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CITY OF LONDON

Audit and Risk Management Committee

Date: **TUESDAY, 17 JULY 2018**

Time: **2 pm**

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

Members:
Alderman Ian Luder (Chairman)
Alexander Barr (Deputy Chairman)
Hilary Daniels (Deputy Chairman – External Member)
Randall Anderson
Alderman Nick Anstee
Alexander Barr (Deputy Chairman)
Chris Boden
Hilary Daniels (Deputy Chairman)
Anne Fairweather
Marianne Fredericks
Alderman John Garbutt
Deputy Jamie Ingham Clark (Ex-Officio Member)
Alderman Ian Luder (Chairman)
Kenneth Ludlam (External Member)
Paul Martinelli
Caroline Mawhood (External Member)
Jeremy Mayhew (Ex-Officio Member)
Andrien Meyers
John Petrie

Enquiries: **Julie Mayer**
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There will be a working lunch for Members in the Committee Room from 12.45pm during the Chief Officer Risk Challenge Session.

N.B. Parts of this meeting may be subject to audio-visual recording

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

3. **MINUTES OF THE PREVIOUS MEETING**

   To agree the public minutes of the meeting held on 29 May 2018.

   For Decision
   (Pages 1 - 10)

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

   Report of the Town Clerk.

   For Decision
   (Pages 11 - 12)

5. **COMMITTEE WORK PROGRAMME**

   Report of the Town Clerk.

   For Decision
   (Pages 13 - 16)

External Inspections

6. **SPECIAL EDUCATIONAL NEEDS AND DISABILITY (SEND) CITY OF LONDON LOCAL AREA INSPECTION OUTCOME - MAY 2018**

   Report of the Director of Community and Children's Services.

   For Information
   (Pages 17 - 32)

7. **DEEP DIVE RISK REVIEWS**

   Reports of the Town Clerk.

   For Information

   a) CRO1 - Resillience (Pages 33 - 46)

      Please note that the appendix to this report also applies to item 7(b) on the agenda.

   b) CR24 - Operational Security (Pages 47 - 54)

8. **RISK MANAGEMENT UPDATE**

Report of the Chamberlain.

For Decision
(Pages 55 - 88)

Financial Statements/External Audit

9. **CITY FUND AND PENSION FUND FINANCIAL STATEMENTS**

Report of the Chamberlain and the External Auditor.

For Decision
(Pages 89 - 338)

10. **TREASURY MANAGEMENT STATEMENT**

Report of the Chamberlain.

For Information
(Pages 339 - 368)

Internal Audit

11. **INTERNAL AUDIT UPDATE**

Report of the Head of Internal Audit and Risk Management.

For Decision
(Pages 369 - 376)

12. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

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

14. **EXCLUSION OF THE PUBLIC**

RESOLVED: That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

For Decision

Part 2 - Non-Public Agenda

15. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

16. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 29 May 2018

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 at 2.00 pm

Present

Members:
Alderman Ian Luder - Chairman
Alexander Barr – Deputy Chairman
Hilary Daniels (External Member) – Deputy Chairman
Randall Anderson
Alderman Nick Anstee - *in the Chair to item 5*
Chris Boden
Anne Fairweather
Marianne Fredericks
Alderman John Garbutt
Deputy Jamie Ingham Clark (Ex-Officio Member)
Kenneth Ludlam (External Member)
Paul Martinelli
Jeremy Mayhew (Ex-Officio Member)
Andrien Meyers

Officers:

Peter Kane	-	Chamberlain
Caroline Al-Beyerty	-	Deputy Chamberlain
Michael Cogher	-	Comptroller and City Solicitor
Paul Dudley	-	Chamberlain's Department
Philip Gregory	-	Chamberlain's Department
Peter Kane	-	Chamberlain
Chris Keesing	-	Internal Audit
Leigh Lloyd-Thomas	-	External Auditor, BDO
Julie Mayer	-	Town Clerk's Department
Pat Stothard	-	Head of Internal Audit and Risk Management
Ian Simmons	-	Department of the Built Environment

1. **APOLOGIES**
It was proposed by Jeremy Mayhew, seconded by Jamie Ingham Clark and agreed that Alderman Nick Anstee take the Chair.

Apologies were received from Caroline Mawhood and John Petrie.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
There were no declarations.

