statutory duty to remain balanced across the medium-term. Financial plans demonstrate that the City Fund anticipates generating a cumulative £17.78m surplus over the medium-term, but with deficits observed in the latter years of the MTFP. This is due to delays to anticipated business rates reforms to be implemented by central government, and results in much higher retention of rates collected than will occur under the expected reforms in later years. The financial boost in the early years of the MTFP is temporary, non-recurrent and cannot be relied upon. The reforms coincide with the impact of financing costs of major projects planned in the medium-term, with rates insufficient to off-set these in full. Although additional revenue can be raised through increases in local taxation the City Fund will require the use of general fund reserves, contingencies and further savings to close the gap.

£m	2023-24	2024-25	2025-26	2026-27
City Fund	22.8	13.7	(13.0)	(11.0)
Police deficit	(0.6)	(3.2)	(3.2)	(6.1)
Sub-total	22.2	10.5	(16.2)	(17.1)
Funding from increases in council tax, adult social care and business rates premium	4.6	4.6	4.6	4.6
City surplus/(deficit)	26.8	15.1	(11.6)	(12.5)

Noted later in the report, the Corporation does have an adequate level of usable reserves available to support the individual deficits, demonstrates a cumulative surplus, and does have time to identify additional savings or income sources to bridge the funding gaps in later years. Further work is needed by Officers to identify future funding sources and savings.

Financial sustainability

The positive forecast outturn for 2023-24 provides some protection against future deficits, provided the position crystallises and surplus funds can be set aside as additional contingency for future years. The budget and MTFP rely on the savings identified within the position being delivered in full, collection rates on taxation occurring as anticipated despite the increases approved, and no significant unanticipated risks occurring.

Budget assumptions

A series of assumptions relating income, expenditure and funding must be made when developing the budget and MTFP to minimise the impact of inherent uncertainties faced by the Corporation. Key expenditure assumptions have been made which relate to non-pay inflation and pay awards, these impact the majority of the expenditure incurred by the Corporation. The 2023-24 budget assumes inflation of 4% (3% in 2024-25 and 2% in 2025-26). Inflation was 10.1% in March 2023 when the budget was set and has since gradually fallen to 3.9% in December 2023. The Bank of England expected inflation to be at 5% by the end of 2023 and keep falling towards the target of 2% in 2024. Inflation assumptions used reflect the merging position and demonstrate the forward-looking nature of the budget. To mitigate the risk associated with high inflation at the start of 2023-24 the Corporation held a central inflationary contingency to ease the pressure on the budget, this was met from underspends carried forward from 2022-23.

The 2023-24 budget includes £2.1m in employee costs to reflect the full year impact of a pay award agreed from July 2022. The assumption reflects the variable nature of the award depending on grade rather than a flat rate percentage uplift. Nationally local government staff have been offered a pay rise equating to between 3.88% and 9.42% for 2023-24, depending on their pay grade, and therefore are also variable in nature. The pay assumptions are deemed appropriate. Future assumptions regarding employee costs would be more reliably forecast if supported by a Workforce Strategy and associated Workforce Plan which seeks to estimate the required establishment over the medium-term. The Corporation is currently working to develop a People Strategy which should fulfill this requirement – we will follow this up in 2023-24.

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. Grants are confirmed annually by central government and included within the budget as announced with little estimation required. The council tax threshold has been set at the maximum allowable before a referendum is triggered of 4.99% (including the social care precept of 2%). The rationale behind the maximum increase is to fund specific pressures within the budget in homelessness, adult social care, children's services and unaccompanied asylum seekers – which are the most significant overspends currently impacting the Corporation. The Corporation is maximising this stable form of income, demonstrating positive budget management, and seeking to address specific areas of budgetary pressure.

Reforms in the business rates system were expected to be imminent, originally planned for 2020, but delayed over recent years. Government has reaffirmed its commitment to do this in the next Parliament and the Corporation has assumed that the Business Rates Retention (BRR) consultations are expected to be announced in 2025-26 at the earliest within the MTFP. The City of London is allowed, uniquely, to set its own business rate premium. For 2023-24 this was set at 1.4p in the £ and represents a 0.2p increase on the prior year. Again, this is evidence of maximising a key income stream. Larger increases have been approved in prior years and there is potential to leverage additional income from this source in the medium-term to assist in addressing medium-term budget gaps.

Business rates and council tax income is impacted by collection rates, which must also be estimated when setting the budget. There is no information provided to Members regarding these assumptions, likewise limited disclosures were noted in relation to pay awards. The surplus outturn observed at the end of 2022-23, and forecast surplus for 2023-24, suggest that assumptions may be overly prudent. Decision makers, may benefit from more detailed information on the assumptions included in the budget to allow them to review, challenge and request adjustments as required – refer to **Improvement recommendation 1** on page 24.

Financial sustainability

Budget assumptions

The City Fund generates rental from investment properties and interest income. The 2023-24 budget assumes income of £41.2m and £27.5m from these sources, respectively. This represents a 3.8% increase in investment property rental income and a 330% increase in interest income due to anticipated increase in cash and investment holdings as well as rate changes. The Corporation stress tests and models its income funds and uses Treasury Advisers to provide information on anticipated interest rates. At Q2 of 2023-24 property investment income within the City Fund is forecast to be £0.289m, which is slightly better than anticipated, suggesting the assumptions around collection rates, vacant property levels and lease changes factored into the assumptions were appropriate. The interest income forecast for the same period has far exceeded expectations by £20.5m, despite a large percentage increase from prior year. The Corporation's Treasury advisers predicted that rates would increase to 4.5% in 2023 but by March 2024 would decrease to 4%. Instead, rates have been higher than the estimates suggested, and have been 5.25% since September 2023. The estimates were made on the best available information at the time of setting the budget from trusted sources and therefore are not suggestive of weaknesses within the Corporation's budget setting process.

Reserves and risks

In 2022-23 the Corporation contributed a planned £9.7m to the City Fund reserves. In addition to this £20.8m was taken into 2023-24 as contingency to mitigate emerging pressures within inflation and specific service-related demand pressures, as a result of a year-end surplus outturn.

As a result, the Corporation expected to commence the 2023-24 financial year with £20m in un-earmarked general fund reserves, which can be used for any purpose, and £133.6m of reserves earmarked for specific purposes or projects. Capital and Housing Revenue Account Reserves are held in addition to these. The budget expects that general fund reserves would remain unused at the end of 2023-24 and that overall earmarked reserves would reduce by £8.2m to £125.4m. Although the 2023-24 budget does allow for a £23.2m contribution to reserves this is offset by planned usage for specific purposes for which the reserves have been set aside for, most notably in Major Projects which the Corporation has committed to delivering and where a substantial balance has been built up in previous years to support planned projects. The Major Projects Reserve is also used to support the financial position in the short-term and is evidenced through the Major Projects Reserve reconciliation, in addition the Corporation demonstrates a track record of robust budgetary control.

Grant Thornton published a paper 'Lessons from recent Public Interest reports' in 2021 which includes a strong emphasis on the importance of maintaining an adequate level of reserves. There is no formal definition as to what constitutes adequate, but Grant Thornton's view is that reserves should be a minimum of 5% of net spending and preferably be somewhere between 5% and 10%. The Corporation's £20m of general fund reserves is 12.5% of the net expenditure requirement (before contribution to reserves) for 2023-24 and this position increases further when earmarked reserves are considered (to 90.5%).

Due to the unique nature of the Corporation, there is limited comparable information with which to benchmark its reserves position to develop a full picture of financial sustainability. Based on the 2022-23 audited accounts of London Borough councils, the Corporation's nearest neighbours, the average ratio of general fund and earmarked reserves to net expenditure is 55%, with the Corporation far in excess of this level, making it well placed to respond to future uncertainties. The Corporation would be ranked within the top 3 authorities when compared to other London Boroughs (top 10 councils included in the table).

Rank	Authority	General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)	Average for London Boroughs
1	Westminster	155%	55%
2	Wandsworth	106%	55%
3	Hounslow	90%	55%
4	Kensington and Chelsea	87%	55%
5	Hammersmith and Fulham	75%	55%
6	Lewisham	73%	55%
7	Richmond upon Thames	66%	55%
8	Greenwich	65%	55%
9	Southwark	60%	55%
10	Newham	57%	55%

Financial sustainability

The MTFP includes a deficit position in 2025-26 and 2026-27 totalling £24.1m. Current levels of reserves would be sufficient to support the deficits and still maintain a strong position. However, reserves are a finite resource and once used require replenishment to protect the organisation against unanticipated pressures or to support the achievement of future objectives. The use of earmarked reserves to support the financial position is carefully managed to ensure sufficient funds are set aside to address future deficits with a clear separation of funding to support the Major Projects programme and therefore does not impact the Corporation's ability to meet its intended objectives. Nevertheless, it is imperative that the Corporation explores ways to bridge the medium-term budget gap without the use of earmarked reserves.

In addition to reserves the Corporation mitigates budgetary risks and pressures by setting aside contingencies within the budget each year for known and quantifiable pressures such as pay and price inflation. Underspends from 2022-23 were carried forward to support known one-off pressures outside of pay and inflation, such as energy price rises. The result, to date, is a forecast surplus position at year-end and provides some headroom should actual pay, prices, energy or unanticipated risks occur.

Each year when setting the budget, the Chamberlain (Section 151 Officer) is required to make a statement confirming whether the reserves of the Corporation are adequate. The statement for the 2023-24 budget and MTFP is positive in its confirmation of this and is consistent with the evidence observed. This statement must also confirm the robustness of estimates included within the budget, in reaching that conclusion the Chamberlain assesses potential risks to achieving the required budget position. Risks are clearly identified within the budget documentation for scrutiny by decision makers, to ensure they are complete, and are categorised between those within the control of the Corporation and those outside of its control. Risks identified outside of the Corporation's control relate to national macroeconomic issues we would expect to be considered such as recession, inflation, business rates reform and changes to local government funding. We would expect internal risks to cover cost overruns and delayed capital projects, housing (including quality/repairs and maintenance and overspends on the HRA), people (recruitment, retention, capacity and skills), the impact of financial responsibilities for the City Police, savings performance and implementation of the EPR system. We did not specifically identify risks being considered in relation to housing or the EPR system implementation within the budget reports. Other potentially relevant risks identified at London Borough councils have been related to IT system failures and the impact of climate change and achieving net zero. Whilst not included within the budget reports to Committee these risks are separately reported to the relevant Committees throughout the year. In addition, although risks have been identified, there is limited information as to their potential impact. Particularly for internal risks within the Corporation's control. We believe decision makers would benefit from being able to quantify the potential risk to assess if contingencies and reserves available to respond are sufficient. As such, there is the opportunity to review internal risks related to to the budget setting process for completeness and financial impact – refer to **Improvement recommendation 1** on page 24.

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Savings

The City Fund seeks to achieve savings and efficiencies from three key sources within its budget – Target Operating Model (TOM) savings, 12% permanent finance savings, and savings from the Fundamental Savings Review.

The Target Operating Model (TOM) was approved by the Court of Common Council in December 2020. It was intended to transform City Corporation leadership and organisational structures and enable the organisation to become more efficient. The TOM programme, and departmental restructures associated with this, continued throughout the 2022-23 financial year and completed at the end of December 2023. 12% annual efficiency savings were required to made alongside the TOM programme and represent permanent budget reductions from 2021-22 onwards. In addition, the Corporation committed to the Fundamental Savings Review approved in 2019-20 to be delivered across five years from 2020-21 to 2024-25.

The TOM target and 12% reduction combined totalled £17.04m. The TOM savings, in isolation, exceeded expectation by £2.84m per year. Of the total savings target, £13.9m, permanent savings have been realised which will recur each year, with a further £2.6m savings achieved through temporary measures such as holding vacancies, as departments complete their TOM. £0.86m savings are unachieved at the end of 2022-23 and are included within the 2023-24 budget.

The 2022-23 budget included savings from all three key sources and a year-end surplus was achieved. One factor in achieving this position was vacancies held due to the delays in transitioning to the new TOM structure. Although this had a temporary financial benefit it has had an impact on knowledge retention, experience and costs associated with temporary staffing. In addition, although a positive City Fund position was achieved, several departments have overspent which has been attributed to delays in implementing TOM changes and allowing them to embed. Savings from these sources continue to be included in the budget in 2023-24 onwards, reflecting recurring permanent savings and one-off savings not achieved from the prior year. The 2023-24 position to date is forecasting a surplus.

The TOM has been extremely challenging for the organisation. Savings have been greater than anticipated but this has been achieved through redundancies, flexible retirement and voluntary departures in excess of the levels anticipated. The original design of how the programme was to be delivered, the sequencing of the programme and the extent of the

Financial sustainability

restructuring changes has impacted delivery (as the programme was originally due to conclude at the end of March 2022) and on staff morale. Response to the pandemic was a significant factor in the delayed delivery. This resulted in the inclusion of a staff related risk on the Chamberlain's departmental risk register due to increased vacancies, particularly in Finance. This is explored later in the report in the 'Capacity' section on page 21 and 22 of the report.

The TOM has concluded, and the savings realised as permanent, recurring efficiencies. However, the latest MTFP demonstrates budget gaps which are currently unaddressed in 2025-26 and 2026-27. The budget report refers to the Resource Prioritisation Refresh (RPR) programme At present there is limited evidence to suggest the outcomes, as it stands, medium-term gaps will likely need to be met from reserves. Discussions with officers highlighted that the current priority is to develop a robust People Strategy and update the Corporate Plan to ensure that any future efficiency programmes to address the gap effectively align to the Corporation's objectives and consider the impact on the establishment, learning from challenges observed with the TOM. As such there is no action plan in place to address medium-term gaps at this stage and this should be prioritised. As the TOM, Fundamental Savings Review and 12% flat rate target have likely exhausted savings through 'salami slicing' of budgets, it will be vital that any newly developed efficiency programmes focus on transformation and consider income generation opportunities alongside cost savings – refer to **Improvement recommendation 2** on page 25.

The Corporation have established a Resource Prioritisation Refresh Programme (RPR), which aims to realign resources to corporate priorities, once updated in the Corporate Plan. The expectation is for the programme to create headroom, via a review and disposals of operational property and opportunities for income generation. This will enable the Corporation to reallocate funds, rather than being able to deliver further significant savings. Therefore, further work will still be required to close the medium-term financial gap.

The Corporation has set up a Savings Working Group during 2023, as part of the RPR, to aid the development of the next phase of efficiency planning, the working group will also investigate income generation opportunities. The Corporation does have experience and internal expertise it can call upon to assist in this area, in particular the Remembrancer's Office and Corporate Communication team, who already successfully generate income from events and filming opportunities respectively.

Savings from all three key sources are included within the budget and monitored, implicitly, through quarterly budget monitoring reports taken to the Finance Committee. In addition to this the Finance Committee, Corporate Services Committee and Policy and Resources Committee have received stand-alone updates on the TOM to ensure it receives an additional level of focus from Members. The Corporation has an Efficiency and Performance Committee, a sub-committee of the Finance Committee, responsible for the better performance of the Finance Committee's duties in the areas of efficiency and performance. The Committee has not met since February 2022, despite the TOM not being complete at that date. Further investigation has confirmed that this coincided with the Chairman becoming a member of the Finance Committee and the sub-committee being repurposed into an Efficiency and Performance Working party, who met twice 2023/24 following approval of their role by the Finance Committee. As the Corporation moves towards the next stage of efficiency and savings planning, and these newly established arrangements are embedding, the Corporation should keep the arrangements under review to ensure they are effective in monitoring the programme, sufficiently frequently and develop as the programme expands.

The Corporation previously had a TOM Programme Team in place to facilitate co-ordination and provide capacity to deliver the programme. An Operational Property Board and Income Generation Working party have been established in 2022 and 2023, respectively, to co-ordinate these key workstreams of the RPR. These provide co-ordination arrangements. Again, these arrangements should be kept under review to ensure that additional teams are established as workstreams within the programme develop– see **Improvement recommendation 2** on page 25.

Housing Revenue Account (HRA)

The Corporation is a provider of social housing and as such maintains an HRA. The City Fund is not available to fund HRA services and the HRA is ringfenced by legislation, meaning that the account is financially self-supporting. As such, the Corporation sets a budget for the HRA annually which is separately identifiable from the City Fund budget. Members of Community & Childrens Services Committee approve this annual budget. The 2022-23 HRA budget was approved in December 2021 and planned for a £0.247m surplus, taking the balance on the HRA from £0.593m to £0.840m. Members of the Committee are updated on the forecast position at several stages in the year. The anticipated position declined through 2022-23 before achieving an outturn position of a small £0.064m surplus and a year-end balance of £0.226m.

Financial sustainability

	2022-23 Original budget £m	June 2022 forecast £m	January 2023 update £m	2022-23 Outturn £m
Expenditure	(12,428)	(12,749)	(12,458)	(14,185)
Income	15,994	16,103	15,453	17,215
Other movements	(366)	(210)	(145)	33
Transfer to Major Repairs Reserve	(2,953)	(3,000)	(2,963)	(2,999)
Surplus/(Deficit)	247	143	(113)	64
Balance b/f	593	82	162	163
Balance c/f	840	225	49	226

Members were presented with the HRA 5-year forecast in July 2022, projecting that the HRA would go into deficit by the end of 2023-24, reaching £1.281m deficit by 2026-27, due recurring deficits each year. By 2026-27 recovery was expected to occur. This outlook presents a risk that the HRA would not be self-supporting in the medium-term.

£m	2022-23	2023-24	2024-25	2025-26	2026-27
Expenditure	(12,749)	(13,387)	(13,654)	(13,927)	(14,206)
Income	16,103	17,193	17,698	18,928	19,706
Other Movements	(210)	(1,582)	(1,836)	(1,847)	(1,593)
Transfer to Major Repairs Reserve	(3,000)	(3,100)	(3,200)	(3,300)	(3,400)
Surplus/(Deficit)	143	(875)	(992)	(147)	507
Balance b/f	82	225	(650)	(1,642)	(1,789)
Balance c/f	225	(650)	(1,642)	(1,789)	(1,281)

Causes of the expected deficit position are slippage in rental income from new build projects which have been delayed (officers predict that the delays have been up to two years and caused income forgone of £1.2m per annum), the cost of servicing an additional £4m debt as a result of the Great Arthur House Cladding legal decision, the assumption of increased inflation of 5% in the first two years, and slightly reduced service charge recovery calculations.

The 2023-24 HRA budget and 5-year forecast have since been updated. The budget suggested that a £0.296m surplus would be made in-year resulting in a year-end balance on the HRA of £0.345m. At January 2024 the position has remained relatively stable with a £0.075m surplus and a year-end forecast balance of £0.301m based on up-to-date information. However, this level of reserve is very low and a 2% increase in expenditure or reduction in income would convert the surplus into a deficit.

The original budget assumed an expected capped level of rental increases of 5% in its estimates, this was used as a basis for medium-term estimates also. Subsequent to setting the budget, the 2023 Rent Standard was released by Government, announcing the cap would be 7% (linked to CPI inflation). At the start of the 2023-24 financial year the CPI rate of inflation was 10.1% compared to the assumed rental increase of 5% and therefore a causal factor in the medium-term deficit position. The 5-year forecast has been updated as at January 2024 and demonstrates an improved position in the medium-term, the previously anticipated deficit in the medium-term has been addressed and the HRA is now expected to remain in surplus throughout the period, building up each year. By 2028-29 the balance on the HRA is expected to be £1.876m and would require a 8-10% change in income or expenditure to eradicate the surplus. The Corporation have cited additional rental income from new build projects (COLPAI, York Way and Sydenham Hill) finally coming on-stream after numerous delays. The improved position is within expectation, due to an expected increase to 7.7% in the rent cap for 2024-25 and falling inflation, which was 3.9% in December 2023.

£k	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Surplus/(Deficit)	75	111	(55)	603	302	615
Balance b/f	226	301	412	357	960	1,262
Balance c/f	301	412	357	960	1,262	1,876

Given the low level of reserves in the early stages of the medium-term outlook, and volatility in the position observed in 2022-23, we believe Members would benefit from more intensive reporting, more frequent and more detailed, in relation to performance of the HRA. This increased level of oversight will allow decision makers to take corrective actions in a timely manner as they occur – refer to **Improvement recommendation 3** on page 26.

HRA finance was established as a red-rated risk on the Chamberlain's departmental risk from November 2023. This decision was made based on the five-year budget forecast for the HRA account. With inflationary pressures coinciding with the conclusion of the current contract for repairs and maintenance, expenditure is expected to increase across the HRA portfolio.

Financial sustainability

Including the risk on this register does ensure there is greater oversight of the risk however this risk register is maintained by the Finance Committee, with reporting on the HRA being overseen by the Community & Childrens Services Committee – there is risk of the information is not being overseen by the appropriate committee– refer to **Improvement recommendation 3** on page 26.

To fund capital expenditure associated with the housing stock the Corporation maintains a Major Repairs Reserve (MRR). The HRA capital programme is predominantly funded from transfers into the reserve from the HRA, loans from the City Fund and City Cash and contributions from the Greater London Authority. The revenue cost of those loans is recognised within the HRA and deemed affordable in the medium-term per the latest 5-year plan.

The programme of works in 2022-23 and the medium-term focusses on the decent homes program, window renewal and roof replacements. For 2022-23 the HRA capital programme forecast £20.5m of expenditure experienced slippage, achieving a year-end outturn of £17m.

Despite the overall underspend repairs, maintenance and improvements costs, specifically, were overspent by £0.654m. This trend continues in 2023-24 with a forecast year-end underspend on the capital programme of £22.2m but an overspend on repairs and maintenance within the position of £1.1m. The increased expenditure was driven by increased demand for breakdown and emergency repairs and is suggestive of a repairs and maintenance programme which is reactive in its nature, as opposed to proactive in addressing housing quality issues before they escalate. The Corporation would benefit from shifting the focus of the repairs and maintenance programme to a more proactive and pre-planned approach to address the overspends – refer to **Improvement recommendation 4** on page 27.

The challenges observed have been attributed to an ineffective repairs and maintenance contract and under-investment in the programme in prior years. To address these issues the Corporation has implemented changes in key personnel, at the Director and Assistant Director level, within the relevant department. These newly appointed individuals are currently focussed on procuring a new repairs and maintenance contract, with the aim of responding to the inefficiencies identified in the existing contract. The Housing Management Sub Committee have been provided with regular updates on the progress of this procurement.

To take a more proactive approach to repairs and maintenance the Corporation would benefit from having a forward-looking Housing Strategy, covering the same planning horizon as the HRA, and an Asset Management Strategy for the housing stock. Both key strategies will allow the Corporation to plan ahead for future housing numbers and required cyclical improvements in advance, with the aim of saving additional costs of expensive emergency repairs. There was no evidence of either of these strategies being in place for 2022-23 and we have been made aware that the new management team within Community & Childrens Services are currently progressing these – refer to **Improvement recommendation 4** on page 27.

At the time of setting the July 2022 5-year forecast, which demonstrated a medium-term deficit on the HRA, the Corporation considered two options to respond to the forecast:

- reduce the cost base in these years and/or to delay where possible the major works programme and so reduce interest charges and capital repayments.
- fund specific planned capital works from loans from City Cash and City Fund, which would be repaid, but would mean expected revenue reserves would remain in surplus.

It was acknowledged that in conjunction with these options that an external review should be carried out to suggest areas of potential savings to enable longer-term remodelling of the HRA and ensure its ongoing financial viability. There is evidence to confirm that capital works have been funded from loans from the Corporation's funds, as well as grants. However there remains the opportunity to maximise efficiency, and financial sustainability, of the HRA capital programme by undertaking an external review of the cost base and/or remodelling to identify savings in the medium-term and boost the HRA and MRR reserve position further – refer to **Improvement recommendation 4** on page 27.

We note that the Corporation has a relatively small housing portfolio compared to other London Borough councils with 1,860 dwellings at the end of 2022-23. Based on 2021-22 figures this is the fourth smallest housing portfolio of all local authorities. However, the size of the portfolio does not negate the Corporation's responsibilities to its resident to provide quality housing provision and suitable living conditions. Progress of the Major Works Programme, which includes repairs and maintenance, is monitored at Housing Management Sub Committee, who meet quarterly. This is sufficiently frequent to address the associated risk.

Financial sustainability

Capital

The estimated capital programme for 2023-24 is £444.2m, a significant increase of 180% on the prior year. The majority of this (78%) is focused on two major projects (Museum of London and Salisbury Square) and Housing Revenue Account new builds and improvements to existing homes.

Considerable slippage was observed in the capital programme in 2022-23, with expenditure of £114.2m against a budget of £217.1m for the City Fund. As a result of this slippage, and a risk identified in relation to rising inflation rates, Members approved a pause in the programme for 2023-24, whereby no new bids for capital investment would be permitted in 2023-24 but would resume from 2024-25 onwards.

In developing the capital programme Members approve, in principle, capital bids for high priority projects and set aside the funds to support these projects from internal funds, reserves, cash and relevant grant. The Corporation limits its exposure to interest rate risk by avoiding external borrowing as a source of funding. Once projects are approved in principle a gateway review, option appraisal and project plan are undertaken before Members confirm schemes remain a priority, and a drawdown of the funds approved in principle is permitted. The Resources Allocation Sub-Committee receive regular Capital Updates which allow them to review this information and ultimately release relevant funds.

In 2022-23 the Committee has considered schemes from 2020-21 to 2022-23, initially approved in principle in the relevant year, and now being reviewed to establish if they have reached an appropriate stage in the capital process to release all or some of the fund initially approved. The Committee review projects, and allow the release of funds, when moving from approval in principle to commencing a gateway review process, at key milestones in an ongoing gateway review or when supporting project plans are in place. The fact that projects approved in prior years are still going through this approval process is is suggestive of a lack of pace, capacity, expertise, underlying governance and/or leadership within the relevant project teams to progress projects following approval in principle. Slippage in the capital programme itself also suggests management of projects once they have commenced could also be improved. This conclusion is supported by Internal Audit, who carried out a review of Compliance with the Project Management Framework, giving limited assurance. The review found non-conformance with the procedure. The Corporation would benefit from an updated, robust project framework to take capital projects from initiation all the way through to completion, managed by a dedicated Project Management Office (PMO).

To encourage consistent application and compliance with the framework additional training may be required, but we do note that as a result of the Internal Audit review expectations to consistently apply the procedure have been clarified.

The Corporation plans to develop a new Board with the purpose of overseeing capital activity. This will ensure that there is dedicated Member and officer oversight of the full capital programme, but does not mitigate the need for robust, day to day operational management of individual projects within the programme. For 2023/24 financial regular capital forecasting is in place to mitigate this risk. The Corporation implemented a Projects and Procurement Sub-Committee in October 2023 as a response to the findings of a project governance review, resulting in a proposal to introduce a portfolio approach to programme and project management. Members endorsed the proposals for the creation of an Enterprise Portfolio Management Office (EPMO) and to introduce a Portfolio Board to be Chaired by Town Clerk to act as the gateway to Member governance. Since July 2023 a small portfolio management implementation team (2FTE) has been recruited. A key finding from the review was an urgent lack of capacity and internal capabilities to effectively embed a portfolio management approach. This is being addressed through the development of an EPMO as part of the reorganisation of the Commercial and Project Governance divisions but remains in progress.

The Corporation has an existing Capital Buildings Board which has met regularly since 2018. Their remit is management and oversight of major capital building projects, with focus on overall direction, financial control and reviewing projects. Throughout 2022-23 focus has predominantly been on the Museum of London Relocation Project, New Museum Project, Salisbury Square Development and the Police Headquarters Project, existing multi-year projects. It is imperative that in developing a new Board the Corporation ensures that there is no duplication of responsibilities between the existing Capital Buildings Board, any new Board, Finance and the operational project management teams. There is the opportunity to review governance arrangements in place to monitor and project manage all projects within the capital programme to avoid the need to pause it in future years – refer to **Improvement recommendation 5** on page 28.

During the pause of the capital programme a wholesale review of the programme, including major projects and business as usual (BAU) projects, took place in October 2022. The aim of the Capital Review was to ensure that the Corporation lives within capital budgets for the financial year 2022-23 and 2023-24 across City Fund and City's Cash. During this review officers were given the opportunity to put forward revised forecasts for inflationary and other pressures, and the information was used to determine whether projects remained a priority against specific criteria and feasible within the approved in principle funding envelope, or if scope could be amended.

Financial sustainability

The review identified expected overspends across the capital programme of £50.7m (of which £16m related to the City Fund), including those already contracted or in progress as well as those yet to commence. The overspend has been mitigated by only continuing with those projects already in progress, under contract or green-rated as they are expected to deliver or are high priority. To achieve this, difficult decisions were made to cease several projects yet to commence and rephase projects which remained a priority and were still expected to meet objectives. It is expected that the rephased projects will be reviewed as part of the 2024-25 budget setting process.

Although challenges have been noted in relation to the delivery of the capital programme, the Corporation has been proactive in responding via the wholesale review, reprofiling and pausing of the programme. The action has been deemed timely and Members of the Resource Allocation Committee have been well-informed of the review throughout the process. Latest monitoring information expects slippage in the programme to continue in 2023-24, but at an improved level - at 27% underspend compared to 47% in 2022-23. The positive direction of travel provides assurance over the effectiveness of the actions being taken, noting that a time lag between the capital review process and financial impact is to be expected. Future years capital forecast is an expected overspend, and the Corporation will need to explore longer term actions it can take to address the overspend, as pausing applications for new bids and cancelling capital plans will not be sustainable in the medium-term. Failing to identify a longer-term solution would have negative implications in the Corporation being able to fulfil Corporate Plan objectives, which currently commit to ensuring that spaces are secure, resilient and well-maintained, communities have the facilities they need, and enterprise is inspired. Each of these commitments is supported by an effective estate – see **Improvement recommendation 5** on page 28. A caveat is noted, that the Corporate Plan expires in 2023 and an updated plan is expected to be developed, as such objectives may change. However, given the nature of the organisation we would expect the estate to continue to feature in some form within the updated objectives.

CITY FUND	Budget 23/24	Current Year Actuals @ 31/09/23	Current Year Forecast @ Q2	Forecast vs Budget in year	Future years budget	Future years forecast	Forecast vs Budget in future years	Total budget vs Total Forecast
BAU Capital and SRP	£m	£m	£m	£m	£m	£m	£m	£m
Subtotal	190.9	27.9	152.0	(39.0)	222.7	217.1	(5.6)	(44.6)
Major Projects								
Subtotal	256.9	50.3	174.3	(82.6)	565.8	643.1	77.3	(5.3)
Total	447.8	78.2	326.3	(121.5)	788.5	860.2	71.7	(49.9)

Despite the pausing of the capital programme the Corporation has acknowledged the need for urgent health and safety capital works to take place across the estate and set aside a £3m contingency to fund these, and separately ringfenced £13m from Major Projects Reserves to support urgent health and safety works at the Barbican, subject to business case approval. Discussions with officers and various reports to members have cited an insufficient repairs and maintenance programme as a concern. We note £30m risk reserves is being released to support urgent health and safety cyclical works, it is vital that these urgent works continue to be prioritised. During 2022-23 Internal Audit completed a review of Corporate Health and Safety – Second Line of Defence which received limited assurance and 3 red-rated, high priority recommendations. It also acknowledged that the Corporation had been issued an Improvement Notice by the Health and Safety Executive in response to an incident where an individual suffered life-changing injuries. The findings of the Internal Audit review focussed on ineffective arrangements by the Corporate Health Safety and Wellbeing Committee to monitor departments' arrangements for identifying, assessing, recording, monitoring, managing or escalating health and safety risks. To ensure that the contingency set aside in the capital programme for health and safety works can be used effectively the underlying governance arrangements to identify and monitor health and safety risks in the estate need to be robust. Internal Audit has confirmed that a new Corporate Health and Safety Business Plan has been developed and includes Corporate Key Performance Indicator targets. Internal Audit expect to undertake a follow up review in 2023-24 which will determine if the governance arrangements are effective and well-embedded, at which point it will be clearer whether there is a risk in relation to health and safety.