3. **MINUTES OF THE PREVIOUS MEETING**
The minutes if the meeting held on 6 March 2018 were approved.

4. **ORDER OF THE COURT**
Members received the Order of the Court dated 19 April 2018.

5. **ELECTION OF CHAIRMAN**
Members elected a Chairman in accordance with Standing Order 29.

RESOLVED, that – being the only Member willing to serve, Alderman Ian Luder be elected as Chairman for 2018/19.

6. **TO ELECT TWO DEPUTY CHAIRMEN**
Members elected 2 Deputy Chairman (one from the External Members) in accordance with Standing Order 30 and their Terms of Reference.

RESOLVED, that – being the only Members willing to serve, Mr Alexander Barr (Court of Common Council Member) and Ms Hilary Daniels (external Member) be elected as Deputy Chairmen for 2018/19.

7. **APPOINTMENTS TO SUB COMMITTEES**
Members considered a report of the Town Clerk which sought to elect 3-4 Members to serve on its new Nominations Sub Committee, one of which being an External Member, and to co-opt 2 Members to serve on the Police Performance and Resource Management Sub Committee.

RESOLVED, that:

1. Being the only Members being willing to serve, Mr Kenneth Ludlam and Ms Caroline Mawhood be co-opted to the Police Performance and Resource Management Sub Committee for 2018/19.

2. Being the only Members willing to serve, Mr Kenneth Ludlam, Ms Caroline Mawhood and Mr Randall Anderson be appointed to the Nominations Sub Committee for 2018/19. *NB Members agreed to 2 External Members (Mr Ludlam and Ms Mawhood) being appointed to this Sub Committee in the absence of any other expressions of interest.*

8. **COMMITTEE WORK PROGRAMME**
Members received the Committee's Work Programme and noted the following updates since the agenda had been despatched:

- MAT/Academies Risk Challenge Session – September 2018
- Road Safety and Fire Safety Deep Dives – September 2018
- Operational Security and Resilience Deep Dives – July 2018
- Markets and Consumer Protection Risk Challenge Session - July 2018
- Update report on GDPR – September
- Special Educational Needs and Disability (SEND) City of London Local Area Inspection Outcome – July 2018.

9. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received the Committee's Outstanding Actions list, noting the items discharged on this agenda and that new items may be added as the meeting progressed.

10. **CROSSRAIL REINSTATEMENT PROJECTS: GATEWAY 6 - PROGRESS REPORT**

Members received a report of the Director of the Built Environment which provided an update on the Crossrail reinstatement projects in respect of Farringdon East, Liverpool Street and Moorgate.

Members noted that the urban realm schemes, set out in the report, had been discussed at today's Planning and Transportation Committee and the key areas of work underway; ie engagement with the Eastern City Cluster community, the technical work in respect of crowded footways, the management of pedestrian safety and safe deliveries. The Assistant Director advised that the new Transport Strategy would focus on radical and significant change and was working to a very fast timetable of Spring 2019. Members noted that bollards were part of the Crossrail Act and would be installed at all new stations and transport infrastructure in the City but in a sympathetic design.

The Assistant Director advised that Crossrail would provide 20% extra capacity on the streets and this would assist those commuters who currently feel they need to travel very early or late for a less congested journey. Members noted that the Planning and Transportation Committee had approved a pedestrian model for the City, for 2018 – 2026, and this information would enable officers to measure and monitor numbers on the street around the Crossrail developments, and to introduce measures such as phasing of traffic signals. Members noted that officers in the Built Environment had been working with Transport for London on the Transport Strategy, and the Chairman and Deputy Chairman of the Planning and Transportation Committee were making representations to the GLA.

The Deputy Chairman (Court) asked the Assistant Director whether the use of 'smart pavement' technology had been considered in the pedestrian model of the City and also whether that might provide certain revenue generation opportunities. The Assistant Director noted that officer work streams had considered a number of ways of monitoring footfall, and that a recent trial indicated that the City had too much footfall in some areas. A member asked for clarification on revenue opportunities and smart pavements. The Deputy Chairman (Court) responded, noting that aggregated data on footfall from embedded sensors in smart pavements might have some commercial application.

RESOLVED, that – the report be noted and that the Committee receive an update later in the year on pedestrian data.