An independent strategic review of the City Corporation's health and safety arrangements was undertaken by Quadriga Health & Safety Ltd and reported to Members in January 2024. It provides several recommendations to take forward, aimed at ensuring the underlying governance arrangements in relation to health and safety demonstrate best practice. The outcome of the Corporation's response to these recommendations will not be known until the 2024-25 financial year.

Treasury Management

The City Fund maintains a strong, net investment, balance sheet position consisting of £994.3m in short term investments and cash and cash equivalents at the end of 2022-23. Although this is a reduction on the prior year of £31.1m, there remains 2.16 times more investment assets than current liabilities due within the next financial year, this is considered a strong position. All investments are considered to be liquid and can be realised within less than a year should the Fund require readily available cash.

Financial sustainability

The City Fund does not hold any long-term investments, outside of investment properties from which it receives rental income. There are a few factors behind this decision one of which relates to the need to maintain liquidity to support upcoming major capital projects required under the Authority's increasing capital financing requirement and due to the size of the Authority's Collection Fund. Long-term investments would not be readily accessible but generally have higher rates of return than short-term investments. The Authority, as per CIPFA's Treasury Management Code of Practice, follow the Security, Liquidity and then Yield principles. We note due to the above factors Security and liquidity of the investments have been key priorities, but we note that the City Fund may have the opportunity to increase income from investments by converting some shorter-term balances into longer term products and still maintain a strong current asset ratio subject to the authority's cash requirements over the short term – refer to **Improvement recommendation 6** on page 29.

The Corporation sets its Treasury Management Strategy Statement and Annual Investment Strategy (the Strategy) at the same time as the budget, ahead of each financial year. For 2022-23 and 2023-24 the Strategy gives priority to the security and liquidity of investments, before yield. The Corporation acknowledges within its Treasury Management Strategy Statement and Annual Investment Strategy that it currently manages significant short-term investment balances. These balances are expected to decline in the next few years as the capital programme progresses, a significant level of core cash will persist for the next ten years based on current financial plans.

Prior to 2023/24, the Financial Investment Board (the Board) was responsible for strategic oversight and monitoring of the performance of the City Fund's financial investments, with the Investment Committee having oversight of both this Board and the Property Investment Board. In 2023/24 the Financial Investment Board and the Property Investment Board were merged into the Investment Committee, which then took on responsibility for the strategic oversight and monitoring of the performance of the City Corporation's City Fund and City's Estate investments. The newly constituted Investment Committee first met in May 2023 and meets, every 2-3 months and receives an update on the treasury management portfolio at each meeting.

The 2022-23 Strategy expected that the bank rate would rise incrementally from 0.50% to 1.25% over the medium-term, being 0.75% for 2022-23. The treasury outturn position at the end of 2022-23 noted that the income yield on short-term investments for 2022-23 was 2.13% for City Fund compared to 0.5% in the prior year. Following shocks to the financial market in the UK in September interest rates changed significantly and the rates ended at March 2023 at 4.25% and have continued to rise to 5.25% where they currently remain. We note in this current environment, this does present opportunities to the City Fund to potentially obtain significantly higher income generation from this area, given its high level of short-term investments.

In addition, due to the Authority having previously held shorter term deposits whilst interest rates remained low, the Authority is in a strong position to take advantage of changes in the market subject to the authority's cash requirements over the short term – see **Improvement recommendation 6** on page 29.

Pension Fund

The Corporation is the administering body for The City of London Pension Fund, which is part of the national Local Government Pension Scheme (LGPS). All aspects of the pensions administration service is contained within one team comprised of nine full time equivalent staff, entirely focused on pensions matters.

Investments are made via a range of investment managers selected by the Fund to effectively balance risk, return and diversification. Investments are made in line with the Funding Strategy Statement. The Funding Strategy Statement was updated and approved in February 2023, prior to this a statement was obtained from September 2021. As such, there is evidence this is reviewed with sufficient regularity.

The Corporation has a dedicated Pensions Committee responsible for ensuring compliance with the LGPS Regulations including reviewing strategy, monitoring performance of the Fund, consulting stakeholders and liaising with actuaries and investment managers. The Pensions Committee receives a full suite of information with which to carry out its responsibilities, including presentations from external stakeholders such as the actuary, investment managers and pensions administrators. There is regular performance reporting taken to the Committee to allow members to scrutinise and hold administrators and managers to account as required. Performance is reviewed at least quarterly which is considered an appropriate level of oversight based on the risk register and schedule of Committee meetings, it is in line with common practice at other local authorities.

The investment performance of the Pension Fund is subject to regular monitoring by the City of London's custodian BNY Mellon, City officers, the investment consultant, as well as the Pensions Committee. Performance for 2022-23 is summarised within the Pension Fund Accounts supported by the valuation of the Fund which is undertaken by expert actuaries, Barnett Waddingham. For 2022-23 the Fund was in a net asset position which is positive, amounting to £1,375.4m (31 March 2022: £1,388.1m). The Fund has more assets than anticipated liabilities and so the Fund is affordable.

Financial sustainability

Pension Fund (continued)

The Fund’s primary long-term investment objective is to achieve and maintain a funding level at, or close to 100% of the Fund’s estimated liabilities and this has been achieved for 2022-23. Net returns on investments amounted to a loss of £1.1m (2021-22: gain of £97.8m) before investment management fees of £7.2m. However, this has not impacted the asset position.

Risks in relation to the Pension Fund are included within the overall consideration of risk within the Chamberlain’s department in accordance with the City of London Corporation’s risk management framework. The risks relating to the Fund’s investments and administration are monitored and mitigated separately, documented in the Pension Committee’s risk register. This is presented at least quarterly to the Committee to ensure that Members have appropriate oversight when making pension-related decisions. The risk register contains 13 risks, of which only one is red-rated and considered high risk. This is in relation to the McCloud Remedy and is a national issue which has been unresolved since 2018. On 10 March 2022 legislation was passed to support the implementation of the McCloud remedy, thereby removing of age discrimination from the Fund. However, further guidance and legislation is required before it can be applied directly to the LGPS and as such remains a risk until uncertainty is addressed. This is a national issue which is largely out of the LGPS control.

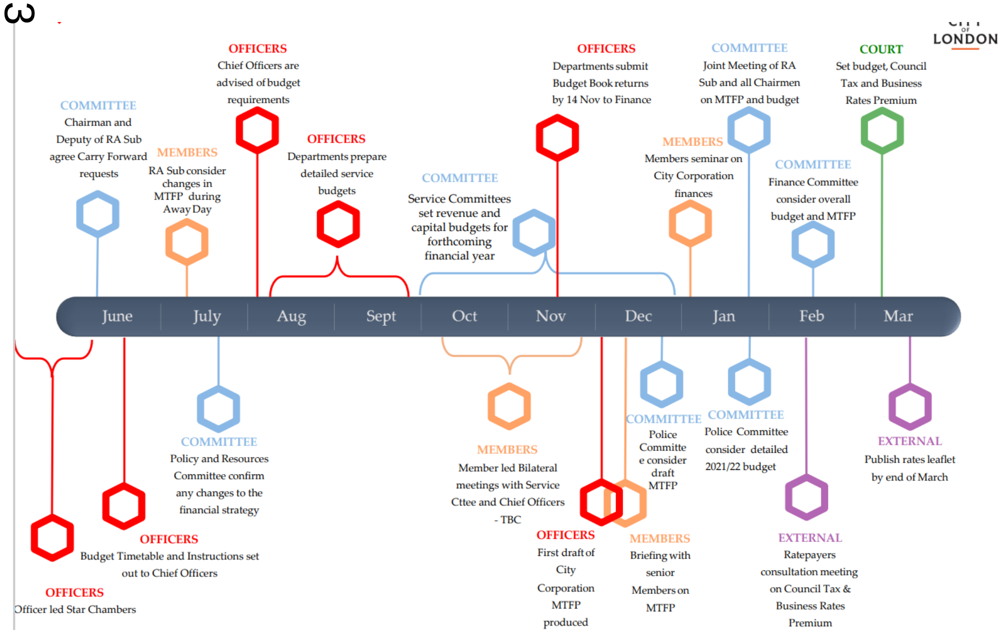
Internal assurance is obtained through regular oversight from the Corporation’s Internal Audit function. The most recent audit of the Pension Fund’s investment arrangements was undertaken in 2019-20 which provided a rating of “substantial assurance” indicating that there was a sound control environment with risks to system objectives being reasonably managed. There is no evidence to suggest a decline in arrangements from review of information taken to committees, the media or discussion with officers.

Financial governance

Budget setting

The budget setting process, and stakeholders involved, has remained consistent with the prior year. The process is formalised in an easily accessed and understood document which clarifies the timeline, milestones, responsible individuals and tasks at each stage. This was last refreshed and presented to the Finance Committee in July 2023 and considered timely to inform the 2023-24 budget setting process. Noted later in this report, there has been significant turnover in the Finance team during 2022-23 and 2023-24 and, as such, the update and communication of the approach ensures that all staff are trained in following the process and it can be applied consistently. The previous process was largely the same as the update, well-understood and no issues with departure from the process have been noted.

The budget setting process commences in June each year with a Star Chambers process. This is a widely used approach within the public sector and allows for engagement of internal stakeholders across all departments submitting their budget proposals, including savings and growth, for detailed scrutiny by relevant officers prior to finalisation. The budget cycle culminates in the final budget being approved by Court of Common Council in March each year. The timeline was fully complied with in setting the 2022-23 and 2023-24 budgets.



Due to the medium-term budget gap identified, when setting the 2022-23 budget and MTFP, it was suggested to Members that an option to identify further savings when updating the budget and MTFP in 2023-24 would be to undertake a zero-based budget exercise. The budget process, historically, has used the roll forward approach whereby the prior year budget is used as a baseline and updated for known changes in funding, income and expenditure and assumptions adjusted for more up to date information. The zero-based budgeting approach starts from a 'zero base' and therefore all income, expenditure and funding assumptions, growth and savings must be justified. The zero-based budgeting approach is well-supported by the Star Chambers process and the approved process for setting the 2023-24 budget had the underlying governance mechanism in place to take this forward. However, we noted from the budget documentation that for 2023-24 the Corporation continued to use the roll forward approach. During the year the Finance team experience significant turnover and use of interims, including in senior roles. The zero-based approach is time and resource intensive and requires more capacity than the roll forward approach. The 2023-24 forecast outturn is positive and the continued use of the roll forward approach has not presented a risk to financial sustainability. However, given that the medium-term outlook continues to be a deficit in the later years of the MTFP, and the anticipated outturn is a surplus (in addition to a planned contribution to reserves), this may suggest that the Corporation could benefit from the zero-based approach when setting the 2024-25 budget and MTFP to ensure assumptions are robust and realistic and savings can be identified to close the medium-term gap. Capacity in the Finance team has improved, and recruitment continues to be prioritised – the Corporation should now review whether capacity is sufficient to support the process – refer to **Improvement recommendation 1** on page 24.

The Corporation continues to include stress testing and scenario planning on its key income assumptions, there is evidence of this within the budget where it is clear more pessimistic scenarios on business rates in particular have been considered. The analysis is undertaken in developing the budget but a full range of scenarios across optimistic, realistic and pessimistic are not presented to Members for the entire budget. Given that the outturn for 2022-23 and forecast for 2023-24 to date are a surplus position the decision not to include detailed analysis reflects the low, short-term risk. Should that risk change, the Corporation may consider including more detailed analysis in their budget documentation to assist decision makers in their understanding of the financial outlook.

Financial governance

Budget monitoring

The Corporation effectively monitors financial performance via its Revenue Budget Monitoring reports which are reviewed quarterly by the Finance Committee for the City Fund. The information presented in a detailed appendix ensures that members are made aware of latest budget, forecast outturn position and variances at City Fund Level and by individual department. Despite a surplus outturn position for 2022-23 and forecast surplus for 2023-24 this approach allows Members to identify overspends within the position, hold relevant officers to account and take corrective action in a timely manner to improve the year-end position. The information is reported to Members in an easily digestible format which includes narrative focusing on the most significant variances, graphical representation of trends in the data and tables of figures focusing on key income or expenditure streams. This approach ensures that Members are provided with a full suite of information with which to make decisions.

Stakeholder engagement

It is clear from the budget setting process that internal stakeholders are involved at each stages of the process. Internal stakeholders include officers within individual departments, Members, committees and the budget is ultimately approved by the Court of Common Council. There is evidence that external experts are also consulted as required, for example the use of Treasury Advisors to inform assumptions in relation to cash, borrowings and investments.

The process starts with individual departments developing their individual budget proposals and report these to their relevant committee for scrutiny by members, before being finalised and included within the City Fund budget. Initial proposals take place in December and allows sufficient time for challenge before the City Fund budget is approved. The final budget is sighted by members of the Finance Committee, the Resource Allocation Sub-Committee and the Chairs of Service Committees before approval by the Court of Common Council. This three-pronged approach is deemed to be robust and internal consultation is extensive.

There is no evidence of a formal public consultation taking place in relation to the annual budget, as is commonplace at other local authorities due to the legal requirement to consult. The budget process map confirms that in February each year, prior to approval of the budget, council tax and business rates payers are invited to a consultation meeting.

Residents are able apply to receive notifications from the Corporation, those that partake in this service are sent a paper consultation form to enable them to provide feedback in relation to the budget. Residents are also able to attend public committee meetings and share feedback via this route. It has been noted that there is limited uptake of either route, likely a factor of the low resident numbers in the locality. These measures, coupled with the informal meeting, ensure that the Corporation is meeting the minimum standards in obtaining public consultation in relation to the budget. However, to ensure that the benefit of resident feedback can be maximised the process could be improved, with the caveat that consultations are time-consuming and costly and therefore the approach should balance the cost and the benefit.

The Corporation publishes its active and past consultations on its website, review identified that the Corporation has undertaken 10 formal consultations since July 2021, which is relatively low. Therefore, in reviewing the consultation process in relation to budgets the Corporation may also consider the sufficiency of its wider consultation activities, again seeking to achieve a balance of cost and benefit in doing so – refer to **Improvement recommendation 7** on page 30.

Capacity

At the start of 2022-23 the Finance Committee recognised an amber-rated risk within its risk register associated with the impact implementation of the Target Operating Model may have on staffing and knowledge retention. In November 2022 the risk score was revised and increased, but remained amber-rated as vacancies emerged within the Finance team which were above the level that could be supported internally. By January 2023 the risk was escalated to a red-rated risk due to the resignation of an Assistant Director position placing considerable pressure on existing staff. The risk was further exacerbated by the departure of the Chief Accountant shortly after. Mitigations were mobilised which involved the use of temporary interim staff to fill these key positions, and other supporting roles, within the Finance team. By November 2023 sufficient mitigations were in place which allowed members to approve the reduction of the risk to amber following successful recruitment and fulfilment of the Assistant Director role and vacancies across financial services, enabling the realignment of workloads and decreased the likelihood that the service will fail to deliver its objectives. The Learning and Education Board was reinstated in July 2023 to support new, and existing staff, in undertaking their roles to minimise knowledge loss.

Financial governance

During September 2023 interviews were held for the Chief Accountant post and was successfully appointed, with an expected start date in January 2024.

Discussions with officers have suggested that vacancies within the Finance department were approximately 28 FTE at April 2023, including two key officer roles. The Finance Committee and Corporate Services Committee received confidential reports on this vacancy position in April 2023. Finance Committee received a further report in September 2023 and verbal updates have also been provided to Audit and Risk Management Committee. Given the associated risk consistent formal monitoring would have been beneficial to facilitate closer oversight, however we acknowledge that Members have been updated verbally to ensure awareness of the position – refer to **Improvement recommendation 8** on page 31.

The audits of the Corporation's accounts for 2020-21 to 2022-23 were delayed. The 2020-21 Statement of Account were approved by Members in December 2021 but due to a national technical accounting issue regarding infrastructure asset accounting completing the audit was delayed. Following resolution BDO completed and signed the audit opinion of the 2020-21 accounts in November 2023. This had an impact on the ability of Grant Thornton to complete the 2021-22 audit given the need to have assurances over the opening balances of the 2021-22 Statement of Accounts. The audit of the draft 2021-22 accounts commenced in November 2022 but due to the delays in relation to 2020-21, the need for updated actuarial reports and ongoing discussions on certain accounting treatments, the was audit completed and signed on 7 December 2023. At the time of writing, the 2022-23 audit is near completion and planned to be signed in February 2024.

Although Finance team capacity was identified as a challenge, other factors contributed to the delays in completing prior year audits of the financial statements. The Corporation has responded to their capacity challenges by prioritising recruitment of key finance team members and sourcing temporary external staff to support the process. The Finance team has been able to support the audit process to enable the outstanding audits to be signed in quick succession, clear the backlog, and resume the expected audit timeline for 2023-24. The Corporation will need to ensure future resilience of the Finance team by undertaking a detailed review of the required establishment and developing succession planning tools to avoid similar risks in future – refer to **Improvement recommendation 8** on page 31.

We note that the audit opinions for 2020-21 and 2021-22, where accounts preparation and audit process took place during the period of Finance team vacancies, were unmodified and therefore positive. We also plan to issue an unmodified audit opinion on the 2023-23 Statement of Accounts, as such, capacity has not impacted quality of the financial information.

The use of agency, consultancy and external temporary staff to bridge gaps in skills, experience and capacity comes at a higher cost to the Corporation than salaried employees. Expenditure on contingent labour in 2021-22 was £12.4m, 4.02% of the pay bill. Overall spend for 2022-23 is forecast to be in the region of £14.5m which amounts to a 14% increase in spend compared to 2021-22. Although this is a Corporation-wide figure vacancies in the Finance department has contributed to the increase, we also note that agency spend in relation to the Finance department was communicated via the confidential reporting noted. The overall increase in agency usage does highlight potential gaps in capacity, expertise or knowledge elsewhere in the Corporation. Recruitment and retention of staff is common issue being observed across the sector, leading to widespread agency usage.

We were unable to obtain information in relation to the vacancy factor associated with other departments and given the cost implication we believe Members of the Corporation would benefit from regular reporting on vacancy rates, agency spend rates and remedial action at Corporation-wide level to allow them to scrutinise, challenge and hold departments to account until the challenge has been fully addressed. – refer to **Improvement recommendation 8** on page 31. In the meantime, to help control spend in this area the Corporation has put in place additional controls from 1 May 2023 such as a documented approval process, limits on placement length, delegated responsibility for approval, monitoring controls and use of approved procurement routes only. The effectiveness of these measures will not be known without effective reporting of agency spend and vacancy rates and therefore the recommendation is supported.

We are aware from discussion with officers that the Corporation are in the process of developing a People Strategy. This provides the opportunity to develop a supporting Workforce Plan which will estimate the required establishment and associated cost for future years to ensure that the Corporation has the appropriate establishment to deliver its services effectively, can plan, and control, the cost of this – see **Improvement recommendation 8** on page 31.

Conclusion

Overall, although we have identified areas for improvement in arrangements, these represent actions to be taken to ensure best practice in ensuring financial sustainability and do not represent any risks of significant weakness in current arrangements. The Corporation's financial arrangements remain fit for purpose.

Improvement recommendations

Improvement recommendation 1 – Budget setting	The Corporation should update the budget setting process to: • Provide additional detail to Members, specifically in relation to assumptions and risks. • Consider applying the zero-based budgeting approach when setting the 2024-25 budget and MTFP.
Improvement opportunity identified	More detailed information on the assumptions included in the budget allows decision makers to review, challenge and request adjustments, as required, to ensure assumptions are robust and realistic, based on information available at the time. Particularly for internal risks within the Corporation's control, decision makers would benefit from being able to quantify the potential risk to assess if contingencies and reserves available to respond are sufficient. As such, there is the opportunity to review internal risks related to the budget setting process for completeness and financial impact. The zero-based budgeting approach starts from a 'zero base' and all income, expenditure and funding assumptions, growth and savings must be justified which presents opportunities for efficiencies to be more easily identified.
Summary findings	Limited information in relation to business rates and council tax collection rates, inflation and pay award assumptions was observed in the budget setting documentation reviewed by the Finance Committee, Policy and Resources Committee and the Court of Common Council. Although risks to achievement of the budget have been identified there is limited information as to their potential impact, quantitative or qualitative, and evidence to suggest additional potential risks exist that have yet to be considered. Due to the medium-term budget gap identified when setting the 2022-23 budget and MTFP, it was suggested to Members that an option to identify further savings when updating the budget and MTFP in 2023-24 would be to undertake a zero-based budget exercise.
Criteria impacted	Financial sustainability
Management comments	*The Corporation's budget papers for 2024/25 have just been prepared and are on the agenda for review by Finance Committee on the 20th February. Within these reports there are specific references to the key areas of assumption and risks within the forecasts, although these do not fully address the areas highlighted by the auditors. Management have noted the recommendation and will ensure future reports are reflected with additional information.* *As the 2024/25 budget setting process is already complete there is therefore no time to consider a zero-based approach for this year. However, a review of the current process is beginning in advance of the 2025/26 process. A full zero-based approach can also lead to overinflation of budgets and are a considerable pressure on an organisation to complete in sufficient detail. It is therefore expected that the 2025/26 process will be an iterative budget process, building and learning from the current position. Key material areas will however be subject to move in depth scrutiny to ensure budgets are appropriate and the projections of the key drivers of costs and income are reflected in the budgets. Additionally, in light of the maturing approach to risk across the organisation, the risk assessment for the 2025/26 budget setting process will be broadened to encompass a wider spectrum of potential risks and their impacts.*

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Improvement recommendations

Improvement recommendation 2 – Savings	The Corporation should prioritise developing a savings and efficiency plan as a successor to the Target Operating Model (TOM) and supporting programmes. In doing so the Corporation should: • Ensure the programme focuses on transformation and considers income generation opportunities alongside cost savings. • Continually review newly established governance arrangements for monitoring efficiency projects to ensure they remain fit for purpose and develop as the programme expands
Improvement opportunity identified	The TOM has concluded, however savings and efficiencies remain a vital tool in the budget setting process to ensure financial sustainability can continue to be achieved in the medium-term.
Summary findings	The TOM has concluded, and the savings realised as permanent, recurring efficiencies. However, the latest MTFP demonstrates budget gaps which are currently unaddressed in 2025-26 and 2026-27. At present there is limited evidence to suggest there is a succession plan to the TOM, therefore as it stands medium-term gaps would likely need to be met from reserves. The TOM, Fundamental Savings Review and 12% flat rate savings target have likely exhausted savings through 'salami slicing' of budgets. The Corporation has set up a Savings Working Group during 2023, as part of the RPR, to aid the development of the next phase of efficiency planning, the working group will also investigate income generation opportunities. There is also an Efficiency and Performance Committee, who are a sub-committee of the Finance Committee, responsible for the better performance of the Finance Committee's duties in the areas of efficiency and performance, taking a monitoring role. The Committee was repurposed into an Efficiency and Performance Working party, who met twice 2023/24 following approval of their role by the Finance Committee. The Corporation previously had a TOM Programme Team, an operational level team, in place to facilitate co-ordination and provide capacity to deliver the programme. An Operational Property Board and Income Generation Working party have been established in 2022 and 2023, respectively, to co-ordinate these key workstreams of the RPR. These provide co-ordination arrangements.
Criteria impacted	Financial sustainability
Management comments	*The Transformation Framework is currently under development, with a focus on:* • *Delivering financial efficiencies, and* • *Increasing financial value-add across the City Corporation* *This will be delivered through nine proposed workstreams (which are currently under review by ELB) under the Four pillars of the Transformation framework:* • *Organisational Excellence* • *Innovative Collaboration* • *Entrepreneurial Spirit* • *Raising our Game*

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Improvement recommendations

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Management comments

Two examples of Transformation workstreams already in train focused on cross-corporation income generation are as follows:

1.The Operational Property Review, which aims to:

- *Define an incentivisation scheme for Chief Officers/Service Committees to pursue opportunities aligned with Corporate Priorities, even without sufficient funding.*
- *Review and optimise property utilisation, aiming to reduce the number of properties owned/occupied by the City of London Corporation (CoLC).*
- *Identify opportunities to reduce property running costs and achieve annual cost reductions.*
- *Maximise financial returns on each property.*

2.The Income Generation workstream of Transformation involving:

- *Advertising plan A review has been completed of the Square Mile and is moving into implementation phase. Phase 2 includes a review of Open Spaces and both advertising and sponsorship potential*
- *An IPR strategy in early design stages to maximise income generation from licensing opportunities and protection of our own IPR*
- *A Retail strategy is in the design phase, which aims to embed retail best practice across the city-corporation through process efficiencies and develop a strategy to maximise revenue*
- *An agency has been engaged to develop a Sustainable Lord Mayor's Show, looking to generate year-round interest and revenue through exhibitions and smaller-scale events*
- *Maximising film income, building on our success in this space where a team of two brought in over £1.3m in 2022 and potential for further enhancing this income through film-related tourism*
- *Development of a Commercial Opportunities Group to drive a commercial culture across the organisation*

The Efficiency and Performance Working Party continues to provide direction and coordination of Transformation, income generation and efficiency activity at the City Corporation.

There is already a Transformation Team at the City of London with four team members (soon to be five). The team will likely bring in a delivery partner to assist with the delivery of the ambitious transformation programme that is currently in design.

Improvement recommendations

Improvement Recommendation 3 – HRA revenue	The Corporation should review its arrangements for monitoring the HRA including reviewing performance more frequently, more detailed information provided to Members regarding performance and monitoring consistently undertaken by the most relevant committee.
Improvement opportunity identified	An increased level of oversight by Members of the Community and Childrens Services Committee will allow decision makers to take corrective actions in a timely manner as they occur.
Summary findings	Members were presented with the HRA 5-year forecast in July 2022 which projected that the HRA would go into deficit by the end of 2023-24, reaching £1.281m deficit by 2026-27. This position has been updated as new information has become available and assumptions updated. An improved position eradicates the predicted deficit but a low level of reserves in the initial years of the HRA is expected, with a 2023-24 forecast balance of £0.301m. Therefore, the position is highly susceptible to unanticipated or volatile changes in assumptions. HRA finance has been established as a red-rated risk on the Chamberlain's departmental risk from November 2023. Including the risk on the register does ensure there is greater oversight of the risk however, the risk register is maintained by the Finance Committee, with financial reporting on the HRA overseen by the Community & Childrens Services Committee. There is a risk the information is not being overseen by the appropriate committee.
Criteria impacted	Financial sustainability
Management comments	*The Housing Revenue Account (HRA) 30-year Business Plan sets out the long-term financial position of this ring-fenced account. Whilst the HRA Business Plan is for a period of 30 years, the key focus is on the medium-term (five years) as there is more certainty on costs, demands, resources and pressures, to enable the prioritisation of housing investment.* *Members receive an annual update with recommendations as to any amendments to the Plan that may be required in the medium-term five-year forecast horizon.* *Children and Community services are the main committee for action on all aspects of the HRA - Finance Committee scrutinise the financial risk and ensure we are bringing into balance.*

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Improvement recommendations

Improvement recommendation 4 – HRA capital	To improve efficiency in the HRA Capital Programme the Corporation should: • Shift the focus of the repairs and maintenance programme to a more proactive and pre-planned approach to address the overspends. • Develop a forward-looking Housing Strategy, covering the same planning horizon as the HRA, and an Asset Management Strategy for the housing stock. • Undertake an external review of the cost base and/or remodelling to identify savings in the medium-term and boost the HRA and MRR reserve positions further.
Improvement opportunity identified	The approach to repairs and maintenance of the housing stock has been a reliance on emergency, reactive and costly repairs attributed to an ineffective repairs and maintenance contract and under-investment in the programme in prior years. A pre-planned cyclical approach to these works would identify and make improvements at an earlier stage and prevent costly emergency works. Both the Housing Strategy and Asset Management Strategy are key strategies that will allow the Corporation to plan ahead for future housing numbers and required cyclical improvements in advance, with the aim of saving additional costs of expensive emergency repairs. Although an improvement in the medium-term outlook has been achieved following an update of the 5-year HRA forecast this has been achieved without a remodelling or formal review exercise, as such an opportunity remains to identify further savings from this exercise. This exercise is an opportunity to maximise efficiency, and financial sustainability, of the HRA capital programme.
Summary findings	For 2022-23 the HRA capital programme forecast £20.5m of expenditure, however, slippage led to a year-end outturn of £17m. Despite the overall underspend repairs, maintenance and improvements costs, specifically, were overspent by £0.654m. This trend is expected to continue in 2023-24. The increased expenditure was driven by increased demand for breakdown and emergency repairs and is therefore suggestive of a repairs and maintenance programme which is reactive in its nature, as opposed to proactive in addressing housing quality issues before they escalate. There was no evidence of either a Housing Strategy or Asset Management Strategy in place for 2022-23. We have been made aware that the new management team within Community and Childrens Services are currently progressing these. When setting the July 2022 5-year forecast for the HRA the Corporation considered its options improve the expected HRA position, as a result of the pressures of the capital programme. Alongside these options it was suggested that an external review should be carried out to suggest areas of potential savings to enable longer term remodelling of the HRA and ensure its ongoing financial viability. There is no evidence that a formal review has taken place.
Criteria impacted	Financial sustainability
Management comments	*Explanations noted for the Improvements & recommendations identified in HRA Capital. The Asset Management strategy will reflect the longer-term direction for the management and maintenance of our assets.*

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Improvement recommendations

Improvement recommendation 5 – Capital programme	There is the opportunity to review governance arrangements in place to monitor and project manage all projects within the capital programme to avoid the need to pause it in future years. The review of arrangements should consider: • Developing an updated, robust project framework to take capital projects from initiation all the way through to completion managed by a dedicated Project Management Office (PMO). • Providing training within the updated framework to ensure compliance and consistent application. • Exploring longer term actions it can take to address the overspend expected in the medium-term capital programme as pausing applications for new bids and cancelling capital plans will not be sustainable in the medium-term. • In developing a new Capital Oversight Board, the Corporation must ensure that there is no duplication of responsibilities between the existing Capital Buildings Board, any new Board, Finance and the operational project management teams.
Improvement opportunity identified	Slippage in the capital programme and a backlog in gateway reviews is suggestive of a lack of pace, capacity, expertise, underlying governance and/or leadership within the relevant project teams to progress projects following approval in principle. Slippage in the capital programme itself also suggests management of projects once they have commenced could also be improved. Failing to identify a longer-term solution would have negative implications in the Corporation being able to fulfil the objectives within its Corporate Plan, which currently commits to ensuring that spaces are secure, resilient and well-maintained, communities have the facilities they need, and enterprise is inspired. Each of these commitments is supported by an effective estate.
Summary findings	The capital programme has experienced slippage in recent years and there is a backlog in moving from approval in principle to having a gateway review undertaken, to reach an appropriate point in the gateway review or have appropriate supporting project plans in place to allow Members to permit the release of funds for the projects. Internal Audit carried out a review of Compliance with the Project Management Framework, giving limited assurance. The review found non-conformance with the procedure. Expectations on how to consistently apply the procedure have been clarified since the Internal Audit review. As a result of ongoing slippage in the capital programme, and a risk identified in relation to rising inflation rates, members approved a pause in the programme for 2023-24, whereby no new bids for capital investment would be permitted in 2023-24 but would resume from 2024-25 onwards. The Corporation plans to develop a new Board with the purpose of overseeing capital activity. The Corporation has an existing Capital Buildings Board whose remit is management and oversight of major capital building projects. It is imperative that in developing a new Board the Corporation ensure that there is no duplication of responsibilities between the existing Capital Buildings Board, any new Board, Finance and the operational project management teams. There is the opportunity to review governance arrangements in place to monitor and project manage all projects within the capital programme to avoid the need to pause it in future years.
Criteria impacted	Financial sustainability
Management comments	*The Corporation is implementing a portfolio management approach to ensure effective governance and oversight of all projects across the entire project lifecycle. This will ensure visibility of project performance and risks and enable swift corporate action to address any issues such as slippage and to proactively manage costs. The new approach also includes roll out of an enterprise wide portfolio management system and refreshed Project Management Academy providing a comprehensive learning and development mandatory offer for all officers involved in project delivery.*

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Improvement recommendations

Improvement recommendation 6 – Treasury management	The Corporation should continue to review its investment portfolio to ensure that it is maximising returns that can be generated within its Treasury Management Strategy in light of increasing interest rates.
Improvement opportunity identified	Long-term investments, although not readily accessible, have higher rates of return than short-term investments. The City Fund has the opportunity to maximise investment returns, investing monies for longer terms while rates are high, as the Corporation's Treasury Advisers predict that rates will fall in the medium term. This can be achieved whilst continuing to maintain a strong current asset ratio subject to the authority's cash requirements over the short term
Summary findings	The City Fund does not hold any long-term investments, outside of investment properties from which it receives rental income given rising interest rates at the year end this provides the Authority an opportunity to have significant income generation from these Investments going forwards.
Criteria impacted	Financial sustainability
Management comments	Whilst Management notes the recommendation, the Authority must follow CIPFA's Treasury Management Code of Practise which prioritises security and liquidity over yield. In addition, the Authority has a major project programme that needs to be funded over the short to medium term. The Treasury Management Strategy allows for investments up to three years and, as at the 31 March 2023 (when the Bank Base rate was 4.25%) all fixed term deposits were for 12 months or less. Keeping the fixed term investment to under 12 months has allowed officers to capture the upside of the successive increases in the Bank Base Rate. During 2023/24 the authority did enter into a three-year fixed term deal at very competitive rates (when the Bank Base Rate was 5.25%). Whilst officers will look for suitable opportunities to invest over the longer term, the primary objectives will remain the security and liquidity, to meet the funding needs of the Authority over the short to medium term.

Improvement recommendations

Improvement recommendation 7 – Stakeholder engagement	The Corporation should explore ways to increase, and maximise, resident feedback.
Improvement opportunity identified	Resident feedback on the budget, and other operations, provides beneficial insight from the users of those services that can be used to achieve improvements and efficiencies.
Summary findings	The Corporation is meeting the minimum standards in obtaining public consultation in relation to the budget. However, to ensure that the benefit of resident feedback can be maximised the process could be improved, with the caveat that consultations are time-consuming and costly, and therefore the approach should balance the cost and the benefit. The Corporation publishes its active and past consultations on its website, the Corporation has undertaken 10 formal consultations since July 2021, which is relatively low.
Criteria impacted	Financial sustainability
Management comments	*The Corporation is undertaking work to ensure that its communications and consultations with residents are streamlined, co-ordinated and reach as many residents as possible as cost-effectively as possible. A key part of this is ensuring that we are able to contact far more residents by email than currently for consultation and communications purposes, while recognising the value of in-person engagement.*

Improvement recommendations

Improvement recommendation 8 – Capacity	The Corporation should seek to respond to the staffing and capacity challenges it has faced in 2022-23 as a result of the Target Operating Model (TOM) by: • Ensuring regular Member oversight of vacancy rates, agency spend and mitigating actions Corporation-wide until the impact of the TOM has been addressed. • Undertaking a detailed review of the required establishment, for the Finance team, and developing succession planning tools to avoid future capacity challenges. • Developing a Corporation-wide Workforce Plan, to support the People Strategy.
Improvement opportunity identified	Forward planning and effective monitoring of the establishment, and changes in that establishment, will allow the Corporation to proactively manage capacity constraints and react in a timely manner where these are unanticipated.
Summary findings	Vacancies within the Finance department were approximately 28 FTE at April 2023, including two key officer roles. The Finance Committee and Corporate Services Committee received confidential reports on this vacancy position in April 2023. Finance Committee received a further report in September 2023 and verbal updates have also been provided to Audit and Risk Management Committee. The Chamberlain's risk register to Finance Committee is updated monthly - highlighting any changes. The Corporation is in the process of developing a People Strategy, high level strategies such as this are commonly supported by a detailed Workforce Plan which will estimate the required establishment and associated cost for future years to ensure that the Corporation has the appropriate establishment to deliver its services effectively, can plan, and control, the cost of this.
Criteria impacted	Financial sustainability
Management comments	*The wash up and finalised TOM closing report will address the issues that were faced with capacity in 2022/23. The People Strategy and implementation of the ERP system will as part of workforce planning enable departments to understand their workforce profiles including vacancy rates. Quarterly dashboards will be shared with departments and to members during the committee cycle. The 2024 review of the People & HR function and structure will when signed off and implemented ensure that the Strategic People Partners are aligned to departments and able to identify areas of capacity challenge and strategic risk. However, since TOM overall turnover has reduced from 14% in 2022 to 9.90% in January 2024.*

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We considered how the Corporation:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management

The Risk Management Policy and Strategy, approved in May 2021, remains in place. We would expect a key policy, such as this, to be reviewed and updated to ensure it remains fit for purpose every 3-5 years, or when a significant change takes place within the organisation. The current policy remains appropriate and relevant to 2022-23. It continues to use a well-understood and established 4x4 matrix scoring and RAG (Red, Amber, Green) rating system, which is applied consistently across operational and strategic risks.

Responsibility for oversight of the Strategy and Policy remains the responsibility of the Audit and Risk Management Committee, who also play an integral role in reviewing risks throughout the year. The Committee receives risk updates at least quarterly, which is sufficiently regular based on their risk profile, risk appetite and common practice. The updates focus on the highest rated (red) risks from departmental risk registers, which represent operational level risk, and all risks within the Corporate Risk Register, which represent strategic level risks impacting the ability of the whole organisation in meeting its goals. This clear distinction between the two types of risk is important and ensures that actions taken to mitigate them are tailored to the differing nature of the risks, leading to more effective management of those risks.

The Audit and Risk Management Committee fulfil their role related to risk effectively. In addition to reviewing the Corporate Risk Register Members also request specific 'deep dives' throughout the year. This has continued in 2022-23 and a range of topics have been covered, with no repetitiveness observed, and aligned to amber- and red-rated risks on the register. A total of five deep dives were completed in the year, this is considered to provide an extensive and comprehensive understanding of risk when combined with the regular risk reporting. A change to arrangements in 2022-23 means that these 'deep dives' are now carried out by Internal Audit, providing an additional level of assurance and expertise and increasing the level of reliance that Members can place on the findings.

There is evidence that risks within the Corporate Risk Register, and 'deep dives' are well discussed by Members of the Committee who seek clarity, challenge risk scoring, ask for further information and schedule additional deep dives, as required, into key areas of risk. Members are effective in their role of holding officers to account.

In addition to reporting of operational risks at the Audit and Risk Management Committee, individual departmental risk registers are maintained, and these are scrutinised quarterly at their relevant departmental committees. As such the most significant operational risks are subject to a heightened level of review and increased levels of accountability. The departmental risk registers inform the strategic risk register and there is a clear line of reporting and link between the two types of register.

Members are presented with a Corporate Risk Register summary and detailed appendix to ensure that their attention can be focused on key issues, balanced with transparency of the full range of information regarding each risk. There are some minimum standards we would expect to be met in an effective risk register:

- relevant key controls and sources of assurance are set out
- they are RAG-rated, including impact and likelihood
- they are mapped to corporate objectives
- they are allocated to a responsible senior officer
- direction of travel for each key risk is provided

The current format of the register fulfils each of these requirements, and provides additional information above these minimum expectations, with the exception of a clear mapping to the relevant corporate objective which is not included. The Corporation is in the process of developing a new Corporate Plan, which will revise objectives, and so provides an opportunity to link risks to revised objectives once developed – refer to **Improvement recommendation 9** on page 39.

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We would expect between 10-20 risks to be included within a Corporate Risk Register to reflect the size and nature of the organisation whilst also ensuring all risks are strategic and a manageable number to facilitate meaningful discussion on each risk. This has been achieved as we have observed 15 risks at the end of 2022-23, increased from 14 at the start of the year. The number of risks and risk scores have been reviewed at each Committee meeting, with adjustments made demonstrating that members are effectively ensuring risks remain reflective of the environment the organisation operates within.

From our knowledge of the Corporation, Internal Audit reviews and discussions with officers we would expect certain key themes to be covered within the Corporate Risk Register such as:

- financial sustainability of the City Fund
- financial sustainability of the HRA
- impact of the TOM on recruitment and retention of staff
- slippage in the capital programme
- climate change
- project management
- health and safety
- repairs and maintenance of the estate (including housing)
- ERP system implementation

Most of these risks are included within the register with the exception of the ERP system implementation (we review this further in the 'Improving economy, efficiency and effectiveness' section of the report), as such the Corporate Risk Register should be reviewed to ensure it is complete based on current circumstances – refer to **Improvement recommendation 9** on page 39.

The register details performance against the overall target risk appetite of the organisation each time it is presented. The Corporation has been consistently demonstrating risk above appetite throughout 2022-23 and 2023-24 to date which suggests that additional work may be needed to understand the cause to review of risk appetite, ensuring it remains realistic or implementing additional mitigations to reduce risk levels. We note that the risk appetite has separately been identified as a key deliverable for 2023-24 for the organisation – refer to **Improvement recommendation 9** on page 39.

As part of the Target Operating Model (TOM) oversight of risk management moved from Internal Audit to the Corporate Strategy and Performance Team (CSPT) in the Deputy Town Clerk's Department on 1 April 2022. The change allows the Corporation to develop its internal risk management culture and ensure clear alignment with strategic objectives due to their wider remit and overall organisation viewpoint. Prior to the transfer from Internal Audit to deliver these objectives, the CSPT was re-purposed, and a new post of Chief Strategy Officer (CSO) created (reporting directly to the Town Clerk/Chief Executive), appointed in June 2021. Wider officer roles and responsibilities for risk management were reviewed as part of the TOM and presented to the Audit and Risk Management Committee in May 2022 to ensure clarity and consistency of application following updates to the process.

Internal Audit

Internal Audit services continue to be provided by an in-house team at the Corporation, with their role, remit and line of reporting unchanged from prior year. The Audit and Risk Management Committee receive updates at each meeting from the Head of Internal Audit in relation to the findings of specific reviews completed, follow up reviews and updates regarding progress of recommendations.

Internal Audit completed 20 reviews for 2022-23 covering Finance, key systems, IT, Programmes and Projects, risk management, safety management and corporate priorities. There is a clear link between the reviews undertaken, the Corporate Risk Register and the Corporate Plan and, as such, the planned reviews were well-designed to provide effective assurance on areas of particular importance to the Corporation meeting its objectives. We noted a reduction in the number of reviews undertaken compared to 2021-22, where 36 reviews were completed. Financial pressures and organisational redesign have impacted the level of resource available for Internal Audit work, as the team continue to recover from vacancies which occurred in the prior year due to the impact of the Target Operating Model (TOM) on the team. Priority has been given to work which most directly informs the annual opinion and therefore, despite the reduced resources, there continues to be appropriate coverage of key areas of operations, objectives and risks. This approach fulfils the minimum standards required to provide a year-end opinion. However, should Members require more wide-ranging assurances further investment in the Internal Audit team, in terms of upskilling, more extensive recruitment exercises or increased number of posts, will be required to increase capacity – refer to **Improvement recommendation 10** on page 40.

Governance

Simultaneously, additional responsibilities have been placed on Internal Audit to assist with 'deep dive' exercises associated with the Corporate Risk Register. Although this is beneficial to the level of assurance these exercises provide, while Internal Audit capacity is reduced, the Corporation may wish to review whether the current remit of Internal Audit responsibilities is appropriate – see **Improvement recommendation 10** on page 40.

Internal Audit is required to comply with the Public Sector Internal Audit Standards in providing their services. In line with the standards the Head of Internal Audit must develop an Internal Audit Plan to determine the reviews that will be undertaken within the year in order to provide necessary assurances and provide an opinion on the system of internal control at year-end. To comply with the standards the Plan must:

- be developed at least annually
- include reviews based on risks and business objectives, determined by a documented risk assessment process
- be formally documented
- include information on how the plan will be delivered and resourced
- include how the internal audit service will be delivered
- include input from, and be formally approved by, senior management and Members
- significant interim changes to the plan must be communicated to senior management and Members for review and approval

Internal Audit presented a formally documented, indicative programme of work to the Audit and Risk Management Committee for approval in January 2022, to be implemented from April 2022. The Plan is well-aligned to objectives and risks within the Corporate Risk Register and has a clear prioritisation methodology. As such, many of the requirements of the Standards have been met. However, due to a change in approach to planning developed by the Internal Audit service, the initial programme of work covered 6 months, as opposed to the annual plan required, with a commitment to review and update quarterly. The aim of this approach is to ensure fluidity and responsiveness of the plan to emerging risks, however a formalised annual plan does not prevent such changes being made to the plan via quarterly Internal Audit updates to the Audit and Risk Management Committee.

The updates presented in-year have included limited information on, and haven't sought approval for, changes in the planned reviews for 2022-23 despite changes being made since the initial work programme was approved. At year-end 20 reviews were completed, the same number planned for a 6-month period, with differences in the specific reviews noted. This is due to capacity issues leading to a re-prioritisation of audits as opposed to a change in risk, predominantly. The Committee was not informed of this until the year-end Head of Internal Audit Opinion. In addition, we have not identified an indicative number of days, or information in relation to the resourcing of individual audits, within the initial plan. This is vital in ensuring that the Plan can be fulfilled with available resource, or alternative capacity sought, and there is transparency to Members so they can hold Internal Audit to account should the planned service level not be fulfilled. The Corporation should work with Internal Audit to ensure that the Audit Plan is fully PSIAS compliant – see **Improvement recommendation 10** on page 40.

In accordance with the requirements of the PSIAS, the function must undertake an External Quality Assessment of its compliance with the standards every 5 years. This is supported by an annual self-assessment in intervening years. The annual self-assessment for 2022-23 has been completed and confirmed that the Internal Audit function conforms with the requirements of the standards. The External Quality Assessment was due to be completed by March 2023 to comply with requirements. This was delayed and was undertaken in May 2023, reported in June 2023. The assessment confirms that Internal Audit generally conforms with the standards, this is positive and ensures minimum standards are met but areas for improvement were noted.

Of the 20 reviews completed, three of these resulted in a rating of 'limited assurance', which is a low level of assurance requiring improvement, in relation to Barbican Estate, Project Management and Health and Safety. Our work has reviewed these areas and noted that whilst improvements are required actions have been, or are in the process of, being taken to respond. The number of limited assurance reviews has reduced since prior year when four areas received this rating, as such there is a positive direction of travel. Although, as a proportion of the total number of reviews completed in-year, the position has deteriorated slightly from 11% of reviews receiving 'limited assurance' in 2021-22 to 15% in 2022-23. Therefore, the Corporation should seek to assess if the issues are more pervasive than the areas reviewed and respond at Corporation-wide level – see **Improvement recommendation 10** on page 40.

The 2022-23 reviews resulted in 51 recommendations raised by Internal Audit. All recommendations are followed up by Internal Audit and services re-reviewed, several times if required, to provide assurances over effectiveness of controls and quality. Of the recommendations raised in 2022-23 19 remain outstanding at year-end following a first review. Internal Audit has undertaken a high-level review of the recommendations made and not highlighted any common or recurring themes which would be indicative of pervasive control issues. Issues, particularly in relation to 'limited assurance' reports

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relate to inconsistent or incorrect application of controls rather than lack of controls, policies or procedures. This suggests a requirement to review training needs across the Corporation, particularly given the capacity and turnover challenges highlighted within this report – refer to **Improvement recommendation 11** on page 41.

Overall, the Corporation has approximately 100 Internal Audit recommendations at the end of 2022-23, 51 of these relate to unaddressed recommendations from prior years. Although there has been a positive and timely response noted to the majority of recommendations raised in 2022-23 there is a slower response rate to prior year recommendations, creating a backlog. The Corporation should prioritise responding to older recommendations, effectively facilitated by a formal action plan and tracker produced by Internal Audit and overseen by Members, to increase progress towards achieving the recommendations and holding officers to account where actions are not observed – refer to **Improvement recommendation 10** on page 40.

The Head of Internal Audit's opinion is that the City of London Corporation has adequate and effective systems of internal control in place to manage the achievement of its objectives despite capacity challenges and areas of improvement noted.

Counter Fraud

Internal Audit also continue to provide Counter Fraud services to the Corporation, a separate and specific team within the Internal Audit function exists to focus on the investigation of fraud and corruption. Fraud is identified through their own work, referrals and whistleblowing activity. The Counter Fraud team updates the Audit and Risk Management Committee twice yearly on the results of their work. Although this is less frequent than Internal Audit updates the reduced oversight is reflective of the risk and materiality of fraud in relation to the Corporation, and so is sufficiently regular.

At the end of 2022-23 the Counter Fraud team completed 52 investigations of fraud, compared to 31 in the prior year. Increase in cases was observed across all categories of fraud and is not indicative of a specific controls issue. Two face-to-face training sessions were provided by the Counter Fraud team during 2022-23, focused on providing staff with new skills to detect and prevent fraud, which has contributed to the increase in investigations. This also demonstrates that whistleblowing and referral procedures are effective.

Completed investigations resulted in fraud totaling £1.335m being identified, almost three times more than the prior year. Of this, £0.692m is deemed to be recoverable, with 90% already recovered by year-end and the remainder expected to be recovered through court orders in 2023-24. The identified and recoverable fraud relates to social housing tenancies (16%), council tax (1%) and corporate investigation (83%).

The significant increase in the amount recovered is mainly attributable to one case, a single mandate fraud attack with a value of £575,639 – successfully recovered but expected to be non-recurring in nature. The increase in recoverable amounts is also attributed to the Corporation's strong focus on identifying cases from the use of Unlawful Profit Orders (UPOs) and/or Proceeds of Crime Act (POCA) resulting in higher levels of success in resolution and recovery.

In the first half of the year 34 investigations took place and progressed well. The associated value of these is £658,333 of which 23% is considered to be recoverable and has been recovered in full. This suggests that although recovery methods continue to be strong there is the opportunity to investigate ways to maximise recovery when fraud is identified. However, in doing so the value recovered must outweigh the time and monetary cost of recovery. Given the reduction in total value of fraud and the relative immateriality of the value in context of the organisation this does not represent a priority action or recommendation for the Corporation, but a future consideration should that change.

2022/23	Total	Corporate investigations	Housing	Council tax
Number of investigations	52			
Total value	£1.335m			
Recoverable	£692k	£577k	£108k	£7k
Recovered	£626k	£576k	£53k	£7k
2023-24 (to Q2)				
Number of investigations	34			
Total value	£658k			
Recoverable	£150k	£111k	£34k	£5k
Recovered	£150k	£111k	£34k	£5k

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As noted in the prior year, the Corporation has an Anti-Fraud and Corruption Strategy which determines the underlying governance arrangements for how fraud is prevented and detected. The latest strategy is dated 2019, we would expect a key strategy such as this to be updated every 3-5 years. The Corporation was due to update this in 2022-23 but it was delayed due to capacity challenges and review of priorities. The update is now planned for 2023-24 – to date, the Strategy has not been updated and approved and remains a priority for 2023-24. Given the Strategy is less than 5 years old it remains relevant and fit for purpose.

Governance reviews

The Corporation has focused significant resources on achieving iterative improvement of governance arrangements in 2022-23 to ensure they are robust, demonstrate best practice and are fit for purpose at an organisation that has experienced change in recent years under the Target Operating Model (TOM). The Corporation has sought to make changes in a proactive way backed by sound analysis. This included several internal and external reviews which have established existing arrangements, identified specific areas for improvement, raised recommendations and provided a delivery model to achieve these. The approach is considered timely, following the implementation of the TOM and the creation of a new Project Governance Division, given that similar reviews have not taken place since 2018-2019.

The Corporation engaged external consultancy in October 2022 to review the governance of projects by officers. Ultimately this recommended implementation of a Portfolio Management Framework. The implementation of this framework aimed to break down silos in the organisation and promote a more integrated and streamlined project delivery process. This was welcomed by the Corporation as a route to that provide greater assurance to Members regarding the delivery of strategic objectives, allocation of resources and management of strategic risks and issue. The proposals introduce a phased approach with the first phase of implementation focusing on establishing strong foundations for developing the portfolio model over time. This includes:

- ensuring the integrity of underlying data
- developing the project management system (including clear definitions and thresholds for clarity of approach)
- establishing the Enterprise Portfolio Management Office
- establishing a Portfolio Board to ensure effective Member and officer oversight
- refreshing the Project Management Academy to ensure effective training delivered on the new approach

It is clear the Corporation is committed to ensuring a strong foundation is in place prior to making significant changes to how key projects are undertaken. The delivery model includes provisions for how the project will be funded, resourced, managed and success measured. This was presented to members in July 2023, but we have not noted a detailed action plan or KPI report being taken to the Policy and Resources or Finance Committee since – this would be of benefit to track progress more transparently – see **Improvement recommendation 12** on page 42.

The scope of the review focused on officer governance as opposed to Member governance, which also plays a key role in the success of project management. This was acknowledged by the Corporation and the scope of the review was updated in March 2023 to include a second, supporting assessment, of existing Member governance (i.e. committee structures) and ultimately developed proposals for improvements to support the development of a Portfolio Management Approach and ensure Member focus is on strategic oversight and direction of projects. The two reviews together ensure that an extensive and comprehensive view of existing arrangements has been obtained and that complementary changes can be made across the Corporation which support the Portfolio Management Approach.

These reviews followed on from, and considered, a 2019 commissioned review by Lord Lisvane focusing on the Code of Corporate Governance. The overall theme of the review was reduction in an excessive number of committees and sub-committees. Recommendations have, in part, been implemented. For example, in a reduction in, and simplification of, the number of committees. However, many committees that were suggested to be abolished still exist, such as the Markets Board and the Capital Buildings Board. In March 2023 an internal Light Touch Governance Review (LTGR) was undertaken which has sustained a focus on Lisvane's recommendations, it provided an opportunity to address any significant concerns arising out of the various new structures and processes. Officers were tasked to bring back recommendations in areas that Members feel are clearly not working, where improvements could be made quickly, or where immediate intervention was required. As well as reviewing several terms of references and standing orders this led to the recent decision to merge the Property Investment Board and Financial Investment Board into a single Investment Committee.

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Following the Lisvane review an Operational Property and Projects Sub-committee (OPPSC) was set up, which met for the first time on 30 May 2022. The OPPSC has three broad sets of responsibilities:

1. Overseeing a substantial part of the Corporation's property assets to ensure that the corporate landlord function is managed effectively

2. Overseeing procurement

3. Overseeing the Corporation's projects and programmes

The LGTR recently considered the pressures on the OPPSC as part of its review and recommended that the review of project management should consider how the workload of the Committee could be better managed to enable a more strategic and proportionate overview of projects which focusses Members' attention on the key issues that demand political attention. The Member governance review found that the OPPSC is an important and effective part of the Corporation's governance and decision-making, benefitting from clear terms of reference and political leadership. Although the Committee's responsibilities are wide-ranging, they make sense in terms of their coverage and synergies between the three main functions. If the OPPSC did not exist, it would be necessary to invent it.

Overall, the Member governance review continued to suggest a streamlining of governance by abolishing the Market Board and amending the terms of reference for the OPPSC, the Policy & Resources Committee and the Port Health & Environmental Services committee to reduce duplication and be aligned to the new Portfolio Management Approach. Given these reviews were completed in 2023-24 they are yet to embed and take effect.

There is significant effort noted to simplify complex reporting structures and ensure effective oversight of projects, as the value and volume of these increases. This is a positive initial improvement journey in gathering intelligence to take improvements forwards. Now further efforts will be required to convert the various recommendations into tangible actions, and ensure they embed effectively to achieve the desired impact.

Information management and security

The Corporate Risk Register includes risk CR16 Information Security which covers breach of IT Systems resulting in unauthorised access to data by internal or external sources or officer/ Member mishandling of information. At the start of the year the risk was amber-rated with a score of 12. The risk has been proactively, rather than reactively, managed via actions observed including E5 Licenses implemented for email malware, mandatory training for all staff and Members, simulated cyber-attack training with the IT Security team and investigating the options and costs of 24x7 security monitoring with a specialist partner to respond to increased threat due to war in Ukraine.

The risk remained amber-rated at 12 until November 2022 and further proactive actions noted such as security enhancements (Safelinks for Microsoft Defender, Multifactor Authentication is now mandatory, guests (external attendees) can no longer automatically join a Teams meeting and the Digital Information Technology Service (DITS) have commenced an overarching Security Review, with the aim of reviewing how technology security is managed across the organisation). In November 2022 the impact score increased from major to extreme, taking the overall score to 24. The change was implemented as a result of lessons learnt from the Hackney Council cyber-attack incident which cost over £12m and took more than a year to remediate, with negative publicity for a significant period on top of this. The increase in risk observed is not a result of an actual cyber-attack at the Corporation, or any decline in controls, but instead learning from other organisations to ensure an active response prior to a risk emerging. This represents sound risk management. Mitigations are continually reviewed and there is evidence of ongoing actions taking place. No evidence of cyber-attacks or significant breaches impacting the Corporation have come to our attention, but the scoring has remained at 24 to ensure proactive management continues. In 2023-24 the security service provided by Agilisys has now been brought in-house, giving greater control and visibility over security controls.

The Corporate Risk Register also includes risk CR29 Information Management concerned with lack of officer commitment and investment of the right resources into organisational information management systems and culture. Essentially addressing the risk that the Corporation's Information Management Strategy (2018-2023) would not be implemented effectively, causing vulnerability to personal data, information rights breaches and non-compliance with possible Information Commissioner's Office fines or other legal action. This has consistently been amber-rated with a score of 12. Actions to respond have included moving to the use of Sharepoint, a new role created to lead on Information Management in the Digital, Information and Technology team and Chief Officers being provided with local Senior Information Risk Owner (SIRO) training.

A 'deep dive' exercise was undertaken by Internal Audit on Information Management in September 2022. The objective of the work was to review the effectiveness of the arrangements in place for the systematic management of corporate risk. Overall, the review was positive, it identified scope for more in-depth management of the risk but had not identified that the planned mitigating actions were no longer valid. No further

Governance

action was required to reduce or manage this risk differently, providing assurance it is being effectively managed.

Code of Conduct

An Independent Panel was established in Summer 2021 in response to the Lord Lisvane review which recommended that a panel should be established to receive, approve investigations and make decisions in relation to allegations of misconduct, as well as any appeals. The Panel consists of nine independent persons who have met on several occasions since establishment, supported by the Town Clerk and the Comptroller and City Solicitor as Monitoring Officer. Their focus to date has been on developing a new, fit for purpose, Complaints Procedure.

The updated procedure was implemented in February 2022 and formally presented to the Policy and Resource Committee in May 2022, alongside updated terms of reference for the Panel. A Member Development and Standards Sub-Committee was also set up to ensure that all Members have access to opportunities to broaden their specialist knowledge and skills in relation to their duties, and is also responsible for monitoring, upholding and reviewing the City Corporation's Standard's regime. This Committee met for the first time in July 2023 and plans to meet quarterly.

The Terms of Reference stipulate that the Panel will commit to the publication of an Annual Report at the end of each municipal year, beginning in 2023, and its purpose will be to summarise the number and type of complaints heard in that period. An initial update was provided in May 2022, when the procedure was updated, to demonstrate that the approach embedding effectively. At that stage the Panel had held two Assessment Sub-Panel meetings, each of these considering two separate complaints (four complaints in total) and that the first Hearing Sub-Panel meeting was scheduled for mid-May 2022. We are not aware of any significant or significant number of complaints from the available information, but the Corporation did observe a small increase in Member-on-Member complaints in the period which it considered to have a divisive impact on decision-making.

As a result of this observation, in September 2023, the Court of Common Council approved proposals for revisions to the newly established Complaints Procedure with regard to any future Member complaints under the Code of Conduct. The changes provide an alternative avenue for Members to resolve concerns as to the conduct of other Members, through the Chief Commoner and the Aldermanic Chairs, and the need to exhaust that process before a formal complaint is made to create a more streamlined process. This demonstrates the Corporation updating governance arrangements to address emerging issues effectively.

Complaints can be escalated to the Local Government and Social Care Ombudsman where they are considered to be serious in nature or have not been dealt with effectively by the Corporation. A total of three investigations were escalated to the Ombudsman for the period between 1 April 2022 to 31 March 2023. Following investigation there were no complaints upheld for the Corporation and in 100% of cases the Ombudsman was satisfied that the Corporation had successfully implemented their recommendations. The number is considered relatively low, suggesting effectiveness of internal procedures not requiring further escalation.

Conclusion

Overall, although we have identified areas for improvement in arrangements, these represent actions to be taken to ensure best practice in governance arrangements and do not represent risks of significant weakness in current arrangements. The Corporation's governance arrangements remain effective.