11. **CITY FUND AND PENSION FUND FINANCIAL STATEMENTS UPDATE 2017/18**

Members received a report of the Chamberlain which provided an update on the production of the Financial Statements for the City Fund and Pension Fund for 2017/18. Members noted that they would receive the statements at their next meeting in July, in order to recommend them to the Finance Committee, which also meets in July 2018.

In respect of a query about contingent assets in Appendix 1 – the Director of Finance agreed to provide more information to Members about increases in valuations. The Chamberlain confirmed that the accounts were on schedule, for sign off later this week. Finally, Members noted that depreciation would be included in the notes to the accounts but not in the policy.

The Chairman and Members asked for their thanks to go on record to the Chamberlain and his staff for meeting the new targets, despite the extra work this had entailed.

RESOLVED, that – the report be noted.

12. **HEAD OF INTERNAL AUDIT OPINION AND ANNUAL REPORT 2017/18**

Members received the Head of Internal Audit's Annual Report and Opinion, as follows:

> *"I am satisfied that sufficient quantity and coverage of internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes.*
>
> *In my opinion, **the City has adequate and effective systems of internal control in place to manage the achievement of its objectives**. In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.*
>
> *Notwithstanding the overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures which are documented in each individual audit report."*

Members noted that a number of draft reports were still to be finalised and would be included in next year's opinion. Members were reminded that they would have an opportunity to meet with the Head of Internal Audit, in a closed session, at the end of this meeting.

In response to questions, the Head of Internal Audit advised that his team's structure had moved from a full in-house team, to using more external resource from our Audit Partner, Mazars, in order to provide a better mix of skills and expertise. In response to a question about the large percentage of red risks (ie 13%), the Head of Internal Audit advised Members that it was difficult to provide year on year comparisons, as the nature of the work differed. Members also noted that the percentage of amber risks had increased, as part of a more focussed approach to internal audit, and the issues had been listed in the report. The Head of Internal Audit agreed to check the percentages on page 61 of the report, in respect of direction of travel, and recirculate them.

RESOLVED, that – the report be noted.

13. **INTERNAL AUDIT RECOMMENDATION FOLLOW UP**

Members received a report of the Head of Internal Audit and Risk Management which provided an update on the outcome of a recent follow-up exercise focussed on red and amber priority recommendations due for implementation by 30 April 2018.

Members noted that the City of London Police has agreed to accept two of the risks in respect of seized goods and therefore asked to look at this matter again, in September 2019, with the Commissioner in attendance. Members accepted that seizures subject to the Proceeds of Crime Act might take longer.

The Deputy Chairman (external Member) commended a helpful report and reiterated the importance of target dates being realistic and without repeat requests for extensions. The Head of Internal Audit confirmed that he had made Members expectations very clear in this respect, and there had been a reduction in carry forwards in some cases but more significant projects, such as the IT Transformation Programme, might take longer.

RESOLVED, that – the report be noted.

14. **CITY OF LONDON POLICE PROGRAMME/PROJECT MANAGEMENT AUDIT**

Members received a presentation from the Commissioner, in respect of the City of London Police's Programme/Project Management Audit, which had been discussed by Members at the last meeting of the Committee.

During the discussion and questions, the following points were noted:

- An Information Sharing Protocol was being established, noting that some items may have to remain within the Police. The usual commercial information, generally exempt under the Local Government Act, would not be affected and the Protocol would allow as much transparency as possible. Members asked to see the Protocol once it had been finalised.

- Whilst Members commended a good summary on the follow-up of internal recommendations, and particularly the improved governance and financial information, some concerns were expressed about the previous lack of communication, between the COLP and the City Surveyor, which had impacted on the accommodation project. Whilst Member accepted that the new Capital Buildings Committee would provide them with some assurance, they stressed the importance of lessons being learnt across the City Corporation.

- A Member suggested that streamlining (as depicted in the final slide) should come first, setting the context for the other 9 recommendations. The Assistant Commissioner advised that the new procedures were not overly bureaucratic and would continue to work with the Town Clerk to streamline further.

- Members also noted that the Projects Sub Committee was keen to develop a City Corporation Project Management Academy and the Assistant Commissioner welcomed this opportunity to work with the City Corporation on best practice. A Member suggested that the Gateway 7 (Outcome) reports were often too late to look at 'lessons learnt' in detail.