Improvement recommendations

Improvement recommendation 9 – Risk management	The Corporation should continue to review and make iterative improvements to its Risk Management Strategy including: • Mapping risks within the Corporate Risk Register to objectives within the Corporate Plan. • Understanding the cause of risks being carried above the Corporation's risk appetite, reviewing the risk appetite itself to ensure it remains realistic and/or implementing additional mitigations to reduce risk levels. • Reviewing risks to ensure completeness, notably consideration of the risks associated with the ERP system implementation.
Improvement opportunity identified	Effective risk management ensures that both the strategic and operational risks of the organisation are managed consistently. The Corporation is in the process of updating its Corporate Plan and has the opportunity to link these to the Corporate Risk Register which details the key risks in facing the objectives within the Plan. The risk appetite agreed by Members determines the level of risk the Corporation believes it can tolerate whilst still meeting its objectives, as such carrying risk above that appetite suggests meeting objectives could be hindered or that the appetite is not reflective of the current environment.
Summary findings	Some minimum standards have been identified related to the format of a risk register to ensure that members are provided with sufficient information on the risks being faced by the organisation to manage them effectively. The Corporation's Corporate Risk Register meets the majority of these standards with the exception in there being no clear link between risk and corporate objectives. In addition, the risk register throughout 2022-23 and 2023-24 to date confirms that risks facing the organisation are above the risk appetite desired. The ERP system implementation has a local risk register, reviewed regularly by the ERP Board and Lead Committee, however it has not been recognised as a specific risk in the Corporate Risk Register.
Criteria impacted	Governance
Management comments	*Management partially accept this recommendation. The Corporate Plan does not cover everything we do e.g. statutory obligations and is also a snapshot in time. There is a relationship between the Corporate risk register and the Corporate Plan but the former should go much wider and broader.* *Management will also look to include the ERP system implementation to the Departmental/Corporate Risk register.*

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Improvement recommendations

Improvement recommendation 10 – Internal Audit	The Corporation should work with Internal Audit to ensure effectiveness of the service can be maximised by: • Identifying and investing in increasing capacity needs through a combination of training, upskilling and intensive recruitment exercises. • Reviewing additional responsibilities of Internal Audit, especially in relation to 'deep dive' support to ensure these can be supported within the team capacity. • Ensuring the Internal Audit Plan set at the start of the year is fully PSIAS compliant. • Prioritising response to 51 outstanding recommendations raised by Internal Audit relating to prior years. • Working with Internal Audit to develop a formal action plan and tracker, overseen by Members, to formally monitor the progress of outstanding recommendations. • Reviewing the issues raised in reviews rated 'limited assurance' to determine if the findings are more pervasive than the individual services they relate to.
Improvement opportunity identified	Internal Audit is a key mechanism by which the Corporation identifies and manages risk. It is important that the function operates effectively and efficiently and that Internal Audit findings are acted upon in a timely manner.
Summary findings	Internal Audit completed 20 reviews in-year compared to 36 in 2021-22. The indicative Audit Plan suggested 20 reviews would be undertaken in the first 6 months of the year, suggesting fewer reviews than would be planned on an annual basis. Financial pressures and organisational redesign have impacted the level of resource available for Internal Audit work, as the team continues to recover from prior year vacancies which occurred due to the impact of the Target Operating Model (TOM) on the team. Simultaneously, additional responsibilities have been placed on Internal Audit to assist with 'deep dive' exercises associated with the Corporate Risk Register. Internal Audit is required to comply with the Public Sector Internal Audit Standards (PSIAS) in providing their services. This includes developing a formal Internal Audit Plan annually which is approved by Members. There are several requirements to meet in doing so and we have noted some elements of non-conformance with the standards in this area. Of the 20 reviews completed, three resulted in a rating of 'limited assurance', which is a low level of assurance requiring improvement. The number of limited assurance reviews has reduced since prior year when four areas received this rating, as such there is a positive direction of travel. Although, as a proportion of the total number of reviews, the position has deteriorated. Overall, the Corporation has approximately 100 Internal Audit recommendations at the end of 2022-23, 51 of these relate to outstanding recommendations raised prior years.
Criteria impacted	Governance
Management comments	*Identifying and investing in increasing capacity: currently have 3 team members enrolled on the Chartered Institute of Internal Auditors Internal Audit Practitioner Apprenticeship Programme (all expected to complete Summer 2024). Increasing overall capacity of the team is not in the gift of the Head of Internal Audit, there is 1 vacancy which is currently being recruited to, the financial budget for Internal Audit is fully committed.* *Reviewing Additional responsibilities of Internal Audit: the Risk Deep Dives are well within the remit of Internal Audit and this work is significant to the Head of Internal Audit in forming an overall opinion on the effectiveness of risk management arrangements. This work is part of our assurance programme and should not be separated from what External Audit have identified as delivery of the audit plan – this is part of that programme.*

Improvement recommendations

Management comments

Ensuring the Internal Audit Plan set at the start of the year is fully PSIAS compliant: The PSIAS are based on the Global Internal Audit Standards, and were set in 2017. The profession has developed significantly since this time as reflected in the 2024 Global Internal Audit Standards which are mandatory from 2025. Nonetheless, the EQA confirmed that the planning process generally conforms to standard 2010. Greater depth on this has been included in Internal Audit update reports from 2023. It should be noted that, while the Head of Audit has described the planning process to be quarterly rather than annual, the significant majority of the resources available to Internal Audit are committed to delivery of annual plans that are subsets of the overall programme of work: City of London Police, Guildhall School of Music and Drama, Barbican Centre and 2 external clients that we provide services to – Museum of London and London Councils) this constitutes over 50% of available resources. From the balance, we have an annual plan of Corporate Risk Assurance Work (the "deep dives") and follow-up work (10-15% of total available resources), the balance of available resources is relatively small so the anticipated use of this time could be set out more explicitly at the start of the year. Important to note that the current standards drive a resource based plan, so an annual Internal Audit plan will represent what work can be delivered with the resources available whereas the 2024 Standards approach is more aligned to setting out what work the Head of Audit deems necessary and the requirement is on the organisation to allocate the resources necessary to do this – there will be a significant change to the Internal Audit planning approach as we transition to the new standards.

Prioritising outstanding recommendations: already in progress, although should be noted that Internal Audit are only able to report on action taken by management i.e. what they find through review and are not accountable for implementation – that is the organisation's responsibility.

Developing a formal action plan and tracker overseen by Members: the report of open recommendations including management responses and latest notes is available to Members – this is a very detailed report, Internal Audit can include this as a published appendix to future Internal Audit updates if the Audit and Risk Management Committee has appetite for this.

Reviewing issues raised to determine if findings are more pervasive: findings from completed Internal Audit reviews inform the forward programme of work so this is already happening. We have included issue categorisation within our newly implemented Internal Audit Management IT application with the view to enabling increased data analysis in the future (i.e. after sufficient volume of data has been gathered).

Improvement recommendations

Improvement recommendation 11 – Training	The Corporation should undertake an exercise to identify training needs across the Corporation and provide required training accordingly.
Improvement opportunity identified	The Corporation has experienced significant turnover and use of temporary staff in 2022-23. To ensure that this does not impact quality and controls training needs should be reviewed before any risk emerges.
Summary findings	Internal Audit reviews in 2022-23 resulted in 51 recommendations raised. Internal Audit has undertaken a high-level review of the recommendations made and not highlighted any common or recurring themes, which would be indicative of pervasive control issues. Issues, particularly in relation to 'limited assurance' reports relate to inconsistent or incorrect application of controls rather than lack of controls, policies or procedures.
Criteria impacted	Governance
Management comments	*The My Talent, my development workstream of the People Strategy will identify areas of concern for training and development and outline the wider skill shortages which need to be addressed through training and development. A review of the mandatory training is currently being undertaken and will be implemented in Q1 2024/25. As above for turnover which has been steadily reducing over the last three months.*

Improvement recommendations

Improvement recommendation 12 – Project governance	To effectively monitor the progress of the recommendations of the external Project Governance review the Corporation should develop a detailed action plan or KPI report which is regularly reviewed by the Policy and Resources or Finance Committee.
Improvement opportunity identified	Implementation of robust monitoring arrangements would ensure progress is tracked more transparently and increase the likelihood of achieving the recommendations in the report.
Summary findings	The Corporation engaged an external consultancy firm in October 2022 to review the governance of projects by officers specifically. Ultimately this recommended implementation of a Portfolio Management Framework. The delivery model was presented to Members in July 2023, and we have not noted a detailed action plan or KPI report being taken to the Policy and Resources or Finance Committee since.
Criteria impacted	Governance
Management comments	*The papers to members in July 2023 established the Property and Projects sub-Committee (PPSC) as the oversight body for the new portfolio management approach. PPSC is a sub-Committee of the Finance Committee. PPSC committee received the proposed approach to the implementation of Portfolio Management in October 2023. The approach outlined an implementation plan together with a forward plan of deliverables. The committee has subsequently received updates on progress.*

Improving economy, efficiency and effectiveness

We considered how the Corporation:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance management

Our review of arrangements in 2021-22 established that the Corporation had no formally documented performance framework in place and, unlike many other local authorities, did not have operational Key Performance Indicators (KPIs) with which to measure performance of individual services against. Metrics such as this are a measure of success relative to an expected target, set by Members, which determine the baseline service quality the Corporation wishes to achieve. Despite being described as a more 'outcome-focussed' organisation, officers acknowledge the benefits and scope for improvement in relation to performance information and planned to develop this area in 2022-23 and 2023-24.

The Corporation has taken steps to ensure that underlying data, resources and tools can support any newly developed Performance Management Framework, prior to formalising its approach. As such in 2022-23 the Corporation focused on the below which has been led by the Executive Leadership Board (ELB):

- delivering capability at team/departmental level
- developing data resource at organisational level
- identifying ways of developing a top-down performance approach for the organisation that can be integrated into the business planning process

The Corporation's Corporate Strategy and Performance Team have been working on an updated Corporate Plan for 2024-2029, which is in the process of being finalised. A draft was presented to Members in December 2023 and Court of Common Council in January 2024 for feedback and approval. For performance management to be effective it is imperative that it is aligned to the objectives of an organisation and also considers the risks the organisation faces. As such, until the Corporate Plan is finalised, we acknowledge that supporting performance management arrangements cannot be formalised.

The draft Corporate Plan seeks to improve on the lack of measurable success factors and performance management metrics within the previous Corporate Plan. The updated Plan includes a commitment to report on organisational progress against outcomes on an annual basis. Reporting will include both quantitative and qualitative performance information on each outcome included in the Corporate Plan. To date, the Corporation has identified some of the areas it wishes to measure performance, the underlying performance measures required and a full aspirational list of the data it would like to bring online over the lifespan of the Corporate Plan. Therefore, steps towards developing a framework have been taken however, development of a formal set of KPIs is still very much in its infancy. The Corporation has identified a lack of maturity and capability with respect to data within the organisation, and it is expected that setting up performance reporting will be iterative and take time. Our prior year recommendation remains open, acknowledging that this is a work in progress and that the Corporate Strategy and Performance Team remains committed to an iterative improvement journey and ongoing development in relation to performance management.

Although an overarching corporation-wide framework and metrics covering the full range of services and operations are still in development there is evidence of performance monitoring taking place on specific areas of focus or services on an ad hoc basis. Due to the nature of the Corporation finance and business are of particular interest to internal and external stakeholders. We have already noted effective monitoring of the financial position, in addition to this we have observed publication of the City Statistics report which provides information on trends in the City's workforce, economy, and role as a financial and professional services hub in the context of the same trends observed UK-wide. Individual committees set targets and review performance trend data in relation to their own specific services such as the Chamberlain's KPI reporting on business rates, council tax and rental income collection rates and Community and Childrens Services Committee reports in relation to safety performance.

Improving economy, efficiency and effectiveness

There is evidence that operational performance is reviewed, however this is not yet undertaken consistently across the organisation with a clear link to objectives and should continue to be a priority.

We have noted good practice in relation to the performance monitoring of the Climate Action Strategy. It has set clear targets, in manageable milestones, and performance is report via an easily accessible dashboard with up-to-date information, as well as in a formal setting annually. To date that has been successful and strong performance is observed, giving the opportunity for the Corporation to learn lessons from this exercise, internally. Using existing expertise, software and methodology the Corporation has the resources to develop a similar performance dashboard to support the performance management framework and KPIs once fully developed – refer to **Improvement recommendation 13** on page 49.

Many local government bodies also find it beneficial to seek comparative data from external sources, as a way of learning and developing best practice observed in other organisations. The Corporation is unique in comparison to other bodies in the local government sector which does limit wholesale opportunities for such benchmarking, however for those areas where operations or strategies are similar this would be a useful tool to build into the performance management framework whilst it is in development. The draft Corporate Plan confirms the intention, where possible, to consider benchmarking, especially where this is reliably available through government data sources (such as OFLOG) or on policing data.

External assurance

The Corporation is subject to external inspections from relevant regulators to give assurances over the quality of specific services it provides and conformance with expected standards. This is additional assurance to those provided by internal measures such as Internal Audit reviews, deep dives and ad-hoc performance monitoring.

At the last full inspection of Childrens' services, in March 2020, Ofsted deemed the overall effectiveness of services to be outstanding, the highest possible rating, demonstrating elements of best practice. Ofsted visited the service again in November 2022 to undertake a focused visit, as opposed to formal inspection. These visits do not carry with them a performance rating but seek to provide findings which the Corporation can use to make iterative improvement or seek to extend areas of best practice. They also act as a risk assessment tool for Ofsted to determine the frequency and need to re-inspect.

The visit continued to provide positive assurances over the service and highlights include:

- An environment in which social work flourishes
- Manageable caseloads
- Effective learning, development and support
- Stable workforce
- Effective supervision and scrutiny of the service

In addition, Ofsted also inspected the Adult Community Learning Service in June 2022. The inspection report confirmed that the Adult Skills and Education Service provides a good standard of education and training for residents and employers in the City of London and resulted in an overall rating of 'Good' across all categories. This provides positive assurances on the quality of the service provided and good practice was noted in the speed with which service users received a response, strong level of support they receive and the quality of the professionals delivering the service. A relatively small number of areas for improvement were identified in terms of setting stretching targets for learners, providing clearer feedback to service users and greater oversight of sub-contractors. An action plan, with responsible individuals identified for each action, was developed immediately to respond.

As noted within the Governance section of this report, the Local Government and Social Care Ombudsman is a source of escalation for complaints where a complainant is not satisfied with the response, or has not received response to their complaint made to the Corporation. The level of activity with the Ombudsman is an indicator of whether service quality or conduct of the organisation is an issue. We identified no risk in this area. As the Corporation is also a provider of social housing, complaints from tenants can be escalated to the Housing Ombudsman Service. No formal determinations resulting in findings of maladministration, or compensation, were found for 2022-23.

Improving economy, efficiency and effectiveness

The Enterprise Resource Planning (ERP) Programme

We reported last year that Members approved a business case in 2020 to provide an integrated platform across the Financial, HR and Payroll functions, known as the ERP system. The system is aimed to improve self-service and automation capabilities as a direct response to the Target Operating Model (TOM) review which identified a need for continuous improvement in this area. The TOM review findings also coincided with a reduction in support and upcoming contract renewal of existing HR and Payroll systems, providing a clear rationale for the programme.

The programme was expected to be delivered across six key phases as below. The Corporation uses a well-established and widely used Gateway Review process in undertaking any major capital project to ensure Members are sighted on progress, updated assumptions and continued option appraisal and provides the opportunity to review this information before approving progression to the next Gateway. The Gateway Review process is well aligned to the phases of projects.

Discover	Define & Develop	Procure & Prepare	Implement	Embed	Scale, Improve, Refocus
• Understanding the as-is and your current Performance and pain-points • Building your case for change	• Defining your future organisational direction • Defining Service and Process Improvement priorities • Developing your functional, reporting, technical and interface requirements • Developing your principles and requirements of your Implementation approach • Gaining Commitment to your Outline Business Case • Preparing to go to market	• Procuring new suppliers • Making key Organisational Design Decisions that will influence system design and configuration • Mapping your transformation journey • Preparing your data for migration • Preparing your People for Change • Preparing to measure your benefits • Putting all necessary plans and approaches in place • Identifying and mobilising Implementation Resources • Gaining final approval to proceed	• Overall Assurance of Programme success • Strategic & Service Readiness, including transitioning to new Systems Operating Model and delivering identified Service Improvements • People Readiness • Process Readiness • Systems, Data and Reporting Readiness • Developing Benefits evidence • Ensuring Information Compliance • Assuring Programme Delivery • Assuring Commercial Performance	• Ensuring adoption of the new system and new processes • Embedding and Improving your new Operating Model • Realising benefits	• Measuring outcomes delivered and identifying any gaps • Reflecting on lessons learned to inform future transformations • Agreeing your next areas of focus for Transformation

At the outset it was expected that the below timelines would be achieved:

- Discovery, Define & Develop phases – February 2020 to July 2021
- Procure & Prepare phase – July 2021 to February 2022
- Implement phase – 15 months in total, consisting of implementation January 2022 to February 2023 (12 months) and 'go live' period of February 2023 to April 2023 (3 months)
- Embed phase – April to October 2023
- Scale, Improve & Refocus phase – ongoing from October 2023

However, at the start of 2022-23 and at Gateway Review 3 in April 2023, slippage in the expected timeline began to emerge – with the Discovery, Define & Development phases complete and movement to the Procure & Prepare phase expected to take place in early 2022-23, facilitating the Implementation phase to commence in November 2022. As the programme progressed to Gateway Review 4 in December 2023, the latest milestone, slippage continued. The Corporation successfully completed the Procure & Prepare phase for a preferred technology partner between April and October 2023. A separate procurement exercise is required to select a software integrator to support the implementation phase starting in January 2024. Due to the delays, the new EPR solution has an updated 'go live' date of April 2025 at the earliest, a 2-year delay. Slippage has predominantly been attributed to the impact of the implementation of the TOM, which paused the ERP programme due to the loss of key skills and knowledge, and reduced capacity for change due to retention and recruitment issues. In addition, the programme was continually reviewed, to ensure that it remained fit for purpose, resulting in scope changes via the Gateway Review process. The Corporation may benefit from improved scrutiny and challenge in setting appropriate timelines within project plans to ensure they are realistic at the outset, including contingency for scope changes from their review process, which takes place across all major projects – refer to **Improvement recommendation 14** on page 50.

During the period when delays occurred the country experienced a period of high and rising inflation, as such the ERP budget was reviewed to account for the impact of increased inflation on expected costs. The original proposal for the programme set a budget of £5.9m based on the estimated costs of the project at the time. The Gateway Review process allows for adjustments to the budget to be proposed, justified and

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approved by Members. At each Gateway the budget has increased. Gateway 2 in March 2021 saw an increase in the budget to £7.4m, Gateway 3 in April 2023 saw an increase to £9.6m and by Gateway 4 in December 2023 the expected total budget had reached £19.4m (3.3 times the original budget). Uplifts in the budget required to complete the programme are a result of needing to increase resource to the project to ensure the scope can be delivered in full, needing to account for the costs of backfilling and re-charging permanent staff used in delivering the programme and ongoing testing of market rates for external resource. To ensure lessons are learned from this programme, and can be applied to further projects, the Corporation would benefit from applying greater rigour to the budget setting process for projects to ensure robustness of assumptions, particularly in relation to staff costs – refer to **Improvement recommendation 14** on page 50.

A specific issue has been highlighted as a result of the increased budget of the project. The Corporation engaged with an external consultant to support the design of the new system. However, it was identified by the Corporation that they failed to adapt their local authority delivery model to reflect the unique characteristics of the Corporation and specifically, did not account for the level of backfill posts required for implementation of the system. This was highlighted to the ERP Board with immediate action taken to replace the external consultant with a newly recruited experienced Program Director to lead on progressing the programme. It was this change in leadership that resulted in the review, update and increase of the budget following a 'deep dive' of the programme budget, with input from HR and Finance, led by the Program Director. This highlights the need for greater scrutiny of project and programme budgets going forward, especially where external parties are involved in their development, to ensure completeness of those budgets. Improved due diligence when selecting project partners would be beneficial to ensure their delivery model is suitable for the Corporation– refer to **Improvement recommendation 14** on page 50.

The original proposal was fully funded within the available capital envelopes across the City Fund, City Cash and City Bridge Foundation. Despite the expected increase in the budget this continues to be the case and no external borrowing has been required by the City Fund, which continues to rely solely on internal funding for its capital programme.

Despite an increase in expected costs the ERP programme is forecast to deliver savings of £16.3m over 10 years, against a total capital spend of £16.4m, excluding the costed risks, to achieve breakeven on the capital expenditure. This expectation, changes in arrangements to strengthen the accuracy of the budget and the inclusion of a £3m risk contingency in the new budget demonstrates that the Corporation has taken effective steps to respond to an issue that was identified in the course of the programme. Therefore, a weakness in arrangements has not been identified but improvements could be made to ensure issues do not reoccur in future projects.

Although a 'deep dive' exercise was undertaken by the Programme Director to identify and address a specific emerging issues in relation to the budget there is no evidence of a formal lesson learned exercise or Internal Audit review of the programme while it is in progress. This would be beneficial to ensure improvements could be made to maximise successful delivery of the project. A lesson learned exercise, once the project is complete, would be beneficial also to ensure that similar challenges are not repeated on future projects – see **Improvement recommendation 14** on page 50.

There is a clear governance structure in place for the monitoring of the programme. There is a clear line of reporting into the Chamberlain as Senior Responsible Officer (SRO) for the programme. The Programme continues to be supported by a Members' Steering Group to provide oversight and steer to the ERP Programme Board. The ERP Programme Board meets monthly, chaired by the Chamberlain. Members of the Finance Committee, and other relevant committees, have been updated on progress and changes to the programme at each Gateway stage and relevant approvals sought.

A Project Dashboard was established at the outset of the programme and is monitored by the Programme Team, this includes consideration of risks associated with the project and provides an overall risk rating. At Gateway Review 2 the risk rating of the project was Green but, since slippage in timelines were identified at Gateway 3, this has increased to Amber and is currently a medium risk project. In light of other public examples, the Corporation may wish to review the risk profile of the project in light of new information to ensure it remains relevant and is managed appropriately – see **Improvement recommendation 14** on page 50.

Departmental risks are monitored and managed via the Chamberlain's departmental

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risk register and Corporation-wide risks through the Corporate Risk Register. There is no ERP specific risk on either of these registers and it has not been recognised as impacting the department or Corporation's ability to meet its objectives. As the risk profile of projects, such as this one, change it is important that their risk, relative to the department and Corporation, is reviewed and updated in the relevant risk registers – see **Improvement recommendation 14** on page 50.

Procurement

No weaknesses have been highlighted in the Corporation's procurement arrangements through our prior year work or the Corporation's own assurances, and there is evidence that the Corporation is committed to ongoing improvement in this area. Changes to arrangements in 2022-23 included updates to the Corporation's Procurement Code following the implementation of the TOM, with the new arrangements going 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.

Although implementation of the TOM is complete, work is ongoing to embed the Head of Procurement role, which was established under this model. An online Commercial Academy was launched in January 2023 to provide clearer bite-sized guidance to service areas regarding the Procurement Code and roles and responsibilities. The service continues to develop a network of officers involved in procurement and contract management across the Corporation.

Climate Change

In 2019, the UK Government passed legislation to bring all greenhouse gas emissions to net zero by 2050. This was to align with the commitments in the Paris Agreement to limit global warming to 1.5 degrees. In response many local authority bodies have declared climate emergencies. It is estimated that 570 councils (including town, parish, community and village councils) have declared such an emergency, now 95% of the population lives in an area where such an emergency exists. The Corporation has not formally declared a climate emergency, the purpose of which is to outwardly acknowledge that the organisation needs to act on the causes and impacts of climate change. We have observed evidence that, despite a formal declaration not being made, the Corporation is demonstrating several steps in responding and, as such, this is not a weakness in arrangements.

The Corporation developed a Climate Action Strategy, approved and adopted in October 2020, as a timely response to the UK government legislation. The strategy spans 2020-2027 and aims to achieve net zero carbon emissions at a much faster pace than legislation requires, positively contributing to the global issue. Delivery of the strategy is supported by a dedicated Climate Action Team. By adopting the strategy, the City Corporation has committed to:

- Achieve net zero carbon emissions from its own operations by 2027
- Achieve net zero carbon emissions across investments and supply chain by 2040
- Support the achievement of net zero for the Square Mile by 2040
- Invest £68m over the next six years to support these goals, of which £15m is dedicated to preparing the Square Mile for extreme weather events

The strategy is supported by annual plans, set for each financial year, which break down the overall action plan into smaller milestones with the aim of increasing success, and have ability to monitor success and take action in a timely manner should the Corporation divert away from the plan at any stage.

The strategy is fully funded and, therefore, is not only ambitious but believed to be achievable by the Corporation within the available resource constraints. There is a clear consideration of the strategy within the budget setting process, with the 2022-23 budget including specific priorities, one of which is 'Tackling climate change, with ambitious climate action to achieve our net zero targets; and influencing action across the country'. Net zero remains a priority within the 2023-24 budget, also.

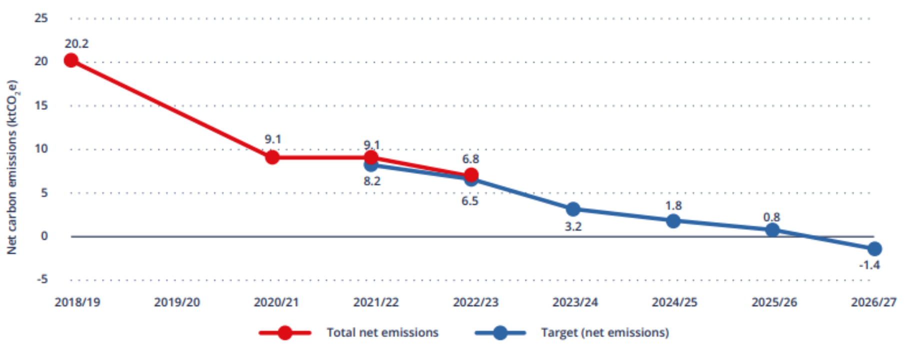
In addition, the Corporation has developed the Build Back Better Fund, set up in 2021-22 to support Climate Action Strategy savings. 2022-23 financial plans confirmed that this fund stood at £16m in 2021-22 expecting it be used over the medium-term to support projects and reducing to £10.3m by 2025-26. This was updated in setting the 2023-24 budget and MTFP. The reserve now includes adjustments for financing the revenue element of climate action plans, starting in 2022-23 with £14.8m and reducing over the 5-year period to £2.2m. There is clear financial support for the plans in place.

The Corporation also developed a plan in 2021 committed to aligning their investment portfolios with net zero emissions, which details how this will be achieved by 2040. This ensures financial and operational actions are addressed separately but simultaneously.

Improving economy, efficiency and effectiveness

The Corporation have developed a Climate Action Dashboard, an interactive and transparent tool to visualise up-to-date data and report progress against their net zero and climate resilience targets. To achieve the target of net zero by 2027 the dashboard breaks down the overarching target into annual milestones of 84% by 2023-24 and 96% by 2025-26. The focus being on the top 15 emitting buildings. There is a clear downward trend in emissions since 2018-19 and this is expected to continue, under the strategy, over the medium-term to achieve net zero. For 2022-23 the net emissions target was 6.5 ktCO2e, the Corporation exceeded the target achieving 6.8 ktCO2e. This metric measures the Corporation's carbon footprint. Overall, the actions being undertaken have a positive impact on emissions, and based on the current trajectory suggest net zero can be achieved. At the same time, financial sustainability is being achieved, suggesting the actions are affordable.

Net zero by 2027 across the City Corporation's operations (Scopes 1 and 2)



Although the dashboard is readily available via the Corporation's external website to ensure transparency and accessibility, the Corporation commits to publishing a report of progress against targets at the end of each year. In addition, the Corporation invites stakeholders to participate in a survey to help understand how well they feel the Corporation has engaged with them in relation to climate change. The results of the survey show that there is the opportunity to improve communication with stakeholders, as many stakeholders highlighted that they were unaware of how to access climate-related information. There was a disparity in the response between staff and business owners who were positive in their responses, compared to those that worked in the area who tended to disagree with the statements in the survey. There was no information in relation to residents' responses. Although the Corporation has a relatively low number of residents, they are service recipients and are affected by key policies and strategies such as this. The Corporation could improve its communication with stakeholders in relation to climate change, in particular ensuring there is equal access to information for those working and living in the Square Mile – refer to **Improvement recommendation 15** on page 51.

The Corporation has set out, on its public website, ways in which both businesses and residents can contribute to reducing emissions within their own homes and offices, instilling a sense of collective responsibility.

Conclusion

Overall, although we have identified areas for improvement in arrangements, they aim to encourage the already evident proactive, and iterative, improvement trajectory of the Corporation. The Corporation's arrangements for ensuring economy, effectiveness and efficiency remain appropriate.

Improvement recommendations

Improvement recommendation 13 – Performance management	The Corporation should draw upon existing expertise, software and tools in developing its Performance Management Framework to ensure good practice can be replicated to the Corporation-wide approach. Notable good practice already in use in a specific area of the organisation is the Power Bi Dashboard mechanism used to monitor climate change performance.
Improvement opportunity identified	The Performance Management Framework is in development phase and presents the opportunity to draw on successes in performance management from other aspects of the organisation to generate efficiencies, and extend the successes observed elsewhere.
Summary findings	The Corporation's Corporate Strategy and Performance Team has been working on an updated Corporate Plan for 2024-2029, which is in the process of being finalised. A draft was presented to Members in December 2023 and Court of Common Council in January 2024 for feedback and approval. The updated Plan includes a commitment to report on organisational progress against outcomes annually. Reporting will include both quantitative and qualitative performance information on each outcome included in the Corporate Plan. Performance monitoring of the Climate Action Strategy sets clear targets, in manageable milestones. Performance is report via an easily accessible dashboard with up-to-date information, as well as in a formal setting annually. To date, performance management of the Climate Action Strategy has been successful and strong performance is observed,
Criteria impacted	Improving economy, efficiency & effectiveness
Management comments	*Management accept recommendation and this work is already in progress.*

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Improvement recommendations

Improvement Recommendation 14 – ERP programme	The Corporation should seek to identify lesson learned from the ongoing ERP programme and apply learning to future major projects or programmes. Actions should include: • Improved scrutiny and challenge in setting appropriate timelines within project plans to ensure they are realistic at the outset, including contingency for scope changes from the Gateway Review process. • Applying a greater degree of rigour to the budget setting process for projects to ensure robustness of assumptions, particularly in relation to staff costs. • Greater scrutiny of project and programme budgets, where external parties are involved in their development, to ensure completeness of costs. • Improved due diligence when selecting project partners, to ensure their delivery model is suitable for the Corporation. • Undertaking formal lessons learned, Internal Audit review and/or risk 'deep dive' exercise during the ERP programme as it progresses, and once complete, to identify specific improvement areas to apply to this and other projects. • Continually reviewing the risk profile of this, and other projects, in light of new information to ensure it remains relevant, is appropriately reflected in the relevant departmental or Corporate Risk Register and is, therefore, managed effectively.
Improvement opportunity identified	The Corporation has the opportunity to learn from a major and challenging project to ensure that the challenges faced are not repeated in future projects, thus maximising success and mitigating risks in the future.
Summary findings	The business case for the project was approved in November 2020 with an original budget of £5.8m and an expected implementation date of April 2023. The project experienced a series of challenges which caused delays in the expected timeline, with implementation now expected in April 2025, and a significant increase in the budget required to £19.4m.
Criteria impacted	Improving economy, efficiency & effectiveness
Management comments	*The business need for a new Finance, HR & Payroll solution was discussed and agreed in 2020/21. As part of this process, it was recognised that The City needed to undertake a fundamental review of its existing and future operations and make a strategic decision about what technological platform best suited its current and future needs. It was also recognised that such choices needed to take into account and reflect The City's future operating model choices. To that extent the review was commissioned which as mentioned, had a strong local authority focus but did not appreciate the broader spectrum of The City's operations. Further work has been undertaken to bridge the gap.* *The City has now determined that a cloud-based Enterprise Resource and Planning (ERP) solution meets its needs best. The City has also recognised the need to ensure that such a complex project requires a high degree of technical expertise and experience to support the development and deployment of this solution and support the skills and cultural changes needed to embrace best practice in key business processes.* *The expected budgetary increase reflects a combination of the additional cost of an advanced technological platform, hyperinflationary cost pressures and the need to assemble a dedicated implementation for a successful solution deployment, all of which were uncertain at the initial business case development stage.* *The City has a robust project management solution, which will be enhanced further following a review and implementation of recommendations arising. This includes taking any learning lessons from projects in flight and ensuring that they are applied in future comparable endeavours.* *Management will also look to include the ERP system implementation to the Departmental/Corporate Risk register.*

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Improvement recommendations

Improvement recommendation 15 – Climate change communication	The Corporation should ensure that it provides equal access to information for those working and living in the Square Mile in relation to its actions to respond to climate change.
Improvement opportunity identified	Responding to climate change is a collective responsibility and by achieving successful communication on the topic to its stakeholders the Corporation increases the effectiveness of its response to the climate change agenda.
Summary findings	The Corporation invites stakeholders to participate in a survey to help understand how well they feel the Corporation has engaged with them in relation to climate change. The results of the survey show that there is the opportunity to improve communication with stakeholders as many stakeholders highlighted that they were unaware of how to access climate related information. There was a disparity in the response between staff and business owners who were positive in their responses, compared to those that worked in the area who tended to disagree with the statements in the survey. There was no information in relation to residents' responses.
Criteria impacted	Improving economy, efficiency & effectiveness
Management comments	*The City Corporation is currently finalising the Climate Action Strategy (CAS) action plan for its fourth year of implementation. Once approved by the Policy and Resources Committee, the CAS team and the Communications team will work together to develop and deliver a communications plan with the key objectives of:* • *Increase climate literacy.* • *Raise awareness of the City Corporation's climate action plan and how they will affect them.* • *Inform about what CAS will achieve and provide equal opportunity to access information.* • *Increase local climate action.* *Comms will also be shared internally with staff and Members and in addition, the City Corporation will launch on the 21st of February 2024 a Climate Champions Group open to all staff from CoLC and its institutions. This group will support continued climate learning and signpost opportunities.* *The survey referenced in the audit was delivered in May 2022 and the findings have been incorporated in the communications from the CAS.*

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	**Financial sustainability** – The Corporation must ensure that it identifies outstanding savings targets and delivers permanent savings in line with the Fundamental Review, TOM Programme and the 12% budgetary reduction.	Improvement	March 2022	The TOM target was set at a minimum value of £4.5m and, when combined with the overall 12% reduction, totalled £17.04m. The TOM savings achieved are £7.334m per year and therefore exceeded expectation by £2.84m. Of the total savings target £13.9m permanent savings were realised which will recur each year, with a further £2.6m savings achieved through temporary measures such as holding vacancies, as departments complete their TOM. The majority of savings identified have been achieved on a permanent and recurring basis. £0.86m savings not achieved at the end of 2022-23 are included within the 2023-24 budget. The recurring savings are included in the MTFP and, to date, the 2023-24 position is forecast to be a surplus, suggesting permanent savings are being realised. The TOM has now completed but the MTFP includes gaps in later years and we have raised a recommendation for a transformative savings programme to be developed to replace the TOM and work towards mitigating the gap.	Yes	The recommendation is addressed due to completion of the TOM, current year **improvement recommendation 3** looks forward to the next phase of efficiency planning.
2	**Financial sustainability** – The Corporation should consider how it can better align the increasing number of programmes and initiatives that are designed to improve financial sustainability, and ensure that it retains capacity to deliver overall savings targets.	Improvement	March 2022	As above, the TOM is complete and we have raised a recommendation that encourages the Corporation to seize the opportunity to develop a transformational savings programme going forwards.	Yes	See above

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3	**Governance** – The Corporation should consider developing a formal risk-based approach to its programme of Internal Audit work at the start of the year when formalising the annual Internal Audit Plan to ensure that key risk areas are reviewed and there is high level oversight of its planned reviews.	Improvement	March 2022	The approach to Internal Audit planning has been amended since the prior year and in 2022-23, a programme of work was not set for the 12 months from April 2022. Instead an indicative 6 month plan was developed and maintained on an iterative basis throughout the year. From our review of arrangements we established that there is evidence of planning that meets some of the minimum requirements of the PSIAS with improvement required to ensure full compliance.	Partially	**Improvement recommendation 10** raised in the current year supersedes the 2021-22 improvement recommendation in this area.
4	**Governance** – The Corporation should prioritise undertaking the completion of the External Quality Assessment in 2022-23 against the Public Sector Internal Audit Standards so that improvements can be identified and implemented in a timely manner.	Improvement	March 2022	An annual self-assessment for 2022-23 was completed and confirmed that the Internal Audit function conforms with the requirements of the standards. The External Quality Assessment was due to be completed by March 2023 to comply with requirements. This was delayed and was undertaken in May 2023 and reported in June 2023. The assessment confirms that Internal Audit generally conforms with the standards, this is positive and ensures minimum standards are met but areas for improvement were noted.	Yes	No
5	**Governance** – The Corporation should ensure staff are aware of the requirements of the Gifts & Hospitality policy and consider rolling out specific refresher training.	Improvement	March 2022	This work has not been actioned. Ownership of this recommendation now sits with HR per the Town Clerk's request that HR take this forward.	No	Response to the recommendation to be reviewed in 2023-24.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6	**Governance** – Given the importance of the TOM programme to the Corporation and its ongoing implementation, the Corporation should consider re-instating the TOM Programme Team to provide appropriate capacity and co-ordination of the programme.	Improvement	March 2022	As noted, the TOM programme is now complete and a replacement savings and efficiency programme yet to be developed. The Corporation would continue to benefit from central co-ordination of any newly developed programme. We have identified that the Corporation intends to develop a Savings Working Group to aid the development of the next phase of efficiency planning, who will also investigate income generation opportunities. An Efficiency and Performance Committee, a sub-committee of the Finance Committee, is also in place which is responsible for improving performance of the Finance Committee's duties in the areas of efficiency and performance. An operational team, with a similar purpose to the TOM Programme Team, would be beneficial once a new efficiency programme is developed. The underlying governance arrangements for oversight will be in place once the Savings Working Group and Efficiency and Performance Committee are set up, or re-instated.	Yes	The recommendation is addressed due to completion of the TOM, current year **improvement recommendation 3** looks forward to the next phase of efficiency planning.
7	**Improving economy, efficiency & effectiveness** – The Corporation should ensure that the proposed redesign of the Corporate Performance Framework includes key performance indicators in alignment with the objectives of the Corporate Plan.	Improvement	March 2022	The Corporation's Corporate Strategy and Performance Team has been working on an updated Corporate Plan for 2024-2029, which is in the process of being finalised. This includes a commitment to report on quantitative and qualitative performance information on each outcome included in the Corporate Plan. To date the Corporation has identified some of the areas it wishes to measure performance, the underlying performance measures required and a full aspirational list of the data it would like to bring online over the lifespan of the Corporate Plan. Therefore, steps towards developing a framework have been taken however, development of a formal set of KPIs is still very much in its infancy due to a lack of maturity and capability on data within the organisation.	Partially	Our prior year recommendation remains open, acknowledging that this area is a work in progress and that the Corporate Strategy and Performance Team remains committed to ongoing development in relation to performance management.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
8	**Improving economy, efficiency & effectiveness** – The Corporation should review its unit cost benchmarking position to determine if there is potential for efficiencies within these service blocks, or if they are comfortable with the comparative unit costs due to variations in statistical nearest neighbours' priorities, as part of their acknowledged interest in the greater use of benchmarking.	Improvement	March 2022	Our review of 2022-23 arrangements did not highlight any benchmarking as the performance management framework has yet to be finalised. The Corporation is unique in comparison to other bodies in the local government sector which does limit wholesale opportunities for such benchmarking. However, for those areas where operations or strategies are similar this would be a useful tool to build into the performance management framework whilst it is in development. The draft Corporate Plan does confirm the intention, where possible, to consider benchmarking, especially where this is reliably available through government data sources.	No	Our prior year recommendation remains open, acknowledging that this area is a work in progress and that the Corporate Strategy and Performance Team remains committed to ongoing development in relation to performance management.
9	**Improving economy, efficiency & effectiveness** – The Corporation must ensure that it continues to provide appropriate capacity, skills, and oversight to the implementation of the new ERP system, to ensure its delivery realises the anticipated organisational benefits.	Improvement	March 2022	A newly appointed Programme Director undertook a deep dive of the budget and resourcing requirement for the programme to respond to inaccuracies identified in by the external consultant. This resulted in an increased budget to account for backfilling and recharging of business-as-usual (BAU) staff to ensure the cost of the project is realistic in its assumptions around capacity.	Yes	Current year **improvement recommendation 14** raised to ensure ongoing improvement in the ERP programme.

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Opinion on the financial statements

Grant Thornton provides an independent opinion on whether the financial statements:

- give a true and fair view of the financial position as at 31 March 2023 and of expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on Local Authority Accounting in the United Kingdom 2022-23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK);
- the Code of Audit Practice (2020) published by the National Audit Office; and
- applicable law.

We are independent of the Corporation in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We anticipate issuing an unqualified opinion on the City Fund's financial statements in February 2024.

Detailed findings are set out in our 2022-23 Audit Findings Report, which will be presented to the Corporation's Audit and Risk Management Committee in February 2024.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the City Fund's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Appendices

Appendix A: Responsibilities of the Corporation

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

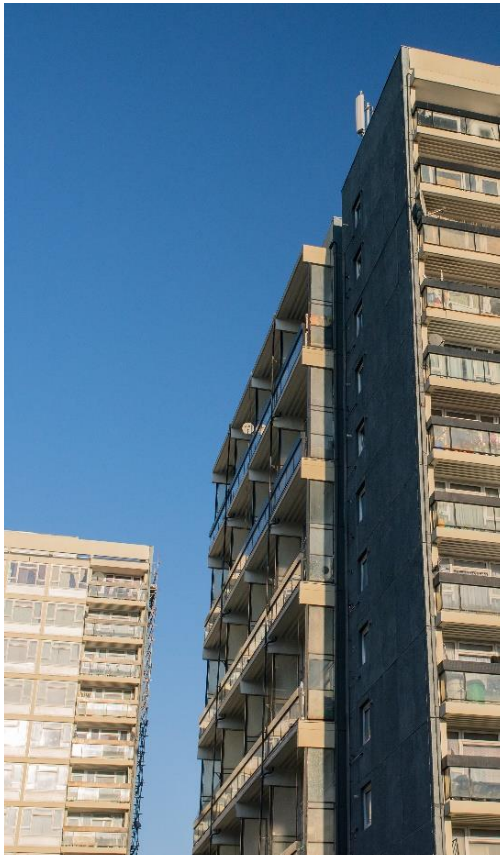
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Corporation's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Corporation will no longer be provided.

The Corporation is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:
An explanatory note on recommendations

A range of different recommendations can be raised by the Corporation's auditors as follows:

Type of recommendation	Background	Raised within this report	Page references
Statutory	Written recommendations to the Corporation under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Corporation's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Corporation. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Corporation, but are not a result of identifying significant weaknesses in the Corporation's arrangements.	Yes	See relevant sections

Grant Thornton

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Committee(s): Audit and Risk Management Committee – For information	**Dated:** 26/02/2024
Subject: City's Estate Annual Report and Financial Statements Update	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**N/A**
Does this proposal require extra revenue and/or capital spending?	**N**
If so, how much?	**N/A**
What is the source of Funding?	**N/A**
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: The Chamberlain	**For Information**
Report author: Daniel Peattie, Assistant Director – Strategic Finance Liton Rahman, Interim Chief Accountant	

Summary

This report provides an update on the audit of the Annual Report and Financial Statements for City's Estate (formerly known as City's Cash) and the Open Spaces and Sundry Trusts which are consolidated within the City's Estate accounts for the year ended 31 March 2023.

Recommendation(s)

The **Audit and Risk Management** Committee is requested to:

- **Note** the progress made on the audit of the Annual Report and Financial Statements for City's Estate.
- **Note** the progress made on the audit of the Annual Report and Financial Statements for Open Spaces and Sundry Trusts which are consolidated with the City's Estate accounts.

Main Report

Background

1. The update provided to the committee on 6th November 2023 highlighted significant progress in the audit Annual Report and Financial Statements for City's Estate. Below is a summary of the key points:

2. The revised 2022-23 Annual Report and Consolidated Financial Statements for City's Estate were submitted for approval. This version incorporated three significant changes identified during the audit conducted in September 2023. These changes included rectifying double counting of school income (£4.7m), addressing a missing depreciation charge (£0.7m) for fixed assets, and correcting double counting of investment properties (£84.3m), ensuring the accuracy of financial reporting.

3. Additionally, the Annual Reports and Financial Statements for nine consolidated charities for the same period were attached for approval. These charities included Ashtead Common, Highgate Wood and Queen's Park Kilburn, West Ham Park, Hampstead Heath Charity (incorporating Hampstead Heath Trust Fund), Sir Thomas Gresham Charity, Keats House, Burnham Beeches and Stoke Common, Epping Forest, and West Wickham Common and Spring Park Wood (along with Coulsdon and Other Commons).

4. The auditors provided a draft initial audit findings report reflecting progress and outstanding items. These primarily revolved around a few outstanding areas of fieldwork and internal review processes. An update on further progress and any additional issues identified was provided at the Audit and Risk Management Committee meeting. Representatives from Crowe UK LLP attended to present their report and clarify any points or issues.

Current Position

5. The updated version of the 2022-23 City's Estate Annual Report and Financial Statements is provided in Appendix 1. In addition to the changes mentioned above, this revised version incorporates the following significant changes identified during the audit of the published accounts and results in a total decrease in Total Comprehensive (Income) and Expenditure, including the adjustments mentioned above, of £88m (from -£68.8m to £19.2m):

    <u>Changes affecting the surplus/(deficit)</u>

    - Double counting of school's income (£4.2m) – during audit testing of education income back to the accounts, it was discovered that £4.2m of education income was incorrectly double counted in both income and reserves. This error has been rectified in the revised financial statements.
    - Double counting of school's expenditure (£12.7m) – during audit testing of education expenditure back to the accounts, it was discovered that £12.7m of education expenditure was incorrectly double counted in both income and reserves. This error has been rectified in the revised financial statements.

- Inter-company elimination (£1.2m) – a review of inter-company eliminations uncovered an erroneous elimination which was understating the expenditure position reported in the statement of comprehensive income.

- Reclassification of disposal income (£4.1m) – disposal income had been recorded against the incorrect line in the statement of comprehensive income.

- Capital receipts from disposal (£7.1m) – capital receipts from the disposal of assets had been overstated in the statement of comprehensive income

- Prior-year write-off (£1.2m) – a write-off relating the previous financial year had been included in the current financial year in error.

- Erroneous income elimination (£1.5m) – income relating to historic payroll balances posted to a transfer from reserve code had been incorrectly eliminated which resulted in an understatement of income.

<u>Changes only affecting the balance sheet</u>

- Reclassification of debtors/creditors (£1.2m) – a classification error within debtors and creditors resulting in an overstatement of the year end debtors and creditors position.
- Reclassification of investments/cash (£3.7m) – a classification error between non-property investments and cash resulting in an overstatement of the year end non-property investments position and an understatement in the year end cash position.

6. At the time of writing, the majority of the audit fieldwork has been completed. The external auditor is conducting final reviews of the Financial Statements and the consolidation process. The consolidation of City's Estate is an extremely complicated process as it involves reviewing the balances for 118 different Divisions of Services (DoS) and 53 different balance sheet codes, including the entities that are consolidated into City's Estate accounts and therefore has taken longer than originally anticipated.

7. The audit and or independent examination of the Annual Reports and Financial Statements for each of the consolidated charities for the same period have largely been completed with no material changes to the accounts presented to committee in November 2023.

8. The deadline for submitting the signed charity financial statements to the Charity Commission was within 10 months of their financial year end, i.e. by 31 January 2024. The following accounts were signed and filed on time:

<u>Accounts signed 31 January 2024</u>

- Ashtead Common (registered charity no. 1051510)
- Sir Thomas Gresham Charity (registered charity no. 221982)

- Keats House (registered charity no. 1053381)
- Epping Forest (registered charity no. 232990)
- West Ham Park (registered charity no. 206948)
- Hampstead Heath Charity (registered charity no. 803392), incorporating the linked charity the Hampstead Heath Trust Fund (registered charity no. 803392-1)

9. Unfortunately, the deadline for submitting the signed financial statements for the following entities was missed due to delays in responding to audit queries, particularly around requests for minutes from Board meetings:

   Accounts signed 19 February 2024
   - Burnham Beeches and Stoke Common (registered charity no. 232987)
   - West Wickham Common and Spring Park Wood (registered charity no. 232988) & Coulsdon and Other Commons (registered charity no. 232989)

   Accounts to be signed by end of February 2024
   - Highgate Wood and Queen's Park Kilburn (registered charity no. 232986)

10. The Charity Commission was made aware of the delay, and measures will be implemented to ensure that similar issues do not occur in the future.

Conclusion

11. At present, there are a handful of queries remaining regarding the 2022-23 accounts. The external auditor is conducting final reviews of the Financial Statements and the consolidation process, and an unqualified audit opinion is expected to be issued by Crowe by the end of March.

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Assistant Director – Strategic Finance
E: daniel.peattie@cityoflondon.gov.uk

Liton Rahman
Interim Chief Accountant
E: liton.rahman@cityoflondon.gov.uk

Appendices

- Appendix 1 – Revised City’s Cash Annual Report and Financial Statements 2022-23

Background Papers

Audit and Risk Management Committee – Monday 6th November 2023 – Item 6: 2022-23 City’s Cash Financial Statements

Finance Committee – Wednesday 8th November 2023 – Item 7: 2022-23 City's Cash Financial Statements

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CITY OF LONDON

CITY'S CASH

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

CONTENTS

Annual Report

1. Introduction

The City is a key driver of the economy, generating over

£85bn

in economic output annually, or 4% of all UK GVA. Yet, the City only accounts for **0.001%** of the UK's size.

City's Cash is not a legal entity; it is a fund of the City of London Corporation (the City Corporation) that can be traced back to the 15th century and has built up from a combination of properties, land, bequests and transfers under statute since that time. Investments in properties, stocks and shares are managed to provide a return that:

- Enables the City Corporation to provide services (detailed in section 6) that are of importance to the City and Greater London as well as nationally and internationally.
- Maintains the asset base so that income will be available to fund services for the benefit of future generations.

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

2. Administrative Details

Registered Address	Guildhall, London, EC2P 2EJ
Chief Executive	The Town Clerk of the City of London
Treasurer	The Chamberlain of London
Solicitor	The Comptroller and City Solicitor
Auditor	Crowe U.K. LLP, 55 Ludgate Hill, London EC4M 7JW
Bank	Lloyds Bank PLC
Fund Managers	Ares Management LLC
	Artemis Investment Management LLP
	Baillie Gifford & Co
	C WorldWide Fund Management SA
	Coller International Partners VII LP
	Crestview Partners LLC
	CQS
	Environmental Technologies Fund Manager LLP
	Exponent Private Equity LLP
	Frontier Capital
	IFM Global Infrastructure (UK) LP
	Lindsell Train Ltd
	M&G Investment Management Ltd
	LionTrust Ltd
	Natixis International Funds (Harris Associates)
	New Mountain Capital LLC
	Pyrford International PLC
	Ruffer LLP
	SL Capital Partners LLP (a subsidiary of Aberdeen Standard Life Investments group)
	Veritas Asset Management LLP
	Warburg Pincus LLC
	Wellington Management International
	YFM Equity Partners Ltd

3. Other City of London Corporation Funds

This annual report and the financial statements only cover City's Cash. A second fund, City Fund, covers the City's activities as a local authority, police authority and port health authority. Its financial statements are published separately.

The City Corporation is also the sole trustee of Bridge House Estates (BHE), a long-standing charity which maintained the original London Bridge, funded by bridge taxes, rents and private bequests. BHE now maintains five bridges, Tower, London, Southwark, Millennium and Blackfriars. With effective management of the funds over the centuries, BHE's funding arm, City Bridge Trust, now distributes surplus income that is not required for the long-term management and protection of the five bridges.

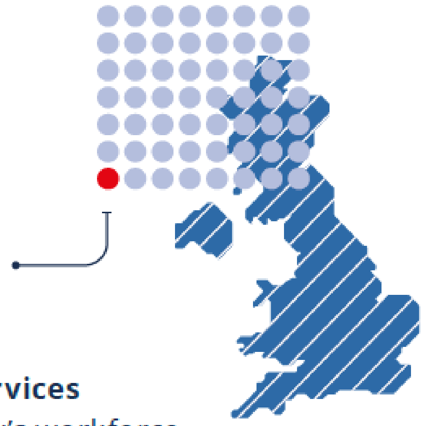
The annual report and financial statements for BHE are also published separately.

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

There were

587,000

workers in the City of London in 2021, or **1 in every 54 British workers.**



Financial and professional services account for **over half** of the City's workforce.

4. Corporate Strategy

The City of London Corporation's Corporate Plan provides the strategic framework for the delivery of our services. The Corporate Plan 2018-23 is detailed below and a five year plan for 2024-29 is being developed.

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.

The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally successful UK. We aim to nurture a thriving, sustainable and connected city for all people who live, work 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.

Governance Arrangements

Workforce

The City Corporation as a whole employs approximately 4,150 people in full and part-time positions across all its services. The make-up of the workforce is summarised below:

Gender:
Male: 49.08%
Female: 50.92%

Age:
Under 20: 0.65%
21-30: 15.63%
31-40: 23.73%
41-50: 23.90%
51-60: 26.56%
61 and over: 9.53%

Declared disability:
Yes: 4.9%

Ethnicity:
White: 60.3%
BAME: 18.3%
Not Known: 21.4%

Equality, diversity and inclusion

At the City Corporation, it is our vision to build and support strong, sustainable, and cohesive communities and develop a workforce that is diverse and representative of all sections of society. We will accomplish this by ensuring our policies, processes, service delivery and employment practices promote equality of opportunity, are inclusive and engender trust, not just because it will make our organisation stronger, but because it is the right thing to do.

In 2022, we launched the EDI Directorate to lead our corporate EDI function. In addition, the Policy and Resources Committee has oversight of the City of London Corporation's policies and practices in respect of equality, diversity, inclusion, and social mobility and other relevant legislation. This has been further supported through the establishment of the Equality, Diversity and Inclusion (EDI) Sub Committee.

Our EDI Sub-Committee and Policy & Resources Committee provide strategic direction on equality, diversity, and inclusion, and ensure compliance with the Public Sector Equality Duty contained in the Equality Act 2010. The City Corporation has increased its activity in the Equality, Diversity and Inclusion (EDI) over recent years, including setting up numerous staff networks and employee voice mechanisms for example, the Equality Representatives scheme. The City Corporation is committed to finding ways to ensure the organisation is inclusive and able to sustain a welcoming and safe environment where differences are celebrated and valued.

The quarterly update reports previously considered by the Corporate Services Committee, the EDI Sub-Committee, and the Policy & Resources Committee, along with further information on the City Corporation's Equality and Diversity strategy and objectives, and together with the Equality and Inclusion Annual Report, can be found on the website using the links below.

Corporate Services Committee –
https://democracy.cityoflondon.gov.uk/mgCommitteeDetails.aspx?ID=253.

Equality and Inclusion –
https://www.cityoflondon.gov.uk/about-us/plans-policies/equality-inclusion.

The City Corporation's budgets are managed by committees of the City Corporation, with membership of the committees drawn from the 25 Members of the Court of Aldermen and the 100 Members of the Court of Common Council. Members of the Court of Aldermen and Court of Common Council are elected by registered voters (both residents and businesses) within the City of London. In determining appointments to committees, the Court of Aldermen and Court of Common Council will take into consideration our EDI policy mentioned above as well as expertise and knowledge of the Aldermen and Members.

The decision-making processes and financial stewardship of the City of London Corporation are set out in Standing Orders and Financial Regulations respectively. The Standing Orders are available on the City Corporation's website at: https://democracy.cityoflondon.gov.uk/ecSDDisplay.aspx?NAME=Standing%20Orders&ID=645&RPID=0 and the Financial Regulations are available at: https://democracy.cityoflondon.gov.uk/documents/s186795/APPENDIX%20B%20-%20Financial%20Regulations.pdf.

Details of our committees are available at
https://democracy.cityoflondon.gov.uk/mgListCommittees.aspx?bcr=1.

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 monitors and oversees the City of London Corporation's risk management strategy and ensures 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. Cross-cutting corporate risk themes are also discussed at the City of London Senior Leadership Team meetings chaired by the Town Clerk and Chief Executive.

The Audit and Risk Management Committee also oversees the City's Internal Audit process, reviewing the findings of completed Audit work. The Internal Audit programme of work includes the systematic follow-up in respect of audit recommendations made; reporting on the effectiveness and timeliness of their implementation, in order to mitigate risks identified through Internal Audit reviews.

6. Activities of City's Cash

Investment funds allow the City Corporation to provide services that:

- Are of national benefit through its strategic aim to support and promote The City as the world leader in international financial and professional services.

- Are of importance to Greater London and its environs as well as to the City itself, for example: work in surrounding boroughs supporting education, training and employment opportunities; numerous green spaces; wholesale markets providing fish (Billingsgate) and meat (Smithfield); 4 independent schools; sponsoring Academies across London; and the Guildhall School of Music & Drama (GSMD).

Education

Expenditure £109.9m, income £96.7m, net expenditure £13.2m (2021/22: expenditure £101.7m, income £86.2m, net expenditure £15.5m)

City's Cash operates four fee paying schools – City of London School, City of London School for Girls, City Junior School (all in the Square Mile), and the City of London Freemen's School (in Surrey). They regularly feature among the UK's top performing schools. In each of these institutions, City's Cash provides academic bursaries, including matched funding for monies raised externally by the schools, to support able students from disadvantaged backgrounds.

The Guildhall School of Music & Drama is owned and managed by the City Corporation with funding from City's Cash. It is an internationally renowned conservatoire; based in the Barbican, it has over 900 students in higher education, drawn from nearly 60 countries around the world, and is currently regulated by the Office for Students (OfS), in line with other higher education institutions.

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

Markets

Expenditure £47.3m, income £12.3m, net expenditure £35.0m (2021/22: expenditure £16.9m, income £11.0m, net expenditure £5.9m)

The City Corporation runs three wholesale food markets, two of which – Billingsgate and Smithfield – are funded by City's Cash, with New Spitalfields Market being accounted for in the City Fund. Market tenants pay rent and service charges, which are calculated on a commercial basis. These charges cover the costs of operation, administration and those repairs which are attributable to the tenants. At Billingsgate, buyers can choose from the largest selection of fish in the UK and the market has an annual throughput of more than 22,000 tonnes. Meat has been bought and sold at Smithfield for over 800 years with around 150,000 tonnes of meat passing through its magnificent Grade II* listed surroundings each year. New Spitalfields Market is the largest horticultural market in the country, with a throughput of circa 850,000 tonnes of produce per annum.

A Strategic Review of the City's three wholesale markets began in 2018, and in 2022 the City Corporation approved the business case to move the three wholesale markets from their current locations to a single new site in Barking and Dagenham. In November 2022 a private bill was submitted to Parliament regarding the movement of Smithfield and Billingsgate Markets to the new site. This bill is being considered currently. Further work is being carried out regarding the movement of New Spitalfields Market.

Open Spaces (Natural Environment)

Expenditure £24.3m, income £8.1m, net expenditure £16.2m (2021/22: expenditure £24.1m, income £6.7m, net expenditure £17.4m)

The City Corporation is Trustee of 8 charities which manage and run open spaces across 11 London Boroughs and four District Councils. These charities, which include Hampstead Heath, Epping Forest, Highgate Wood, West Ham Park and Burnham Beeches, help shape outstanding environments by managing approximately 11,000 acres of historic, ecologically diverse open space. Every year millions of people visit our open spaces. Some of the sites have been owned and managed since as far back as 1870 and, through its role as Trustee and principal funder of each charity, the City Corporation continues to enhance, protect and conserve these assets. All of the asset and activities of these charities are consolidated within the City's Cash accounts by virtue of this relationship between each charity and the City Corporation as Trustee.

The open spaces contribute to a sustainable London, providing environmental benefits through their effects on negating urban heat, offsetting greenhouse gas emissions and mitigating storm water damage. The charities manage areas which include internationally recognised Sites of Special Scientific Interest, Special Areas of Conservation and National Nature Reserves. They provide important ecosystems and wildlife habitats including rare and endangered species. The open spaces help people to enjoy good health and well-being enabling people to access nature, interact socially, relax or take part in a wide range of physical activities from swimming to football, golf to horse riding.

Within these charities there are outstanding heritage spaces and buildings, such as Kenley Airfield and the Pergola on Hampstead Heath, for people to experience and enjoy. Keats House is also a charity of which the City Corporation is Trustee (included within these accounts in full through its relationship with the City Corporation) and other assets like The Monument are managed by the City Corporation directly and funded through City's Cash. These assets showcase the nation's history and culture. Ancient woodlands, ponds and historic landscapes enable visitors to learn, discover and understand the value of our heritage and the natural environment.

City Representation

Expenditure £16.4m, income £2.1m, net expenditure £14.3m (2021/22: expenditure £15.1m, income £1.2m, net expenditure £13.9m)

This expenditure supports the City Corporation's core objective to promote UK-based financial services and related professional services at home and abroad. The Rt Hon Lord Mayor heads the City of London Corporation and is also an international ambassador for the UK's financial and professional services sector. Together with other leading members of the City Corporation he makes sure that the City's interests are reflected in local and national policy. The Lord Mayor's overseas visits programme, that usually amounts to around 90 days abroad each year, fosters trade and develops relationships at the highest levels of government and industry.

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

Other important responsibilities include support for the City Corporation's many and varied civic activities, maintaining the Mayoralty's close ties with livery companies and supporting responsible business and charitable organisations. The Lord Mayor is supported by two Sheriffs who are elected each year by the City Livery Companies. They advise the Lord Mayor on matters important to the City, help with hosting visiting dignitaries and occasionally travel with the Lord Mayor on his business visits. They also look after the Judges at the Old Bailey and make sure that the court's business runs smoothly.

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

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

Innovation and Growth

Expenditure £7.9m, income £0.7m, net expenditure £7.2m (2021/22: expenditure £7.5m, income £0.5m, net expenditure £7.0m)

Our Innovation and Growth team focusses on supporting a thriving economy. It works to strengthen the City's competitiveness and status as a world-class innovative place to do business, while enhancing the economic potential of London and the financial and professional services sector more widely.

Supported by overseas offices in Brussels, China and India paid for by City's Cash, it engages with decision-makers in the UK and abroad to ensure that City firms have the best legal and regulatory framework, as well as access to global markets. The Innovation and Growth team forms coalitions to drive the development of the innovative products and services which serve the needs of businesses and citizens, and champions action on key global trends and risks such as climate change. As an example, the team leads our ambitious Climate Action Strategy which aims to work closely with businesses and residents to reach net zero in the Square Mile by 2040.

The Lord Mayor and Chair of the Policy and Resources Committee lead international business delegations and host high-level visits from international partners in politics and business to promote export opportunities for UK financial and professional services firms and attract inward investment from global partner. To further maximise its impact, the Innovation and Growth team helps City firms access talent and skills and promote an environment where new businesses and approaches can flourish. It also makes the case for responsible business among City firms and spreads best practice as good business benefits the whole UK economy.

Management and Administration

Expenditure £9.9m, income £nil, net expenditure £9.9m (2021/22: expenditure £8.8m, income £nil, net expenditure £8.8m)

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

Grants and Other Activities

Expenditure £30.1m, income £0.7m, net expenditure £29.4m (2021/22: Expenditure £30.0m, income £0.5m, net expenditure £29.5m)

A number of grants are made from City's Cash each year, through the Central Grants Programme, promoting initiatives across a wide range of charitable causes in London.

The Central Grants Programme has four City's Cash funding themes:

- Stronger Communities
- Enjoying Green Spaces and the Natural Environment
- Inspiring London through Culture
- Education and employment support

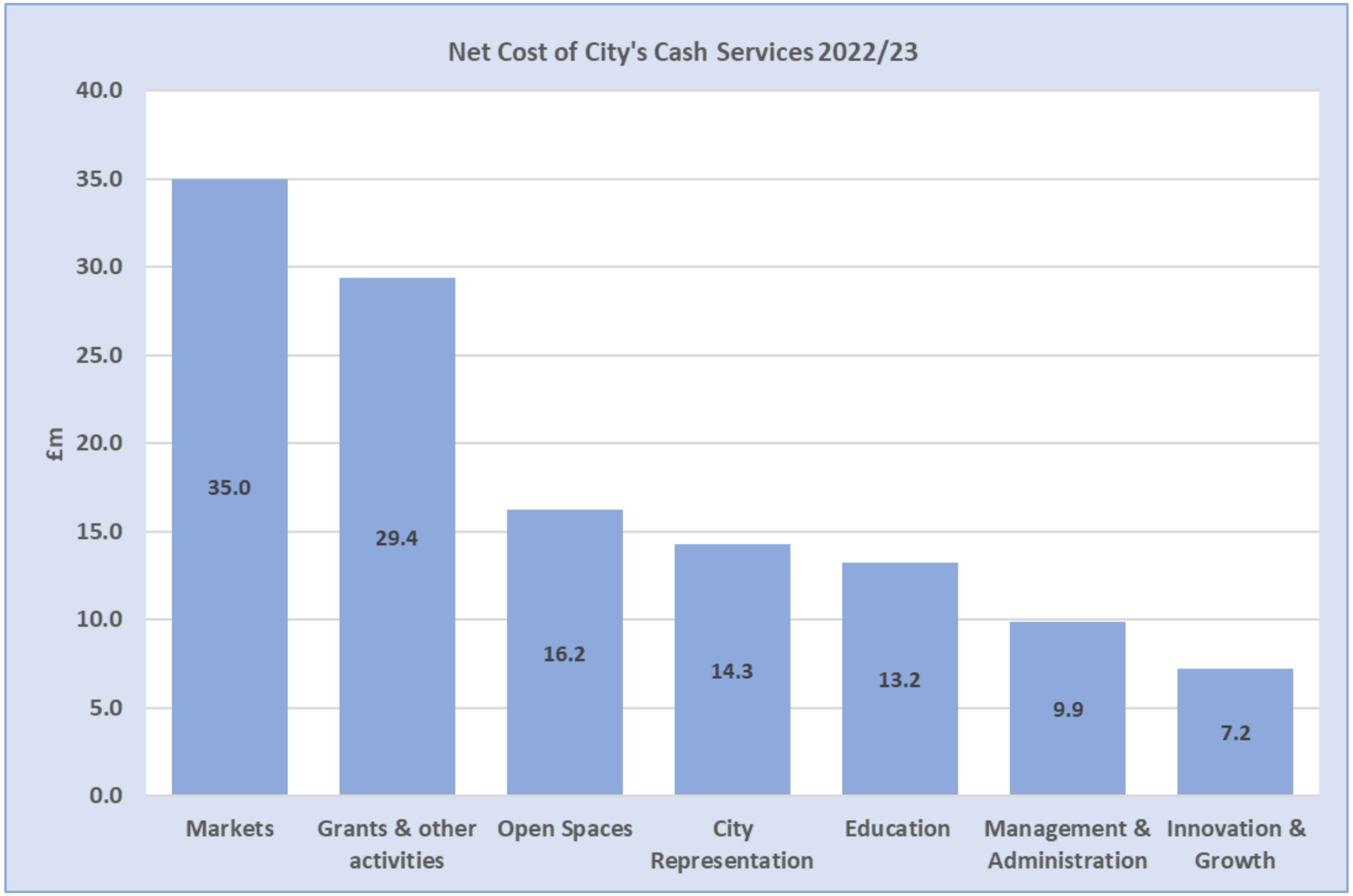
In addition, grants are made to emergency organisations to assist with the relief of national and international disasters. In 21/22 the City Corporation enacted a one-off Covid-19 recovery grant scheme to support businesses in the Square Mile to bounce back from the pandemic. This scheme totalled £10m and is largely the reason for the increased spend in this area in the prior year.

The City Corporation owns and maintains the Monument through City's Cash. This 202ft high building attracts over 200,000 visitors a year, braving its 311 steps to enjoy breath-taking views of the City and beyond. It was built between 1671 to 1677 and was designed by Sir Christopher Wren and Robert Hooke to commemorate the Great Fire of London in 1666.

7. Financial Review

The net cost of the services and activities funded by City's Cash in 2022/23 is shown opposite. The Consolidated Statement of Comprehensive Income shown on page 19 is summarised overleaf. This records an operating deficit of £335.3m (2021/22: operating surplus of £95.6m), which is £430.9m lower than the previous year and is comprised of a number of movements which are explained on page 12. After the operating deficit, the Statement records gains from the sale of fixed assets of £6.6m (2021/22: gain from the sale of fixed assets of £35.9m), loan financing costs of £10.5m (2021/22 £9.2m), a decrease in the deferred taxation liability against Barking Power Limited of £9.8m (2021/22: an increase of £15.8m) and an actuarial gain of £310.2m on defined benefit pension schemes (2021/22: an actuarial gain of £109.5m).

Overall, there was comprehensive expenditure of £19.2m for the year (2021/22: comprehensive income of £216.0m).



	2023 Income £m	2023 (Expenditure) £m	2023 Net income / (expenditure) £m	2022 Income Restated £m	2022 (Expenditure) Restated £m	2022 Net income / (expenditure) Restated £m
Service / activity						
Education	**96.7**	**(109.9)**	**(13.2)**	86.2	(101.7)	(15.5)
Investments - property and managed funds	**66.0**	**(36.9)**	**29.1**	65.4	(29.6)	35.8
Markets	**12.3**	**(47.3)**	**(35.0)**	11.0	(16.9)	(5.9)
Open Spaces	**8.1**	**(24.3)**	**(16.2)**	6.7	(24.1)	(17.4)
City Representation	**2.1**	**(16.4)**	**(14.3)**	1.2	(15.1)	(13.9)
Innovation and Growth	**0.7**	**(7.9)**	**(7.2)**	0.5	(7.5)	(7.0)
Grants and other activities	**0.7**	**(30.1)**	**(29.4)**	0.5	(30.0)	(29.5)
Management and Administration	**-**	**(9.9)**	**(9.9)**	-	(8.8)	(8.8)
Net Pension Scheme Costs	**-**	**(26.8)**	**(26.8)**	-	(35.4)	(35.4)
Operating deficit before gain / (loss) in fair value of investments*	**186.6**	**(309.5)**	**(122.9)**	171.5	(269.1)	(97.6)
Gain / (loss) in fair value of:						
- property investments			**(216.3)**			124.2
- non-property investments			**3.9**			69.0
Operating (deficit) / surplus *			**(335.3)**			95.6
Profit on sale of fixed assets			**6.6**			35.9
Loan financing (costs)			**(10.5)**			(9.2)
(Deficit) / surplus before taxation			**(339.2)**			122.3
Taxation			**-**			-
Deferred taxation			**9.8**			(15.8)
(Deficit) / surplus before taxation			**(329.4)**			106.5
Other comprehensive income						
Actuarial gain / (loss) on defined benefit pension schemes			**310.2**			109.5
Total comprehensive (expenditure) / income			**(19.2)**			216.0

* Volatility in operating surplus or deficit for the financial year – FRS102 requires the gain or loss in fair value of property and non-property investments to be included in the Consolidated Statement of Comprehensive Income (page 19). This means that even relatively small movements in the markets from one year to the next can produce large volatility in the operating surplus or deficit in the Consolidated Statement of Comprehensive Income.

The adverse movement in the operating position of £430.9m, from a surplus of £95.6m in 2021/22 to a deficit of £335.3m in 2022/23, is largely due to:

- The fair value from property investments reducing from a gain of £124.2m in 2021/22 to a loss of £216.3m in 2022/23, an adverse movement of £340.5m. This loss reflects inflationary pressures against the backdrop of faltering economic growth and continued concerns over the cost of high energy costs, following the ongoing war in Ukraine. There is a risk that continued volatility, coupled with changes in debt costs, will have a direct impact on pricing as yields continue to evolve. There remains evidence of wide bid spreads, price renegotiations and transactions taking a long time to complete, which all add to the market dynamics. Additionally, there was also a substantial loss in the value of land at Barking Power Station.

- A decrease in net expenditure on education of £2.3m from £15.5m in 2021/22 to £13.2m in 2022/23. The decrease in expenditure has been primarily due increased income and expenditure related to the opening of the City Junior School in September 2022.

- Net expenditure on Markets increasing by £29.1m from £5.9m in 2021/22 to £35.0m in 2022/23 largely due to increased costs to facilitate the Markets Consolidation Programme.

- Net income relating to investments reducing by £6.7m, from £35.8m in 2021/22 to £29.1m in 2022/23, due to the ongoing redevelopment and refurbishment of investment properties across the portfolio, the continued move to turnover rents, and outstanding rent certificates. This has been offset by a reduction of £2.2m to the bad debt provision from £5.3m in 2021/22 to £3.1m in 2022/23 to reflect the decrease in outstanding debt compared to the prior year.

- A reduced gain in the fair value of non-property investments of £65.1m from £69.0m in 2021/22 to £3.9m in 2022/23. This decline in the value of the portfolio's investments has been directly impacted as a result of the Bank of England's tightening monetary policy in the latter part of the year following the impact of the then Chancellor's mini-budget. Investment values have yet to recover following the downturn in financial markets but positive growth is anticipated during future periods.

- Net expenditure on Management and Administration increasing by £1.1m from £8.8m in 2021/22 to £9.9m in 2022/23 primarily due to increased support and governance costs.

Partly offset by:

- Net pension scheme costs decreasing by £8.6m, from £35.4m in 2021/22 to £26.8m in 2022/23. This is due to a decrease in service costs and a reduction in losses on settlements and curtailments due to a change in financial assumptions. Employers' contributions also decreased in year.

- A reduction in net expenditure on Open Spaces of £1.2m from £17.4m in 2021/22 to £16.2m in 2022/23, caused by a general increase in income from charges for use of facilities and licences, following a busy 2022 summer, in part due to good weather.

After the operating deficit of £335.3m (2021/22: surplus of £95.6m) there was a profit on the disposal of fixed assets of £6.6m (2021/22: profit of £35.9m), a reduction of £29.3m on the previous year. In addition, there were loan financing costs of £10.5m (2021/22: £9.2m), an increase of £1.3m on the previous year due to ongoing interest repayments as the full £450m loan the City Corporation has agreed to support the funding of the major capital projects it is undertaking was received in 2021/22.

Following the decrease in deferred taxation of £9.8m (2021/22: increase of £15.8m) relating to Barking Power Limited due to a fall in the value of the power station land and an actuarial gain on defined benefit pension schemes of £310.2m (2021/21: a gain of £109.5m), City's Cash reserves have decreased overall by £19.2m (2021/22: increase in reserves of £216.0m) from £2,845.4m to £2,826.2m.

City of London Pension Scheme

The estimated share of the net liability in the City of London Pension Scheme is included in the City's Cash accounts. The City's Cash share of the deficit is 46% (2021/22: 46%) which equates to £65.6m at 31 March 2023 (£349.0m at 31 March 2022).

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

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

Further details of the City of London Pension Scheme can be found in note 18 to the financial statements.

Going Concern

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

Financial Commitments

The City Corporation has agreed a £50.0m contribution to Crossrail from City's Cash subject to the completion of the works; the timing of the payment has yet to be agreed. The agreement is an executory contract and therefore outside the scope of FRS102.

In addition, there are contractual commitments of £22.3m, this relates to £2.7m for the refurbishment of 213-215 Tottenham Court Road, £18.0m for the decommissioning works at Barking Reach Power Station, and £1.6m for Smithfield Annexe refurbishment.

Events After the Reporting Date

There are no material events after the reporting date.

Explanation of the Financial Statements

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

- Consolidated Statement of Comprehensive Income showing all income available and all expenditure incurred;
- Consolidated Statement of Financial Position setting out the assets, liabilities and funds of City's Cash;
- Consolidated Statement of Changes in Equity which includes the profit or loss for the period together with other recognised gains and losses and reconciles to the total movement in reserves;
- Consolidated Statement of Cash Flows showing the movement of cash for the year; and
- Notes to the financial statements explaining the accounting policies adopted and explanations of figures contained in the financial statements.

The following separate entities have been consolidated with City's Cash accounts:
Registered charities which are managed and funded by the City Corporation:

- Ashtead Common
- Burnham Beeches
- Epping Forest
- Hampstead Heath
- Hampstead Heath Trust
- Highgate Wood and Queen's Park Kilburn
- West Ham Park
- West Wickham Common, Spring Park Wood and Coulsdon and other Commons

- Sir Thomas Gresham Charity
- Keats House

- City Re Limited – a wholly owned subsidiary company whose principal activity is to provide re-insurance protection. The company is a limited company, limited by shares and is incorporated in Guernsey, registration number 52816. The Directors' Report and Financial Statements have been prepared in accordance with The Insurance Business (Bailiwick of Guernsey) Law, 2002, FRS102 and FRS103 "Insurance Contracts" and are available at https://www.cityoflondon.gov.uk/about-us/budgets-spending/statements-of-accounts . The company allows the City to share in underwriting profits with a known capped downside financial risk of £250,000 per claim.

- Barking Power Limited (company registration number 02354681) and Thames Power Services Limited (company registration number 02624730) – the Court of Common Council approved the purchase of these companies and the associated Barking Reach Power Station site, which was completed on 14 December 2018. The power station is not operational, and the City of London Corporation is remediating the site for future redevelopment. For this reason, the financial statements of Barking Power Limited and Thames Power Services Limited are prepared on a basis other than that of a going concern. However, the Directors of these two entities consider that no adjustments are required as a result of preparing the financial statements on a basis other than that of a going concern.

Disclosure of Information to the Auditor

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

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

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- stated whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

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

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

Approval of the Annual Report and Financial Statements

At a meeting of the Finance Committee held at Guildhall on XX November 2023, the financial statements of City's Cash were approved on behalf of the Court of Common Council.

Henry Nicholas Almroth Colthurst
Chairman of Finance Committee

Randall Keith Anderson
Deputy Chairman of Finance Committee

Guildhall, London
XX February 2024

INDEPENDENT AUDITOR'S REPORT TO THE CITY OF LONDON CORPORATION

Opinion

We have audited the financial statements of City of London Corporation (the 'Corporation') fund, City's Cash for the year ended 31 March 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of City's Cash's affairs as at 31 March 2023 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of City's Cash in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The Corporation is responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of the Corporation

As explained more fully in the Responsibilities of the City of London Corporation for the Annual Report and Financial Statements as set out on page 14, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation are responsible for assessing City's Cash's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate City's Cash or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members including internal specialists. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which City's Cash operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the United Kingdom Accounting Standards (Financial Reporting Standard 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to City's Cash's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within City's Cash for fraud. The laws and regulations we considered in this context for the UK operations were General Data Protection Regulation (GDPR) and Health and Safety Legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Corporation and other management and inspection of regulatory and legal correspondence, if any. We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit, legal counsel and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, sample testing of income and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

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

[This report has not yet been signed]
Crowe U.K. LLP
Statutory Auditor
London
[Date]

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income for the year ended 31 March 2023

	Notes	2023 £m	2022 Restated £m
Income			
Education		**96.7**	86.2
Investments - property and managed funds	1	**66.0**	65.4
Markets		**12.3**	11.0
Open Spaces		**8.1**	6.7
City Representation		**2.1**	1.2
Innovation and Growth		**0.7**	0.5
Grants and other activities		**0.7**	0.5
Total Income	1	**186.6**	171.5
Expenditure			
Education		**(109.9)**	(101.7)
Investments - property and managed funds	2	**(36.9)**	(29.6)
Markets		**(47.3)**	(16.9)
Open Spaces		**(24.3)**	(24.1)
City Representation		**(16.4)**	(15.1)
Innovation and Growth		**(7.9)**	(7.5)
Grants and other activities		**(30.1)**	(30.0)
Management and Administration		**(9.9)**	(8.8)
Net pension scheme costs	18c	**(26.8)**	(35.4)
Total expenditure	2 to 4	**(309.5)**	(269.1)
Operating deficit before (loss) / gain in fair value of investments		**(122.9)**	(97.6)
(Loss) / gain in fair value of property investments	6	**(216.3)**	124.2
Gain / (loss) in fair value of non-property investments	8	**3.9**	69.0
Operating (deficit) / gain		**(335.3)**	95.6
Profit / (loss) on Sale of Fixed Assets		**6.6**	35.9
Loan financing costs	16	**(10.5)**	(9.2)
(Deficit) / gain before taxation		**(339.2)**	122.3
Taxation	5	**-**	-
Deferred taxation	17	**9.8**	(15.8)
(Deficit) / surplus for the year		**(329.4)**	106.5
Other comprehensive income			
Actuarial gain / (loss) on defined benefit pension schemes	18c	**310.2**	109.5
Total comprehensive (expenditure) / income for the year		**(19.2)**	216.0

All amounts relate to continuing operations. The notes on pages 32 to 58 form part of these financial statements.

2021/22 has been restated following the March 2022 pensions triennial funding valuation. Further details of this are stated in note 18.

Consolidated Statement of Financial Position at 31 March 2023

Approved for issue XX February 2024

	Notes	2023 £m	2022 Restated £m
Fixed Assets			
Investment properties	6	**1,917.7**	2,112.9
Tangible assets	6	**329.7**	296.2
Heritage assets	7	**182.0**	181.8
Non-property investments	8	**977.2**	990.6
Intangible assets	9	**23.5**	27.4
Long term debtors	10	**7.4**	7.7
Total Fixed Assets		**3,437.5**	3,616.6
Current Assets			
Stocks – finished goods	12	**0.4**	0.4
Short term Debtors	10	**39.3**	45.0
Non-property investments	8	**60.7**	184.1
Cash at bank and in hand		**28.8**	20.1
Total Current Assets		**129.2**	249.6
Creditors: amounts falling due within one year	13	**(88.8)**	(80.9)
Net Current Assets		**40.4**	168.7
Total Assets less Current Liabilities		**3,477.9**	3,785.3
Deferred income	14	**(82.0)**	(82.4)
Finance leases	15	**(2.4)**	(2.4)
Long-term loans	16	**(449.0)**	(449.0)
Provisions for liabilities	17	**(52.7)**	(57.1)
Net Assets excluding pension liability		**2,891.8**	3,194.4
Defined benefit pension scheme liability	18,19	**(65.6)**	(349.0)
Net Assets		**2,826.2**	2,845.4
Capital and Reserves			
Operational Capital Reserve		**329.8**	296.3
Heritage Assets Reserve		**182.0**	181.8
Income Generating Fund		**2,979.0**	3,314.9
Working Capital Fund		**(150.0)**	(149.6)
Loan Fund		**(449.0)**	(449.0)
Pension Reserve		**(65.6)**	(349.0)
Total Capital Employed	19	**2,826.2**	2,845.4

Caroline Al-Beyerty, Chamberlain and Chief Financial Officer

Consolidated Statement of Changes in Equity for the year ended 31 March 2023

	2022 Total £m	2023 Operational Capital	Heritage Assets Reserve	Income Generating Fund	Working Capital Fund	Loan Fund	Pension Reserve	**Total £m**
Capital Employed brought forward 1 April	2,629.4	296.3	181.8	3,314.9	(149.6)	(449.0)	(349.0)	**2,845.4**
Total comprehensive income	216.0	33.5	0.2	(335.9)	(0.4)	0.0	283.4	**(19.2)**
Capital Employed carried forward 31 March	2,845.4	329.8	182.0	2,979.0	(150.0)	(449.0)	(65.6)	**2,826.2**

Consolidated Statement of Cash Flows for the year ended 31 March 2023

	Notes	**2023 £m**	2022 £m
Cash flows from operating activities:			
Net cash used in operating activities	20a	**(66.7)**	(103.1)
Cash flows from investing activities:			
Net dividends, interest and rents from investments		**66.0**	65.4
Cash taken from / (invested in) short term deposits		**127.7**	(168.2)
Proceeds from the sale of property, plant and equipment		**6.6**	58.3
Purchase of property, plant and equipment		**(41.8)**	(29.2)
Proceeds from sale of investments		**153.6**	113.8
Purchase of investment properties and other investments		**(226.2)**	(124.1)
Net cash used in investing activities		**85.9**	(84.0)
Cash flows from financing activities:	20b	**(10.5)**	190.9
Increase/(Decrease) in cash in the year		**8.7**	3.8
Change in cash and cash equivalents in the reporting period		**8.7**	3.8
Cash and cash equivalents at the beginning of the reporting period		**20.1**	16.3
Cash and cash equivalents at end of year	20c	**28.8**	20.1

Statement of Significant Accounting Policies

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

a) **Basis of Preparation**

The City of London Corporation has chosen to prepare the City's Cash financial statements in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) as issued by the Financial Reporting Council.

This Statement of Accounts is prepared for the City of London Corporation ("the City Corporation") only to the extent that it includes the economic activities such as education activities (operating 4 fee paying schools and The Guildhall School of Music & Drama); the operation of 3 wholesale food markets; managing and operating a number of open spaces across 11 London boroughs and 4 district councils; City of London representation; Innovation and growth activities; Management and administration activities; Grant making activities. Accordingly, the reporting entity, for the purpose of these accounts, is City's Cash which is a part of the City Corporation but is not in itself a legal entity. This means the legal party to transactions and balances relating to City's Cash is the City Corporation.

Assets, liabilities and transactions of the City Corporation are allocated to City's Cash and recognised in these financial statements where they relate to City's Cash's economic activities mentioned above. The basis of allocation of assets, liabilities and transactions to City's Cash (including income and expenditure) has been made on a consistent basis for many years and that basis is reported and explained in more detail within this statement of significant accounting policies, including accounting policy (z) Critical Accounting Judgements and Estimates, and within the notes to the consolidated financial statements where appropriate. The basis of allocations is periodically reviewed to confirm that this basis of allocating shared income and expenditure, and assets and liabilities, remain appropriate. The method of allocation applied to major classes of assets and liabilities, and income and expenditure, are explained within the separate accounting policies below.

b) **Going Concern**

In the opinion of the City Corporation, City's Cash is a going concern as it annually receives considerable income from its property and non-property investments. This income is considered in the context of a rolling medium-term (circa 4-5 years) financial forecast to ensure that services are affordable and sustainable. Cash and liquid investments are monitored and maintained at a level to ensure that sufficient resources are available to finance any in-year deficits. City's Cash activities are discretionary therefore provide flexibility to alter activities in line with resources available.

c) **Consolidation**

The City's Cash financial statements consolidate the financial results of the services provided directly, including ceremonial, schools and markets; City Re Ltd. a wholly-owned subsidiary of the City Corporation whose principal activity is to provide re-insurance protection and is included as part of management and administration activities in City's Cash; trust funds in respect of seven open spaces, the Sir Thomas Gresham Charity, Keats House; and Barking Power Limited and Thames Power Services Limited. The latter two companies represent a power station that is located on a site which the City Corporation intends to remediate and decontaminate for future redevelopment and is part of City's Cash innovation and growth activities. In the case of charities and trusts, the rationale for consolidation is that the City Corporation is the sole Trustee and thereby exercises operational control over their activities, but specifically through its City's Cash fund due to this fund providing the majority of each charity's funding.

d) **Income and Expenditure**

City's Cash financial statements include only those activities of the Corporation relating to its services as set out paragraph (a). The majority of City's Cash's income generated from services relates specifically to City's Cash's defined activities. Similarly, some expenditure incurred relates to defined City's Cash activities. However, the 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 and the other running costs and overheads are allocated by reference to the floor space used by staff supporting the activities of each Fund.

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

- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to City's Cash. This is usually at the point the purchaser has signed for the delivery of the goods.
- Revenue from education is recognised in the Statement of Comprehensive Income when City's Cash is entitled to the income, which is the period in which the student is studying. Tuition fees received in advance of the financial year are deferred in the Statement of Financial Position. Where the amount of the tuition fee is reduced by a discount, income receivable is shown net of the discount. Non-refundable payment such as application fee and registration fees are recognised when received.
- Rental income is recognised on a receivable basis and at the date stated on the lease terms. Rent received in advance of the financial year are deferred in the Statement of Financial Position.
- Investment income and income from other provision of services is recognised on the Statement of Comprehensive Income on a receivable basis.
- Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations for purposes other than capital expenditure (see note 1 - Income) are recognised as income at the date that the conditions of entitlement to the grant/contribution are satisfied, when there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Where a grant or contribution has been received but the conditions of entitlement have not been satisfied, the grant or contribution is treated as a receipt in advance.

  Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Financial assets are derecognised when the contractual rights to the cash flows from the assets expire, or when City's Cash has transferred substantially all the risks of and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.
- Finance costs consist of the interest payable on borrowings.

e) **Deferred Income**

Lease premiums relating to operating leases are treated as deferred income and released to revenue over the life of the lease (see note n: Leases).

f) **Tangible Fixed Assets – Operational Properties, Infrastructure, Vehicles, Plant and Equipment**

These are assets held and used for the direct delivery of services. They are carried at historic cost* less depreciation on a straight-line basis to write off their costs over their estimated useful lives (*this only includes assets acquired since 2000 as earlier historic cost information is not available). Depreciation is charged from the year following that of acquisition. Where the effects of major additions and disposals in the year are material, depreciation charges will be adjusted accordingly. Land is not depreciated.

Typical asset lives are as follows:

Buildings and any other component elements within those buildings	10 to 50 years
Plant and machinery (including the following):	
Plant	10 to 20 years
Furniture and equipment	3 to 15 years
Vehicles	3 to 10 years

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

g) **Tangible Fixed Assets – Freehold investment properties**

These are assets held to earn rental income and/or for capital appreciation which are revalued annually to fair value as at 31 March. City's Cash Investment Property valuation was £1,917.7m at 31 March 2023 (2021/22: £2,112.9m). Gains or losses arising from changes in the fair value of investment property are included in the Consolidated Statement of Comprehensive Income.

De-Recognition

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

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

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

h) **Assets under construction**

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

i) **Impairments**

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

An impairment loss on investment property is treated as a revaluation movement which is included in the Consolidated Statement of Comprehensive Income.
An impairment loss on operational assets or heritage assets is recognised in the Consolidated Statement of Comprehensive Income. The reversal of an impairment loss on operational or heritage property, previously recognised in the Consolidated Statement of Comprehensive Income, will not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

j) **Heritage Assets**

City's Cash heritage assets largely comprise art and sculpture treasures are accounted for at cost less impairments, or where cost cannot be readily identified, on the basis of available information, as a proxy for cost.

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

k) **Financial Assets and Liabilities**

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS102. Basic financial instruments included cash, debtors and creditors, and investment in non-derivative financial instruments, any other financial instrument other than those listed are classified as 'other'. All financial instruments held by City's Cash are basic financial instruments.

l) **Non-Property Investment Assets**

Non-property investment assets are held in accordance with the investment policy set by the City of London Corporation. FTSE 100 Company investments are valued at the Stock Exchange Trading System (SETS) price at close on 31 March of the relevant year. Other quoted investments are valued at the middle market price at the close of business on 31 March. Unquoted investments consist of private equity and infrastructure funds. Private equity funds are valued based on comparable valuation of similar companies in accordance with international private equity valuation guidelines, and infrastructure funds are valued based on discounted cashflows applied to equity and debt instruments.

Short term non-property investments are investment held with maturity dates less than one year and are mainly held as part of the portfolio strategy i.e. the fund manager usually holds a level of cash as a part of their short-term strategy. They are not held as short-term commitments i.e. they are not normally held for any pending trades and are not held as a part of the long term holding timeline.

In respect of short term investments and cash, whilst each fund, including City's Cash, 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 City's Cash 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's Cash based on the share of the City's Cash cash book of the total cash balances and investments.

Non-property investment assets have been accounted for at 'fair value through the statement of comprehensive income'.

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

m) **Intangible Assets**

Intangible assets comprise:

- Goodwill on the purchase of Barking Power Limited and Thames Power Services Limited, which is recognised as the excess of the cost of their acquisition over the net amount of its identified assets and liabilities. The purchase goodwill is gain from the land value of the power station sites, which has unlimited useful economic life, FRS102 requires this kind of goodwill to be amortised over 10 years, which is the maximum useful economic life of these assets under the standard.
- Computer systems and software licences which are capitalised at cost and reflected within the financial statements at amortised historic cost. Amortisation is calculated by allocation of the balance sheet value of the asset, less any residual value, to the periods expected to benefit from its use on a straight-line basis over 3 to 7 years. Amortisation charges are charged to service revenue accounts.

n) **Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Finance Leases

<u>City's Cash as Lessee</u>

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

<u>City's Cash as Lessor</u>

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

Operating leases

City's Cash as lessee

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

City's Cash as lessor

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

Grants of long leases

The City Corporation in some instances grants leases of land and buildings in excess of 100 years. On inception of the lease an assessment is made whether the lease is in substance for the use of the premises for the majority of its useful life, in which case the lease is classified as a finance lease, or a right to occupy land (commonly where the site is redeveloped) in which case the lease is classified as an operating lease.

Lease Incentives

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

o) **Contingent Liabilities**

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

p) **Loans**

Loans to City's Cash are recognised in the Statement of Financial Position initially at fair value less loan transaction costs which are capitalised to the loan account. Using the amortised cost and effective interest method, loan transaction costs and interest are allocated to the Consolidated Statement of Comprehensive Income over the life of the loan.

q) **Provisions**

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

r) **Cash and cash equivalent**

Cash and cash equivalent comprises funds repayable to the City Corporation without penalty on notice within 24 hours, less cheques and BACS payments issued but not presented, and investments with maturity of three months or less.

s) **Stocks of Finished Goods**

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

t) **Pension Costs**

Non-Teaching Staff

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

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

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

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

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

Pension Costs – Teachers

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

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

As it is not possible to identify the assets and liabilities at individual employer level, this scheme has been accounted for as a defined contribution scheme where employee and employer contributions are accounted for only.

u) **Statutory Deductions from Pay**

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

v) **Foreign Currencies**

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

w) **Tax**

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

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

Barking Power Limited and Thames Power Limited are both subject to corporation tax, which comprises current and deferred tax. Corporation tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax, with the exception of deferred tax assets that are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

x) **Overheads**

The costs of support service overheads, except for expenditure on corporate and democratic activities, are generally apportioned between all services on the basis of employee time spent. Similarly, except for vacant properties, the costs of support service buildings are allocated based on space occupied by each service.

y) **Reserves**

A number of reserves are held as endowment funds or restricted funds received by the City Corporation for specified purposes. These are held in the Working Capital Fund, which is shown in note 19.

z) **Critical Accounting Judgements and estimates**

In applying accounting policies, the Corporation has to make certain judgements and estimates about complex transactions or those involving uncertainty about future events. 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. The judgements and estimates that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(i) ***Pension Benefits***

Estimation of the net liability to pay pensions depends on several factors such as 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 has been engaged to provide the City Corporation with expert advice about the assumptions to be applied. The total Pension Fund net deficit has been allocated to City's Cash based on a three year average of the percentage of employer's pension contributions paid into the Fund by City's Cash as a proportion of total employer's contributions paid.

The effect of changes in individual assumptions on the net pension's liability can be measured but are complex and interact in a complex manner. For example, the actuary determines the appropriate discount rate at the end of each year after taking account of the yield from a high quality bond of appropriate duration, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liabilities of £10.6m. Other key assumptions for pension obligations are based in part on current market conditions and demographic data. Additional information on pension schemes is given in note 18 on pages 46 to 50.

(ii) ***Valuation of Investment Properties***

The carrying values of investment properties are primarily dependent on judgements of such variables as the state of the markets, location, condition of the properties/assets, indices etc. Valuation for investment properties is calculated in accordance with "RICS Valuation – Global Standards 2020" together with the UK National Supplement (the "RICS Red Book"). The valuations apply market capitalisation rate to future rental cash flow with reference to data from comparable market transactions with assessment of the security of income. Valuers are required to consider the conditions that existed as at the balance sheet date.

(iii) ***Short term investments and cash and cash equivalents***

Whilst each fund maintains a cash book for its own cash transactions and balances, the cash and cash equivalent balances are pooled across the Corporation for treasury management purposes. The balances held in the City Corporation's bank accounts or invested in money market funds, deposits and investments from surplus cash are allocated to City's Cash in proportion to its cash book share of cash and cash equivalent balances and short-term investments. Investment income on these balances is allocated to City's Cash based on its share of the total cash and cash equivalent balances and investments.

(iv) ***Other assets and liabilities***

Where the 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 City's Cash.

aa) **City Re Ltd - Any other accounting policies used that are relevant to an understanding of the financial statements**

(i) ***Gross premiums written***

Gross premiums written is in respect of the provision of reinsurance protection to RSA Insurance Group Plc on the risks associated with material damage and loss of rent insurance programmes of the City of London portfolio.

(ii) ***Unearned premiums***

Unearned premium represents the proportion of premium which has been pre-paid for the following financial period.

(iii) ***Claims***

Claims are accounted for on an accruals basis. Provisions made for the cost of outstanding claims reported at the reporting date are included in the outstanding loss reserve. The estimate for the cost of claims incurred but not reported ("IBNR") is included in the IBNR reserve. The current IBNR is in the sum of £250,000 (2022: £125,000) is determined by the Board of Directors using both historical data and any data available up to the approval of the financial statements, in relation to the provision of new claims and deterioration of existing claims.

(iv) ***Commission***

Fronting fees calculated as 3% of gross premiums written is payable to RSA Insurance Group Pic and are earned over the related policy period. Profit commission calculated as 1.5% of the profit before tax in the financial period is payable to Marsh Management Services Guernsey Limited.

(v) *Explanation of recognised amounts from insurance contracts*

Schedule 3 to the FRS103 Regulations requires disclosure of the total amount of commissions for direct business including acquisition, renewal, collection and portfolio management. For this purpose, commission shall exclude payments made to employees of the undertaking.

An insurer shall disclose information that identifies and explains the amounts in its financial statements arising from insurance contracts.

To comply with statement above an insurer shall disclose:

(a) the recognised assets, liabilities, income and expense (and, if it presents its statement of cash flows using the direct method, cash flows) arising from insurance contracts. Furthermore, if the insurer is a cedant, it shall disclose:

(i) gains and losses recognised in profit or loss on buying reinsurance; and

(ii) if the cedant defers and amortises gains and losses arising on buying reinsurance, the amortisation for the period and the amounts remaining unamortised at the beginning and end of the period;

(b) the process used to determine the assumptions that have the greatest effect on the measurement of the recognised amounts described in (a). When practicable, an insurer shall also give quantified disclosure of those assumptions;

(c) the effect of changes in assumptions used to measure insurance assets and insurance liabilities, showing separately the effect of each change that has a material effect on the financial statements; and

(d) reconciliations of changes in insurance liabilities, reinsurance assets and, if any, related deferred acquisition costs.

(vi) *Nature and extent of risks arising from insurance contracts*

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of the applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the financial statements for the period in which the adjustments are made.

Outstanding loss reserves

The carrying amount of the reserve is £2,917,853 (2022: £3,211,317). There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims and on the advice of expert loss adjusters where appropriate.

IBNR

The current IBNR is in the sum of £250,000 (2022: £125,000) is determined by the Board of Directors using both historical data and any data available up to the date of approval of the financial statements, in relation to the provision of new claims and deterioration of existing claims.

MANAGEMENT OF INSURANCE RISK

The principal risk that the Company faces under its insurance contracts is that the actual claims are significantly different to the amounts included in the technical reserves. This could occur because the frequency or severity of claims and benefits are greater or lower than estimated. Insurance events are fortuitous and the actual number and amounts of claims may vary from year to year from the estimate established.

The Company provides re-insurance protection to the RSA Insurance Group Plc on the risks associated with material damage and loss of rent for the City of London's property portfolio. The re-insurance protection is limited to a maximum liability of £250,000 for each and every loss with an aggregate limit equal to £250,000 in excess of net written premium.

All risks covered under the insurance policy are within the United Kingdom. Claims development tables. The claims development table that follows shows claims reported per underwriting year which remain open in the respective policy year.

Claims development table at 31 March 2023

Underwriting year	2015	2016	2017	2018	2019	2020	2021	2022	Total
accounting period end	188,840.00	233,724.00	837,927.00	495,995.00	189,228.00	360,520.00	502,866.00	173,399.00	2,982,499.00
one year later	1,543,888.00	1,436,816.00	2,172,013.00	1,511,546.00	1,897,176.00	2,330,911.00	2,498,002.00	-	13,390,352.00
two years later	1,643,108.00	1,603,168.00	2,240,475.00	1,431,278.00	1,871,543.00	2,770,148.00	-	-	11,559,720.00
three years later	1,858,804.00	1,525,342.00	2,281,671.00	1,400,675.00	1,796,195.00	-	-	-	8,862,687.00
four years later	2,085,243.00	1,531,492.00	2,224,412.00	1,390,470.00	-	-	-	-	7,231,617.00
five years later	1,906,249.00	1,405,066.00	2,223,612.00	-	-	-	-	-	5,534,927.00
six years later	1,906,249.00	1,405,066.00	-	-	-	-	-	-	3,311,315.00
seven years later	1,906,249.00	-	-	-	-	-	-	-	1,906,249.00
Current estimate of cumulative claims	1,906,249.00	1,405,066.00	2,223,612.00	1,390,470.00	1,796,195.00	2,770,148.00	2,498,002.00	173,399.00	14,163,141.00
Cumulative payments to	- 1,906,249.00	- 1,312,331.00	- 1,595,824.00	- 1,383,077.00	- 1,698,209.00	- 1,965,164.00	- 1,134,434.00		- 10,995,288.00
Statement of Financial Position Reserves	**-**	**92,735.00**	**627,788.00**	**7,393.00**	**97,986.00**	**804,984.00**	**1,363,568.00**	**173,399.00**	**3,167,853.00**

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1. Income

Investment Income

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

	2023 £m	2022 £m
Rentals, service charges and dilapidations income	**60.8**	61.3
Dividends from non-property investments and interest on fund balances	**5.2**	4.1
Total investment income	**66.0**	65.4

Note: rent receivable in 2022/23 in respect of operating leases was £50.9m (2021/22: £50.4m).

Education Income

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

Markets Income

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

Open Spaces Income

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

Other Income

Other income from government grants was primarily comprised of a National Counter Terrorism Security Office discount.

2. Expenditure

Investment Management Costs

Expenses relating to property and non-property investments comprise:

	2023 £m	2022 £m
Property investment expenses	**31.4**	23.3
Non-property investments - management fees paid to fund managers	**5.6**	6.3
Total Investment Management Costs	**37.0**	29.6

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

Depreciation

The operating deficit is stated after charging depreciation amounting to £8.3m (2021/22: £7.4m).

Operating Lease Rentals

During the year of account City's Cash spent £1.0m on operating lease rentals in respect of premises (2021/22: £0.9m).

Auditor's remuneration

Remuneration to the external auditor, Crowe U.K. LLP, for audit services relating to the year of account for the City's Cash consolidated financial statements including the audit of the individual charities consolidated within City's Cash but excluding the audit Barking Power Ltd and Thames Power Services Ltd (whose audit fees are disclosed separately in those financial statements) amounted to £156,300 (2021/22: £137,000). No other fees were payable to Crowe U.K. LLP for non-audit services during the year (2021/22: no other fees were payable).

Members' expenses

In November 2021, the Court of Common Council introduced an annual, flat rate allowance for Members, which is based on the City Corporation's rate for inner-

London Weighting paid to its staff. 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 choose not to claim from the scheme to maintain their status as volunteers. During the year, circa £340,000 in remuneration from City's Cash was claimed for Members undertaking their duties (2021/22: 80,000). The increase reflects a full year of expenses claimed on the scheme compared to the inaugural year.

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 totalled £44,559 (2021/22: £8,664) across all of the City's activities.

3. Staff numbers and costs

Staff employed by the City Corporation work on a number of the City Corporation's activities. The table overleaf sets out the number of full-time equivalent staff charged directly to City's Cash services and their remuneration costs. In addition, the table includes an apportionment of time spent and costs of support service staff attributable to City's Cash services.

Number of employee full time equivalents	**2023 FTE**	**2022 FTE**
Investment properties	**15.5**	15.0
Education	**845.5**	800.9
Markets	**89.0**	88.3
Open spaces	**275.8**	280.2
City representation	**69.2**	70.0
Grants and other activities	**39.1**	41.7
Support Services	**195.3**	203.6
Total	**1,529.4**	1,499.7

Employee remuneration	**Gross Pay £m**	**National Insurance £m**	**Pensions £m**	**2023 £m**	**2022 £m**
Investment Management	**0.8**	**0.1**	**0.2**	**1.1**	1.1
Education	**47.7**	**5.1**	**9.7**	**62.5**	58.2
Markets	**3.3**	**0.3**	**0.6**	**4.2**	4.2
Open spaces	**9.5**	**0.9**	**1.7**	**12.1**	12.4
City representation	**3.7**	**0.4**	**0.7**	**4.8**	4.1
Grants and other activities	**2.4**	**0.3**	**0.4**	**3.1**	3.0
Support Services	**10.4**	**1.1**	**1.8**	**13.3**	12.7
Total	**77.8**	**8.2**	**15.1**	**101.1**	95.7

4. Remuneration of senior employees

The number of staff earning more than £50,000 in aggregate in bands of £10,000 is set out in table 1 overleaf. The City Corporation considers its key management personnel to comprise of the Members of the City of London Corporation and senior officers excluding Chief Officers. Their remuneration are details in Table 2.

Table 1 - Remuneration in Bands

Salary Range	Wholly charged to City's Cash		Partially Charged to City's Cash	
£	**2023**	2022	**2023**	2022
50,000 - 59,999	**73**	113	**237**	223
60,000 - 69,999	**52**	111	**142**	128
70,000 - 79,999	**88**	38	**70**	58
80,000 - 89,999	**95**	14	**28**	26
90,000 - 99,999	**19**	8	**14**	17
100,000 - 109,999	**12**	2	**9**	7
110,000 - 119,999	**6**	0	**7**	6
120,000 - 129,999	**5**	1	**6**	5
130,000 - 139,999	**2**	2	**5**	0
140,000 - 149,999	**0**	0	**1**	1
150,000 - 159,999	**0**	0	**0**	0
160,000 - 169,999	**0**	1	**1**	0
170,000 - 179,999	**0**	0	**1**	0
180,000 - 189,999	**0**	1	**1**	0
190,000 - 199,999	**0**	0	**1**	0
200,000 - 209,999	**0**	0	**0**	0
230,000 - 239,999	**0**	0	**1**	1

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

To provide consistency with the disclosure in the City Fund Financial Statements, tables 2 and 3 set out voluntary information for 2022/23 and 2021/22 respectively in accordance with the Accounts and Audit Regulations 2015, applicable to the City Corporation.

Table 2 - 2022/23 remuneration for those senior employees which we disclose individually

Post Title	Name	Notes	Proportion charged to City's Cash activities where less than 100%	Salary chargeable to City's Cash (including fees and allowances)	Bonus	Expenses	Benefits in kind	Compensation for loss of office	Total Remuneration excluding pension contributions 2022/23	Pension Contributions	National Insurance Contributions	Total Remuneration including Pension Contributions 2022/23
			%	£0	£0	£0	£0	£0	£0	£0	£0	£0
Salary is £150,000 or more a year												
Town Clerk and Chief Executive (left Dec 22)	J. Barradell	*	40	91	-	-	31	55	177	17	19	213
Chamberlain	C. Al-Beyerty	*	35	62	-	-	-	-	62	13	9	84
Comptroller & City Solicitor	M. Cogher	*	25	50	-	-	-	-	50	11	7	68
City Surveyor	P. Wilkinson	*	45	90	-	-	-	-	90	19	13	122
Head City of London School	A. Bird			171	-	-	34	-	205	46	23	274
Headmistress City of London School for Girls	J. Brown			171	-	-	36	-	207	41	23	271
Principal of the Guildhall School of Music & Drama (wef Jun 22)	J. Vaughan			210	-	-	-	-	210	44	29	283
Salary is between £50,000 and £150,000									-			
Town Clerk and Chief Executive (wef Feb 23)	-	*	40	16	-	-	-	-	16	-	2	18
Headmaster City of London Freemen's School	-			144	-	-	-	-	144	43	19	206
Director of Innovation and Growth	-	*	33	54	-	-	-	-	54	11	7	72
Chief Operating Officer	-	*	30	60	-	-	-	-	60	12	8	80
Remembrancer	-			139	-	1	-	-	140	-	19	159
Director of Markets & Consumer Protection	-	*	45	48	-	-	-	-	48	11	7	66
Total				1,306	-	1	101	55	1,463	268	185	1,916

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

Table 3 - 2021/22 remuneration for those senior employees which we disclose individually

Post Title	Name	Notes	Proportion charged to City's Cash activities where less than 100%	Salary chargeable to City's Cash (including fees and allowances)	Bonus	Expenses	Benefits in kind	Compensation for loss of office	Total Remuneration excluding pension contributions 2021/22	Pension Contributions	National Insurance Contributions	Total Remuneration including Pension Contributions 2021/22
			%	£000	£000	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year												
Town Clerk and Chief Executive	J. Barradell	*	40	106	-	-	87	-	193	22	14	229
Chamberlain (left April 2021)	P. Kane	*	35	13	-	-	-	21	34	1	3	38
Chamberlain	C. Al-Beyerty	*	35	61	-	-	-	-	61	13	8	82
Comptroller & City Solicitor	M. Cogher	*	25	45	-	-	-	-	45	9	6	60
City Surveyor	P. Wilkinson	*	45	71	9	-	-	-	80	17	11	108
Salary is between £50,000 and £150,000												
Head City of London School	-			146	-	-	63	-	209	39	19	267
Principal of the Guildhall School of Music & Drama (left Aug 21)	L. Williams			93	-	-	-	-	93	17	12	122
Headmaster City of London Freemen's School	-			142	-	-	-	-	142	16	18	176
Headmistress City of London School for Girls	-			146	-	-	68	-	214	34	19	267
Director of Innovation and Growth	-	*	33	48	-	-	-	-	48	10	6	64
Chief Operating Officer (wef July 2021)	-	*	30	40	-	-	-	-	40	9	5	54
Remembrancer	-			135	-	-	-	-	135	-	17	152
Director of Markets & Consumer Protection (left Dec 21)	-	*	45	32	3	-	-	-	35	7	5	47
Director of Markets & Consumer Protection (wef Aug 21)	-	*	45	33	-	-	-	-	33	7	4	44
Total				1,111	12	-	218	21	1,362	201	147	1,710

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

Table 4 - Annualised Salaries

Post Title	Annualised Salary 2023 £000	Annualised Salary 2022 £000
Town Clerk and Chief Executive	**228**	266
Chamberlain (left April 21)	-	37
Chamberlain	**40**	173
Executive Director of Mansion House & Old Bailey	**177**	-
Comptroller & City Solicitor	**200**	180
City Surveyor	**200**	159
Chief Operating Officer (started July 21)	**200**	133
Director of Open Spaces	-	-
Director of Innovation and Growth	**164**	146
Director of Markets & Consumer Protection (left Dec 21)	-	72
Director of Markets & Consumer Protection (started Aug 21)	**107**	74

5. Tax Status

The City of London Corporation is a single legal entity and legislation treats it as a local authority for tax purposes. City Re Limited, a wholly-owned subsidiary of the City of London Corporation in its City's Cash capacity, conforms to the tax requirements for Guernsey companies. Barking Power Limited and Thames Power Limited are both subject to Corporation Tax. Due to losses within the power station Group, tax payable in any given year is generally minimal. Taxation of £1,357 was recorded in the Accounts for the year-ended 31 March 2023 (2021/22: £1,357). This related to the unwinding of a historic accrued position held by Thames Power Limited.

6. Investment properties and other tangible fixed assets

	Land and Buildings				
	Investment Properties (a) £m	**Freehold (b) £m**	**Plant & Machinery £m**	**Assets Under Const'n £m**	**Total £m**
Cost / Valuation					
At 1 April 2022	2,112.9	286.3	70.2	33.8	2,503.2
Additions	85.6	10.5	1.3	30.0	127.4
Revaluations	(216.2)				(216.2)
Disposals	(64.6)				(64.6)
Transfers		20.7		(20.7)	(0.0)
At 31 March 2023	**1,917.7**	**317.5**	**71.5**	**43.1**	**2,349.8**
Depreciation					
At 1 April 2022	-	(62.1)	(32.0)	-	(94.1)
Charge for the year		(5.3)	(3.0)		(8.3)
At 31 March 2023	**-**	**(67.4)**	**(35.0)**	**-**	**(102.4)**
Net book value					
At 1 April 2022	2,112.9	224.2	38.2	33.8	2,409.1
At 31 March 2023	**1,917.7**	**250.1**	**36.5**	**43.1**	**2,247.4**
Leased assets included above:					
Net book value					
At 1 April 2022	15.3	-	-	-	15.3
At 31 March 2023	**15.3**	**-**	**-**	**-**	**15.3**

Notes:

a) The External valuers value investment properties annually as at 31 March at market values determined in accordance with the RICS Valuation – Professional Standards (The Red Book).

b) All other tangible fixed assets are valued at historic cost less depreciation on a straight-line basis to write off their costs over their estimated useful lives and less any provision for impairment. Freehold land and buildings include items acquired since April 2000 based on depreciated historic cost. Consequently, some of the significant City's Cash operational assets (e.g. Mansion House, Guildhall Complex, Schools and Markets) are included at nil cost as they were generally acquired well before April 2000 and their original acquisition costs are no longer available. Subsequent expenditure on these assets is capitalised in line with accounting policies.

7. Heritage assets

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

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

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

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

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

Nevertheless, the City's art and sculpture treasures, which represent the vast majority of the heritage assets, and open space land are recognised on the Consolidated Statement of Financial Position at a cost of £182.0m (2021/22: £181.8m) as shown in the table below. Due to policy, budgetary and legal constraints there have been no significant acquisitions or disposals in the last five years.

	2023 £m	2022 £m
Cost (a)		
At 1 April	**181.8**	181.6
(Write-off) / Additions (b)	**0.2**	0.2
Closing cost	**182.0**	181.8
Comprising:		
Art and sculptures	**180.9**	180.7
Open spaces	**1.1**	1.1
Total heritage assets	**182.0**	181.8

Notes:

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

b) The balance relates to revival work on open space of West Wickham and included at cost.

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

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

8. Non-property investment assets

Analysis of movement in non-property investment assets is shown in the following table. Further analysis of these investments is shown in note 11.

	2023 £m	2022 £m
Long-term non-property investments		
Total investments at 1 April	**990.6**	932.5
Add additions to investments at cost	**140.6**	104.1
Less disposals at market value	**(147.3)**	(109.2)
Less realised investments	**(6.3)**	(4.6)
Add gain / (loss) in fair value	**(0.4)**	67.8
Investments at 31 March	**977.2**	990.6
Short-term non-property investments		
Total investments at 1 April	**184.1**	14.7
Change in short-term deposits and money market funds*	**(127.7)**	168.2
Change in long term deposits	**4.3**	1.2
Investments at 31 March	**60.7**	184.1
Total investments as at 31 March are analysed between long-term and short-term investments as follows:		
Long-term	**977.2**	990.6
Short-term	**60.7**	184.1
Total investments at 31 March	**1,037.9**	1,174.7

*Note: the £127.7m change in short-term deposits and money market funds in 2022/23 resulted largely from net investments during the year.

9. Intangible assets

	Technology systems £m	Goodwill £m	Total £m
Cost / Valuation			
At 1 April 2022	1.7	39.1	40.8
Additions / (disposals)	-	-	-
Transfers	-	-	-
At 31 March 2023	**1.7**	**39.1**	**40.8**
Amortisation			
At 1 April 2022	(1.6)	(11.8)	(13.4)
Charge for the year	(0.0)	(3.9)	(3.9)
At 31 March 2023	**(1.6)**	**(15.7)**	**(17.3)**
Net book value			
At 1 April 2022	0.1	27.3	27.4
At 31 March 2023	**0.1**	**23.4**	**23.5**

- Technology systems:
  During 2014/15, the City Corporation invested in an updated Oracle Business Intelligence system. This is recognised in the financial statements as an intangible asset on the basis of amortised historic cost at a value of £0.1m (2021/22: £0.1m).

- Goodwill:
  On 14 December 2018, Barking Power Limited and Thames Power Services Limited were purchased by The Mayor and Commonalty and Citizens of the City of London for a total sum of £130.3m. Goodwill of £39.1m represented the excess of the cost of their acquisition over the net amount of its identified assets and liabilities. This is amortised at a rate of £3.9m per annum over 10 years, which is the maximum useful economic life of these assets under FRS102.

10. Debtors

	2023 £m	2022 £m
Amounts falling due within one year		
Sundry debtors	**13.4**	2.7
School fees	**6.4**	11.6
Prepayments and accrued income	**4.2**	6.5
Rental debtors	**13.8**	21.1
VAT	**0.3**	-
Accrued interest	**1.1**	3.1
Current debtors	**39.3**	45.0
Amounts falling due after more than one year		
Rental debtors	**5.8**	6.2
Finance lease debtor	**1.5**	1.5
Long-term debtors	**7.4**	7.7
Total debtors	**46.7**	52.7

11. Nature and extent of Risks arising from Financial Instruments

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

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

The City of London Corporation has adopted The Chartered Institute of Public Finance and Accountancy (CIPFA)'s Treasury Management in the Public Service: Code of Practice. City Cash's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risks to our financial strategy are managed by our central treasury team, under policies approved annually by the Court of Common Council in the Treasury Management Strategy Statement.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers. Deposits are only made with banks with a minimum Fitch (a leading credit 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 score similar to that set for the banks). City's Cash also invests in Money Market Funds, which are subject to a minimum credit rating of AAA/mmf (Fitch) or equivalent.

The creditworthiness of the counterparties on the City's Cash lending list is carefully monitored. The lending list is reviewed on a regular basis using advice from credit rating agencies and in-house judgements based partially on credit default swap rates. Security of the investments is the prime criteria when selecting investments with liquidity and yield being secondary and tertiary considerations. The lending limits attributable to HSBC, Barclays, Goldman Sachs International Bank, National Westminster Bank/Royal Bank of Scotland 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 is £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, Helaba Bank (formerly 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 Class L1 Fund, CCLA, Deutsche Liquidity Fund, Federated Hermes Liquidity Fund, and Invesco); and three highly rated Ultra-Short Dated Bond Funds (Federated Hermes Sterling Liquidity Class L3 Plus Fund, Aberdeen GBP Liquidity Class L3 Fund and Payden Sterling Reserve Fund). The City Corporation will also lend to other UK local authorities with a limit of £25m to any individual authority.

The maximum exposure of City's Cash to credit risk in relation to its investments in banks, building societies, local authorities and money market funds cannot be assessed generally, as the risk of any institution failing to make interest payments or failing to repay the principal amount borrowed would be specific to each individual institution. No credit limits were exceeded during the reporting period and City's Cash does not expect any losses from non-performance by any counterparty in relation to outstanding deposits. As at 31 March 2023, City's Cash had £64.4m in money market funds and short-term cash investments with a maturity of less than 365 days (31 March 2022: £185.1m).

Ageing of debts covered by the Bad Debt Provision	**31 March 2023 £m**	**31 March 2022 £m**
Less than three months	**0.5**	**1.1**
Three to six months	**0.3**	**0.7**
Six months to one year	**0.4**	**1.4**
More than a year	**1.9**	**2.1**
Total	**3.1**	**5.3**

Liquidity risk

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

Market risk (Interest rate risk)

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

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

Interest rate risk is managed within the parameters of the City Corporation's 2022/23 Treasury Management Strategy Statement. Officers have due regard for the prospects for interest rates and the Treasury Management Strategy draws together a number of forecasts for both short term (Bank Rate) and longer-term interest rates. The Treasury Management Strategy also places an upper limit for total principal sums invested for over 364 days.

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. City's Cash is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (UK sterling). The following table summarises the position as at 31 March 2023 and uses data provided by the fund's custodian bank BNY Mellon.

Currency	Value £m	Change %	Value on increase £m	Value on decrease £m
GBP	401.40	0.00%	401.4	401.4
EUR	368.1	2.60%	377.7	358.5
USD	118.3	1.51%	120.1	116.5
Other	150.1	2.04%	153.2	147.0
Total non-property investments	**1,037.9**	**-**	**1,052.4**	**1,023.4**

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

These investments are actively managed by twenty-three main external fund managers who are charged with the responsibility to increase asset values, whilst maintaining market risk to acceptable levels. They achieve this mainly through diversification of stock portfolios across several geographical locations and various industrial sectors and asset classes. The managers' investing practices are controlled by pre-defined levels of tolerance. The City Corporation's Financial Investment Board oversees the monitoring and performance of City's Cash non-property investments and is responsible for the appointment of fund managers. This committee has now been dissolved and replaced with the Investment Committee with effect from 19 May 2023. Concentration risk is also controlled and monitored with a maximum proportion cap over the levels held in individual stocks as a set percentage of each manager's overall portfolio of stocks.

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

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

Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the City of London Corporation's investment consultant Mercer Limited, the City of London Corporation has determined that the movements in market price risk set out in the table below are reasonably possible for the 2022/23 reporting period.

The potential price changes disclosed below are consistent with a multi-year one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Potential Market Movements

The potential movements for price risk based on the different asset classes are provided below.

Asset type	Change %
Global equities - developed markets (incl UK)	19.9%
Global equities - emerging markets	24.8%
Absolute return fixed income	10.7%
Diversified growth funds	12.4%
Multi asset credit	12.1%
Private equity	25.4%
Infrastructure	17.4%
Total non-property investments	**18.1%**

These percentages have been used to calculate the following potential increases / (decreases) in the value of investments.

Financial assets and liabilities

Asset type	Value £m	Change %	Value on increase £m	Value on decrease £m
Global equities - developed markets (incl UK)	634.3	19.9%	760.5	508.1
Global equities - emerging markets	31.6	24.8%	39.4	23.8
Absolute return fixed income	37.3	10.7%	41.3	33.3
Diversified growth funds	171.5	12.4%	192.8	150.2
Multi asset credit	30.1	12.1%	33.7	26.5
Private equity	22.1	25.4%	27.7	16.5
Infrastructure	50.3	17.4%	59.1	41.5
Total Long-term non-property investments	**977.2**	**18.1%**	**1154.5**	**799.9**
Short-term UK deposit and money market funds	60.7	0.0%	60.7	60.7
Total non-property investments	**1,037.9**		**1,215.2**	**860.6**

Financial assets held at fair value through the statement of comprehensive income are investment properties and non-property investments. They have been 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.

	2023 £m	2022 Restated £m
Financial assets measured at fair value through profit and loss	**2,955.6**	3,287.6
Financial assets measured at amortised cost	**611.1**	578.6
Financial liabilities measured at amortised cost	**(740.5)**	(1,020.8)

12. Stocks of Finished Goods

A variety of purchased items are held in stock amounting to £0.4m (2021/22: £0.4m) to ensure responsive delivery of services, mainly relating to those provided at the City's open spaces, schools and ceremonial functions.

13. Creditors – amounts falling due within one year

	2023 £m	2022 £m
Sundry creditors	**63.8**	54.6
Rental income received in advance	**18.4**	17.5
Other receipts received in advance	**6.3**	6.0
VAT	**0.0**	2.4
Deferred income	**0.4**	0.4
Total current creditors	**88.8**	80.9

14. Deferred income

	2023 £m	2022 £m
Amounts falling due within one year	0.4	0.4
Amounts falling due after more than one year		
Due within two to five years	**1.9**	1.9
Due in more than five years	**80.1**	80.5
Long-term deferred income	**82.0**	82.4
Total deferred income	**82.4**	82.8

Premiums of £84.9m relating to eight operating leases were received from 2014/15 onwards. No new operating lease premium agreements were received in 2022/23. These premiums have been deferred in accordance with accounting policies note e) and are to be released over their lease terms.

15. Leases

City's Cash as lessee – finance leases

One investment property agreement has been classified as a finance lease. Payments will be made over the term of the lease to meet the costs of the long-term liability and the finance costs payable. The minimum lease payments in relation to the lease are:

Net Present Value of Minimum Lease Payments	**2023 £m**	2022 £m
Not later than one year	**-**	-
Later than one year and not later than five years	**0.1**	0.1
Later than five years	**2.3**	2.3
Total	**2.4**	2.4

City's Cash as lessor – finance leases

City's Cash has a gross investment in one finance lease relating to the minimum lease payment expected to be received over the remaining term of the lease. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessees and finance income that will be earned by City's Cash in future years whilst the debt remains outstanding. The gross investment is made up of the following amounts:

	2023 £m	2022 £m
Finance lease debtor (net present value of minimum lease payments) - non-current	**1.5**	1.5
Unearned finance income	**2.1**	2.2
Gross investment in lease	**3.6**	3.7

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

	Gross Investment in Lease		Net Present Value of Minimum Lease	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Later than one year and not later than five years	**0.1**	0.1	**-**	-
Later than five years	**3.5**	3.6	**1.5**	1.5
Total	**3.6**	3.7	**1.5**	1.5

The minimum lease payments receivables are calculated at the inception of the lease and do not take account of future events taking place after the lease was entered into, such as adjustments following rent reviews.

City's Cash as Lessor – Operating leases

Most of City's Cash investment properties are under operating lease. Under City's Cash operating leases, there are various ground leases that have terms beyond two thousand years. The minimum lease payment receivable for non-cancellable operating leases will be received over the following periods. Non-cancellable operating lease are where none of the parties have the right to terminate the lease:

	Net Present Value of Minimum Lease	
	2023 £m	**2022** £m
No later than one year	**58.1**	64.4
Later than one year and not later than five years	**187.5**	199.6
Later than five years	**1,406.5**	1,242.7
Total	**1,652.1**	1,506.7

16. Loans

	2023 £m	2022 £m
Long-term loan	**449.0**	449.0
Loan balance at 31 March	**449.0**	449.0

In August 2019, the City Corporation issued debt totalling £450m via private placement, of which £250m was received in September 2019 with the remaining £200m being received in July 2021.

The debt tenures, loan term and interest rates are set out in the below table. Interest payable is at a fixed rate for each tenure and is paid twice yearly. The principal of the loan is repaid at the end of the loan term. As part of the loan condition the City Corporation net debts to net assets (excluding pension liabilities) must not exceed 50%.

	Tranche 1	**Tranche 2**	**Tranche 3**	**Tranche 4**	**Tranche 5**
Loan term	25 years	30 years	35 years	40 years	45 years
Interest rate	2.36%	2.37%	2.32%	2.33%	2.34%
Loan amount	£50m	£105m	£95m	£115m	£85m

Interest expense in 2022/23 amounted to £10.5m (2021/22: £9.2m). In addition, there were transaction costs of £1.1m which have been capitalised to the loan account and shall be amortised over the life of the loans.

17. Provisions

	City Re £m	Power Station £m	Total £m
Opening balance	3.4	53.7	**57.1**
Movement in year	(0.2)	(4.2)	**(4.4)**
Closing balance	3.2	49.6	**52.7**

City Re Limited has set aside £3.2m (2021/22: £3.4m) for the settlement of known insurance claims at the balance sheet date. The estimate is based on a case-by-case assessment of each claim and takes into account previous claims experience.

Barking Power Limited has set aside a total provision of £49.6m. This includes:

- £26.6m (2021/22: £20.9m) for decommissioning expenses including the cost of power station demolition and decommissioning of the gas pipeline, cooling water system, overhead lines and other cessation expenses.
- A deferred taxation liability of £23.0m (2021/22: £32.8m) has been recognised, as required under FRS102, on the revaluation gain on the land held by Barking Power Limited. This is calculated using the corporation tax rate applicable to future profits (25%) and the revalued amount at the balance sheet date less the base cost and indexation relevant to the land.

18. Pensions

City of London Corporation defined benefit pension scheme

The City Corporation operates a funded defined benefit pension scheme, The City of London Pension Fund, for its staff employed on activities relating to its three funds (i.e. City Fund, City's Cash and Bridge House Estates).
The assets of the scheme are held in a specific trust separately from those of the City Corporation and contributions are paid to the scheme as agreed with the scheme's Trustees. As the proportion of the Pension Fund that relates to City's Cash is not separately identifiable, the share of pension contributions paid to the scheme by City's Cash is calculated pro-rata to employer's contributions paid by each of the City Corporation contributors to the scheme.

The 2021/22 position has been restated to incorporate the results of the March 2022 funding valuation which were not available at the time the annual report was approved. The table below sets out the restated figures for 21/22 with these reflected within the analysis within this note.

The table below shows the total pension deficit for the City of London Pension Fund recorded on the Consolidated Statement of Financial Position of £65.6m (2021/22: £349.0m).

Pension scheme liabilities	2023 £m	2022 Revised £m	2022 Original £m
City of London Pension Fund	**65.6**	349.0	383.0
Total pension scheme liabilities	**65.6**	349.0	383.0

Teachers' Pension Scheme (TPS)

In addition to City of London Corporation employees being able to participate in the City of London Pension Fund, teachers at the City of London Corporation's independent schools are eligible to participate in the Teachers' Pension Scheme. Whilst this is a defined benefit scheme, accounting standards allow for this scheme to be accounted for on a defined contribution basis as it is not possible to identify the assets and liabilities at an individual employer level. Accordingly, the Teacher's Pension Scheme has been accounted for on a defined contribution basis in the City's Cash Accounts.

Accounting for The City of London Pension Fund under IAS19

The actuarial valuation of the defined benefit scheme was updated at 31 March 2022, by Barnett Waddingham, an independent qualified actuary in accordance with IAS19. As required by IAS19, the defined benefit liabilities have been measured using the projected unit method. The valuation has been completed under IFRS, in line with City Fund requirements, rather than FRS102, with no material differences between the two accounting standards identified. The triennial actuarial valuation assessment of the Scheme was carried out as at 31 March 2022 and set contributions for the period from 1 April 2023 to 31 March 2026.

At 31 March 2023, the City's Cash's share of the Scheme net pension liability was £65.6m (2021/22: £349.0m). City's Cash's share of the market value of the Schemes' assets was £581.3m (2021/22: £586.3m).

The estimated amount of total employer contributions expected to be paid to the scheme by City's Cash during the year to 31 March 2023 is £15.9m (actual for year to 31 March 2022: £17.0m). This figure is calculated pro-rata to total contributions that will be payable by the City of London Corporation in accordance with the Schedule of Contributions towards the scheme's deficit.

(a) Major assumptions by the actuary

Financial assumptions

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

Assumptions as at 31 March - per annum	2023	2022	2021
RPI increases	**3.3%**	4.3%	3.2%
CPI increases	**2.9%**	3.3%	2.9%
Salary increases	**3.9%**	4.3%	3.9%
Pension increases	**2.9%**	3.3%	2.9%
Discount rate	**4.8%**	2.6%	2.0%

Life expectancy

The following table reflects the change in the mortality tables used for the 31 March 2022 valuation and allowance is made for the expected decline in future life expectancy:

Assumed life expectancy from age 65 years	Sex	2023	2022
Age 65 retiring today	Male	**21.1**	21.6
Age 65 retiring today	Female	**23.5**	24.3
Retiring in 20 years	Male	**22.3**	23.0
Retiring in 20 years	Female	**25.0**	25.8

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

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

Net Pension Asset	2023		2022 Revised		2022 Original	
	CC £m	**CoL £m**	CC £m	CoL £m	CC £m	CoL £m
Funded liability present value	**(645.3)**	**(1,402.8)**	(933.4)	(2,029.1)	(964.4)	(2,096.5)
Fair value of fund assets (bid)	**581.3**	**1,263.6**	586.3	1,274.7	583.2	1,267.9
Net liability	**(64.0)**	**(139.2)**	(347.1)	(754.4)	(381.2)	(828.6)
Unfunded liability present value	**(1.6)**	**(3.5)**	(1.9)	(4.1)	(1.8)	(4.1)
Net liability on CSoFP	**(65.6)**	**(142.7)**	(349.0)	(758.5)	(383.0)	(832.7)

Note: CC – City's Cash (consolidated), CoL – City of London (Corporation)

The total net pension fund liability shown on the Consolidated Statement of Financial Position is £65.6m (2021/22: £349.0m). The City's Cash share of the net defined benefit pension scheme liability represents 46% (2022: 46%) of the total net balance sheet liability in the City of London Corporation Pension Fund Financial Statements. The calculation of this percentage is detailed in the first paragraph of the note and in note (t) of the accounting policy.

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

	2023 £m	2022 Revised £m	2022 Original £m
Current service cost	**(31.9)**	(39.2)	(39.8)
Administration cost	**(0.5)**	(0.4)	(0.4)
Losses on settlements and curtailments	**(1.6)**	(4.3)	(4.3)
Employer contributions	**15.9**	17.0	17.0
Unfunded pension payments	**0.2**	0.2	0.2
Return on pension scheme assets	**15.2**	10.5	10.5
Interest on pension scheme liabilities	**(24.1)**	(19.1)	(19.0)
Net pension scheme costs	**(26.8)**	(35.3)	(35.8)
Actual return less expected return on pension scheme assets	**(18.4)**	26.4	27.8
Experience gain / (losses)	**(76.6)**	0.6	(2.0)
Change in demographic assumptions	**-**	23.4	-
Changes in assumptions underlying the present value of liabilities	**405.2**	56.0	51.4
Other actuarial gains / (losses)	**-**	3.1	-
Actuarial gains/(losses) recognised in the CSoCI	**310.2**	109.5	77.2
Net charge to the CSoCI	**283.4**	74.2	41.4

Note: CSoCI - Consolidated Statement of Comprehensive Income

(d) Asset allocation

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

Employer asset share - bid value	2023		2022 Revised		2022 Original	
	£m	Per annum	£m	Per annum	£m	Per annum
Equities	**341.0**	**58.7%**	347.1	59.2%	345.3	59.2%
Cash	**4.2**	**0.7%**	8.1	1.4%	8.0	1.4%
Infrastructure	**77.6**	**13.3%**	71.7	12.2%	71.3	12.2%
Absolute Return Portfolio	**158.5**	**27.3%**	159.5	27.2%	158.6	27.2%
Total assets	**581.3**	**100.0%**	586.4	100.0%	583.2	100.0%

(e) Movement in the present value of scheme liabilities

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

Reconciliation of opening and closing balances of the present value of the defined benefit liability	2023 £m	2022 Revised £m	2022 Original £m
Opening defined benefit liability	**(935.3)**	(969.9)	(969.9)
Current service cost	**(31.9)**	(39.2)	(39.8)
Interest cost	**(24.1)**	(19.1)	(18.8)
Experience loss / (gain) on defined benefit obligation	**(76.6)**	0.6	(2.0)
Change in demographic assumptions	**-**	23.4	-
Change in financial assumptions	**405.0**	55.9	51.4
Losses on curtailments	**(1.6)**	(4.3)	(4.3)
Liabilities extinguished on settlements	**-**	-	-
Estimated benefits paid net of transfers in	**22.7**	22.2	22.2
Contributions by scheme participants	**(5.3)**	(5.2)	(5.2)
Unfunded pension payments	**0.2**	0.2	0.2
Closing defined benefit liability	**(646.9)**	(935.4)	(966.2)

(f) Movement in the scheme net liability

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

Reconciliation of net defined benefit liability	2023 £m	2022 Revised £m	2022 Original £m
Deficit at the beginning of the year	**(349.0)**	(423.1)	(424.4)
Current service cost	**(31.9)**	(39.2)	(39.8)
Net interest	**(8.9)**	(8.6)	(8.5)
Settlements and curtailments	**(1.6)**	(4.3)	(4.3)
Other finance expenses	**(0.5)**	(0.5)	(0.4)
Employers contributions	**15.9**	17.0	17.0
Unfunded pension payments	**0.2**	0.2	0.2
Actuarial gains/(losses)	**310.2**	109.5	77.2
Deficit at the end of the year	**(65.6)**	(349.0)	(383.0)

(g) Movement in the present value of scheme asset

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

Reconciliation of opening and closing balances of th value of scheme assets	2023 £m	2022 Revised £m	2022 Original £m
Opening fair value of scheme assets	**586.4**	546.8	545.5
Interest on assets	**15.2**	10.5	10.4
Return on assets less interest	**(18.4)**	26.4	27.7
Actuarial losses	**-**	3.1	-
Administration expenses	**(0.4)**	(0.4)	(0.4)
Contributions by employer including unfunded	**16.1**	17.2	17.2
Contributions by scheme participants	**5.3**	5.2	5.2
Estimated benefits paid net of transfers in and including unfunded	**(22.9)**	(22.4)	(22.4)
Settlement prices paid	**-**	-	-
Closing value of scheme assets at end of period	**581.3**	586.4	583.2

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Changes in financial assumptions

In 2022/23, City of London defined benefit pension scheme was affected by a change in financial assumptions, which led to a decrease in the overall pension liability of £405.0m. The change in financial assumptions was from an increase in the discount rate from 2.6% at 31 March 2022 to 4.8% at 31 March 2023 which has decreased the present value of liabilities in the independent consulting actuary's (Barnett Waddingham LLP) financial assumptions.

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

The following City's Cash share of pension liabilities for 2019-2023 have been recognised under the "Actuarial gains and losses on defined benefit pension scheme" heading within the Consolidated Statement of Comprehensive Income:

	2023 £m	2022 Revised £m	2022 Original £m	2021 £m	2020 £m	2019 £m
Present value of defined benefit liability	**(646.9)**	(935.4)	(966.2)	(723.4)	(747.4)	(747.4)
Fair value of scheme assets	**581.3**	586.4	583.2	431.0	455.6	455.6
Deficit in the scheme	**(65.6)**	(349.0)	(383.0)	(292.4)	(291.8)	(291.8)
Experience adjustments on scheme liabilities	**76.6**	0.6	2.0	9.5	(37.3)	-
Percentage of scheme liabilities	**(11.8%)**	(0.1%)	(0.2%)	(1.0%)	3.8%	0.0%
Experience adjustments on scheme assets	**(18.4)**	26.4	26.4	107.3	(26.4)	21.4
Percentage of scheme assets	**(3.2%)**	4.5%	4.5%	19.7%	(4.8%)	4.7%
Cumulative actuarial gains and losses	**227.5**	(82.7)	(82.7)	(158.5)	(61.4)	(73.0)

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

(i) Sensitivity analysis

The below table listed City's Cash share of the impact on its pension liabilities as a result of changing in key assumptions whilst holding other assumptions constant.

Note: PV – present value

		£m	£m	£m
		0.1%	**0.0%**	**-0.1%**
Adjustment to discount rate	PV of total liability	636.5	646.9	657.5
	Projected service cost	12.2	12.6	12.6
Adjustment to long-term	PV of total liability	647.6	646.8	646.1
	Projected service cost	12.6	12.6	12.6
Adjustment to pension	PV of total liability	656.9	646.9	637.1
	Projected service cost	13.1	12.6	12.2
		+ 1 year	**None**	**- 1 year**
Adjustment to mortality age	PV of total liability	672.3	646.9	622.5
	Projected service cost	13.1	12.6	12.2

(j) Projected pension expense for the year to 31 March 2023

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

	Projected Year to 31 March 2024 £m	Projected Year to 31 March 2023 Revised £m	Projected Year to 31 March 2023 Original £m
Service cost	**12.6**	30.8	10.6
Net interest on the defined liability	**2.8**	8.9	9.8
Administration expenses	**0.5**	0.5	0.4
Total expense	**15.9**	40.2	20.8
Employer contributions	**15.1**	14.6	14.9

19. Capital and Reserves

	Balance at 1 April 2022 Restated £m	Additions / income £m	Disposals / expenditure £m	Depreciation / amortisation £m	Unrealised Gains / (Losses) £m	Transfers £m	Balance at 31 March 2023 £m
Operational Capital	296.3	41.8		(8.3)			**329.8**
Heritage Assets Reserve	181.8	0.2					**182.0**
Income Generating Fund:							
Investment Properties	337.0	85.6		(3.9)			**418.7**
Non-Property Investments	1,174.7	17.2	(153.6)		(0.4)		**1,037.9**
Revaluation Reserve - Investment Properties	1,803.2		(64.6)		(216.2)		**1,522.4**
Income Generating Fund	3,314.9	102.8	(218.2)	(3.9)	(216.6)	-	**2,979.0**
Working Capital Fund	(149.6)		(0.4)				**(150.0)**
Loan Fund	(449.0)						**(449.0)**
Pension Reserve	(349.0)	(26.8)			310.2		**(65.6)**
Total Capital and Reserves	**2,845.4**	**118.0**	**(218.6)**	**(12.2)**	**93.6**	-	**2,826.2**

Notes to capital and reserves:

- Operational Capital – reflects the operational assets from the Statement of Financial Position.
- Heritage Asset Reserve – reflects the heritage assets from the Statement of Financial Position.
- Income Generating Fund – comprises the asset values of investment properties and non-property investment assets, which generate the income to fund City's Cash activities and services.
- Working Capital Fund – reflects the net current assets, long-term debtors and provisions for liabilities and finance leases from the Statement of Financial Position.
- Loan Fund – reflects the long-term loans from the Statement of Financial Position.
- The City of London Corporation manages and funds ten registered charities (listed on page 13) which are consolidated within City's Cash accounts. Total funds of the charities amount to £66.3m (2021/22: £63.6m), comprising unrestricted funds of £30.0m (2021/22: £28.7m), restricted funds of £1.3m (2021/22: £0.3m) and endowment funds of £35.0m (2021/22: £34.6m). Restricted and endowed funds include income that is subject to specific restrictions imposed by the donor. These funds are included as part of working capital funds reserves, however £35.0m of the endowment funds have been classified as income generating fund – non-property investments reserves. Further details can be found in the separately published accounts of each charity, which are filed with the Charity Commission and can be viewed at: https://www.gov.uk/government/organisations/charity-commission.

20. Notes to the consolidated statement of cash flows

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

	2022/23 £m	2021/22 £m
Operating (deficit) / surplus for the reporting period	**(335.3)**	95.2
Adjustments for:		
Depreciation and amortisation charges	**12.2**	11.5
Write-off abortive heritage asset costs capitalised	**-**	-
Net pension scheme costs	**26.8**	35.8
Losses on disposal of property investments	**64.6**	-
(Gains) / losses on property investments	**216.3**	(124.2)
(Gains) / losses on non-property investments	**(3.9)**	(69.0)
Net dividends, interest and rents from investments	**(66.0)**	(65.4)
Decrease / (increase) in debtors	**5.7**	2.7
Increase in creditors falling due within one year	**7.9**	12.1
Release of deferred income	**(0.4)**	(0.4)
(Decrease) / increase in provision	**5.4**	(1.4)
Net cash used in operating activities	**(66.7)**	(103.1)

(b) Cash flows from financing activities

	2023 £m	2022 £m
New loans	**-**	200.1
Repayment of loans	**-**	-
Loan interest and transaction costs	**(10.5)**	(9.2)
Total	**(10.5)**	190.9

(c) Analysis of changes in net debt activities

	At 1 Apr 2022 £m	Cash flows £m	At 31 Mar 2023 £m
Cash and cash equivalents	20.1	8.7	**28.8**
Borrowings			
Debts due within one year	-	-	**-**
Debts due after one year	(449.0)	-	**(449.0)**
Finance Leases	(2.4)	-	**(2.4)**
Total net debt	(431.3)	8.7	**(422.6)**

21. Financial commitments

The material contractual capital commitments are as follows:

	Consolidated	
	2023 **£m**	2022 £m
Contracted for but not provided for contract commitments (a)	**22.3**	5.9
Total	**22.3**	5.9

Notes:

a. The contractual commitment of £22.3m for 2023 relates to the following:
   i. The refurbishment of 213-215 Tottenham court Road: £2.7m.
   ii. Barking Reach Power station work: £18.0m.
   iii. Smithfield Annexe Refurbishment: £1.6m.

b. City's Cash has no material commitments under operating leases.

c. The City Corporation has agreed a £50.0m contribution to Crossrail from City's Cash subject to the completion of the works; the exact payment date has yet to be agreed. The agreement with Crossrail is an executory contract and therefore outside the scope of FRS102. An executory contract is a contract under which neither party has performed any obligations or both parties have partially performed their obligations to an equal extent.

22. Related party transactions

All Members of the Committees governing funds and activities consolidated into City's Cash are appointed by the City Corporation to act on its behalf. The City Corporation also employs all staff. The costs of those staff employed directly on City's Cash activities are allocated to those activities accordingly. City's Cash is required to disclose information on related party transactions with bodies or individuals that control or have significant influence over its funds and activities or be controlled or influenced by it.

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

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

The City Corporation also provides the above services to a number of charities. The cost of these services is borne by City's Cash in relation to most of these charities. A list of charities managed by the City Corporation is available on request from the Chamberlain by email: CHBOffice-BusinessSupport@cityoflondon.gov.uk.

City's Cash initially bears the full costs of corporate capital projects with the City's other funds, City Fund and Bridge House Estates, reimbursing their shares of expenditure in the years in which costs are accrued. Transactions are undertaken by City's Cash on a normal commercial basis in compliance with the City's procedures irrespective of any possible interests.

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

Standing Orders

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

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

Disclosure

Members are required to disclose their interests and these can be viewed online at: http://democracy.cityoflondon.gov.uk/mgMemberIndex.aspx?bcr=1.
Members and Chief Officers have been requested to disclose related party transactions of £10,000 or more, including instances where their close family has made transactions with the City's Cash.

Disclosures relate to both 2022/23 and 2021/22 unless otherwise stated.

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's Cash are:

Related party	Connected party	2022/23 £000	2021/22 £000	Detail of transaction
Christ's Hospital	Three Members were nominated by the City Corporation to the Council of Christ's Hospital and one member is a Governor on the Board	80	80	Annual Grant received by City's Cash
City & Guilds London	The City Corporation nominated three Members to the City & Guilds London Institute, which leases premises for which rent and service charges were received	(179)	-	Rent and service charges received by City's Cash
City of London Academy Shoreditch Park	A Member was a Governor at City of London Academy Shoreditch Park	129	140	Grant received from City's Cash for Disadvantaged pupils
City of London Academies Trust	The City Corporation nominated one Member to the Board of Governors of the City of London Academies Trust (2020/21: The City Corporation nominated five Members to the Board of Governors of the City of London Academies Trust)	488	611	Grant funding received from City's Cash
City of London Reserve Forces & Cadets Association	One Member is an Executive Committee member and The City Corporation nominated two Members to the City of London Reserve Forces & Cadets Association	49	21	Grant funding received from City's Cash
Companies leasing market premises	A Member was a shareholder and / or managing director of companies leasing market premises for which rent and service charges were received	-	(167)	Rent and service charges received by City's Cash
Companies leasing market premises	Another Member was a director of a company leasing market premises for which rent and service charges were received	-	(254)	Rent and service charges received by City's Cash
Companies leasing market premises	Another Member was a director of a company leasing market premises for which rent and service charges were received	-	(83)	Rent and service charges received by City's Cash
Companies leasing market premises	Another Member was a director of a company leasing market premises for which rent and service charges were received	-	(12)	Rent and service charges received by City's Cash

Related party (continued)	Connected party (continued)	2022/23 £000	2021/22 £000	Detail of transaction (continued)
DLA Piper UK LLP	A member is a consultant to DLA Piper UK LLP, another member is an equity partner	-	13	Professional fee paid by City's Cash
DLA Piper UK LLP	A member is a consultant to DLA Piper UK LLP, another member is an equity partner	(39)	(30)	Venue hire charge paid to City's Cash
G Lawrence Wholesale Meats LTD	A Member is a Shareholder and Director and his Son is the Managing Director. The Company holds a lease in the Smithfield Market	(182)	-	Rent and service charges received by City's Cash
George Abrahams Group	A Member is a Managing Director	(267)	-	Rent and service charges received by City's Cash
Gresham College Council	The City Corporation nominated four Members to the Gresham College Council	405	752	Grant funding received from City's Cash
Guild Church Council of St. Lawrence Jewry	The City Corporation nominated three Members to the Guild Church Council of St. Lawrence Jewry and four other Members declared places on the Council	108	100	Grant funding received from City's Cash
The Honourable The Irish Society	Sixteen Members were nominated by the City Corporation and sit as part of the governance structure of The Honourable The Irish Society and one Member is a Deputy Governor (until 9th March 2023)	30	30	Grant funding received from City's Cash
King Edward's School Witley	A Member was a vice president of the school and three other members were on the school court	716	454	Grant funding received from City's Cash
London Council LTD	A Member is a Director	(1,353)	-	Rent and Interest received by City's Cash
London Metropolitan University	A Member is the Chair	(3,520)	-	Rent and Hire Fees received by City's Cash
Market Provisions (Smithfield) LTD	A Member is the Managing Director	(87)	-	Rent and service charges received by City's Cash
Lord Mayor's Show Limited	Six Members and two Chief Officers were directors to the Lord Mayor's Show Ltd (2020/21: Seven Members and a Chief Officer were directors of the Lord Mayor's Show Ltd)	-	(29)	Payments received by City's Cash for services provided
Museum of London	One member appointed as a Member of the Board of Governors and the City Corporation nominated three Members to the Museum of London	258 / (63)	247	Grant funding received from City's Cash; Income to City's Cash for services rendered

Related party (continued)	Connected party (continued)	2022/23 £000	2021/22 £000	Detail of transaction (continued)
Pension Insurance Corporation	A Member is a Shareholder	1,053	-	CC PP Borrowing Interest
Phoenix Group Holdings Plc	A Member is a Chairman and Shareholder (on Sabbatical until 01/12/2023)	(140)	-	Rent and service charges received by City's Cash
The Royal Society of St George	A Member is a Council member	(140)	-	Rent and service charges received by City's Cash
The CityUK	A member sits on the Board and Council (2020/21: Three Members were also members of this organisation)	-	500	Grant funding received from City's Cash
Wellington Trust	A Member is a Trustee & Director	-	106	Management fees paid by City's Cash

The following transactions have been disclosed where Members have declared an interest in parties that have transactions with the City's Cash during 2022/23.

Related party	Connected party	2022/23 £000	2021/22 £000	Detail of transaction
Companies leasing premises	A Member's spouse was a shareholder of a company which leases premises for which rent and service charges were	-	(415)	Rent and service charges received by City's Cash
Gardiner & Theobold	A Member was employed by the company as property adviser to the Gidlers company for which rent was received	(2,377)	(1,508)	Rent and service charges received by City's Cash
London Borough of Lambeth	A Member was a Head of Treasury & Pensions in London Borough of Lambeth for which fees was received	-	(40)	Payments received by City's Cash for subscription
Phillips & Leigh	A Member's spouse was a practice manager at Phillips & Leigh for which rent and service charges were received	(28)	(92)	Rent and service charges received by City's Cash
P J Martinelli LTD	A Member's spouse is a shareholder in the Limited Company	(445)	-	Rent and service charges received by City's Cash
PricewaterhouseCoopers LLP	A Member was employed by PWC who carried our various work for which fees were charged	-	30	Payments from City's Cash for various advisory work
University of East Anglia	A Members was on the advisory board of the university for which fees were received	-	(62)	Payments received by City's Cash for services provided

23. Contingent Liabilities

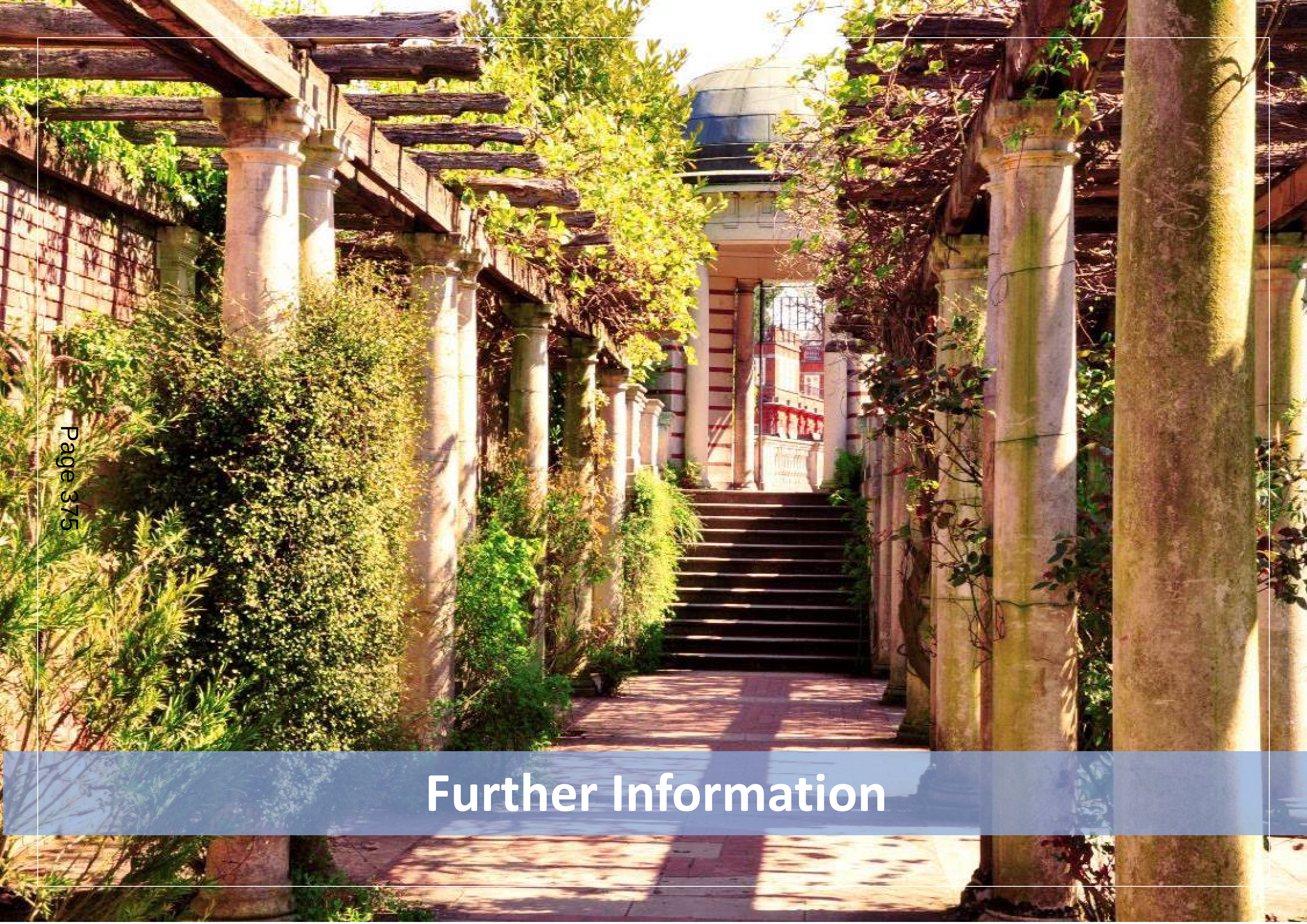
City's Cash notes contingent liabilities in relation to its fully consolidated subsidiary, Barking Power Limited. The company has obligations to landowners under the terms of land ownership of the site formerly occupied by Barking Reach Power Station. These obligations include off-site infrastructure remediation, subject to the intention to develop and granting of planning permission to applicable landowners. The existence and timing of these liabilities is uncertain because they depend on the future actions of external landowners and planning authorities. The value of the liabilities cannot be reliably estimated because of the number of landowners and uncertainty associated with the scope and timing of any future off-site infrastructure remediation works.

24. Post Balance Sheet Events

There are no material post balance sheet events.

25. Approval of the Financial Statements

The City's Cash Accounts were approved for issue by the Chamberlain on XX February 2024. Events after the balance sheet date and up to XX February 2024 have been considered in respect of a material effect on the financial statements. Events taking place after this date are not reflected in the financial statements or notes.



Further Information

Bridge House Estates – The City of London is the sole trustee of Bridge House Estates, which reaches out across London in many important and diverse ways. This includes its grant-making operation, City Bridge Trust, but the core business of the charity, for many centuries, has been looking after its bridges. Bridge House Estates in some cases built, and now maintains, five of the bridges that cross the Thames into the City of London – London Bridge, Blackfriars Bridge, Southwark Bridge, Tower Bridge and the Millennium Footbridge. The maintenance and replacement of these bridges remains the prime objective of this long-standing charity.

City Fund – This Fund meets the cost of the City of London's local authority, police authority and port health authority activities. The Fund generates rental and interest income to help finance these activities. In addition, in common with other local authorities, it receives grants from central government, a share of business rates income and the proceeds of the local council tax.

Creditors – Individuals or organisations to which City's Cash owes money at the end of the financial year.

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

Current liability – An amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.
Current service cost (pensions) The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

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

Curtailments include:

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

Debtors – Individuals or organisations that owe City's Cash money at the end of the financial year.

Deferred income – Money received for goods / services which have not yet been delivered.

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

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

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

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

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

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

Finance lease – A contract or part of a contract that conveys the right to control the use of an asset for a period of time in exchange for consideration.

Goodwill – The purchase goodwill is gain from the land value of the power station sites, which has unlimited useful economic life, FRS102 require this kind of goodwill to be amortised over 10 years, which is the maximum useful economic life of these assets under FRS102.

Gross value added (GVA) – Regional gross value added using production and income approaches. Regional gross value added is the value generated by any unit engaged in the production of goods and services.

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

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

Income Generating Fund – comprises the asset values of investment properties and non-property investment assets, which generate the income to fund City's Cash activities and services.

Intangible assets – A non-physical item where access to future economic benefits is controlled by the local authority. An example is computer software.

Pensions interest cost – For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment properties – Interest in land or buildings that are held for investment potential.

Local Government Pension Scheme (LGPS) – this is one of the largest pension schemes in the UK. The City of London Corporation's defined benefit pension scheme for non-teaching staff is part of the LGPS.

Net current replacement cost – The cost of replacing a particular asset in its existing condition and in its existing use.

Net realisable value – The open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Operational Capital Fund – Reflects the Statement of financial position for operational assets.

Past service cost (pensions) – For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Projected unit method – An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

a) The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases.
b) The accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Provision – An amount set aside in the accounts for liabilities of uncertain timing or amount that have been incurred. Provisions are made when:

a) The City of London has a present obligation (legal or constructive) as a result of a past event.
b) It is probable that a transfer of economic benefits will be required to settle the obligation.
c) A reliable estimate can be made of the amount of the obligation.

Revaluation Reserve – Represents increases in valuations of assets since 1 April less amounts written off due to the 'additional depreciation' (including impairment due to consumption of economic benefit) arising because property, plant and equipment are carried at a revalued amount rather than historic cost. It can also include reductions in values to investment properties where the reductions are not considered to be permanent.

Revenue expenditure – The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, repairs, maintenance and supplies.

Scheme liabilities – The liabilities of a defined benefits pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Working Capital Fund – Reflects the Statement of Financial Position for net current assets, long-term debtors and provisions for liabilities and finance leases.

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CITY OF LONDON