- The Police's Change Board sets governance processes internally and this allows for the appropriate levels of authority to be applied. A survey of fleet vehicles had been completed, linked to the accommodation programme. There would be a Member of the Finance Team on the Police Programme Board and there was now a full establishment of finance officers to dedicate to the change programmes.

The Chairman thanked the Assistant Commissioner for a helpful presentation and the improvements in hand.

15. **ANNUAL GOVERNANCE STATEMENT (AGS)**

Members received a report of the Town Clerk seeking approval to the Annual Governance Statement. The Chairman asked Members to contact the report author directly in respect of any minor grammatical errors.

During the discussion, the following amendments were suggested:

- Future work programme – declarations of interest are reviewed annually, not just in 2017.
- Information Management - to include cyber security.
- Health and Wellbeing – include a reference to the City of London Corporation's timely responses following the Grenfell Tower fire; noting the 2 reports which the Audit and Risk Management Committee had received.
- Mandatory Risk Management training for the top 120 managers – include the courses which are run monthly for all staff throughout the year

RESOLVED, that:

- The AGS, as set out in Appendix 1 to the report, be approved for signing by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive, subject to the above comments.

- The AGS to be published alongside the 2017/18 City Fund and Pension Funds Statement of Accounts;

- The future work programme in paragraph 80 of the AGS, to improve the governance framework, be noted; and
- Authority be delegated to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairmen of the Audit and Risk Management Committee, to amend the AGS for any significant events or developments, relating to the governance arrangements, that occur prior to the date on which the Statement of Accounts is signed by the Chamberlain.

16. **RISK UPDATE**

Members received a report of the Chamberlain which provided an update on the corporate and top red departmental risk registers following the review by the Chief Officer Risk Management Group (CORMG) on 21 March 2018 and Summit Group on 25 April 2018. A Member, who had served on a number of other Local Authority Audit Committees, commended the City Corporation for having the most robust risk management framework of those he had been sighted on.

Members noted that GDPR had been added to the Corporate Risk Register in January but, following the Mazars Audit, it was likely to come off the Register later this year. Members suggested that, once the target had been achieved, it should continue to be monitored under the Corporate Information Security Risk. Members also asked to receive information as and when target ratings were achieved.

In response to further queries about the risk rating for Air Quality and Health and Safety; Members were reminded that the Directors of Markets and Consumer Protection and Human Resources were due to attend the Committee shortly and they would have an opportunity to challenge their risk ratings.

RESOLVED, that – the report be noted.

17. **ANTI FRAUD AND INVESTIGATIONS ANNUAL REPORT**

Members received a report of the Chamberlain which provided the Anti-Fraud and Investigations Annual Report for 2017/18.

During the discussion, the following points were noted:

Whilst Members found the Case Studies impressive, there was some concern expressed about a housing tenancy fraud case having gone on for several years. Members noted that a current audit, by the Community and Children's Services Department, of all of the City's social housing units, was expected to highlight fraudulent tenancies. The Officer explained how the impact of successful prosecutions often encouraged tenants to come forward via confidential whistleblowing.

In respect of the case at Tower Bridge, a Member advised that she had first raised concerns about this matter some 2 and a half years ago and was told by a former City Corporation Director that it was not an issue. The officer agreed to check whether there had been any earlier referrals but assured Members that, once the matter had been referred to Internal Audit, prompt action was taken.

In response to a question about prosecutions, Members were reminded that once a case had been referred to the Police, the CPS then took the decision as to whether or not to prosecute. The City Corporation also consulted with the City Solicitor on the likelihood of successful prosecutions and, if unlikely, might decide not to take a case beyond dismissal. Members noted that, if they would like more detailed information on the cases coming through from Whistleblowing, this would need to be a part 2 discussion. Finally, Members noted that the proposed new Monument Visitor centre was being encouraged to be as cashless as possible.

RESOLVED, that – the report be noted.

18. **REPORT OF ACTION TAKEN**

Members received a report of the Town Clerk which provided an update on the following decision, taken under urgency, since the last meeting of the Committee:

Action Taken:

The Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, the Education Board and the Policy and Resources Committee agreed to recommend, to the Court of Common Council, that the Terms of Reference of the Audit and Risk Management Committee be widened to include oversight of the audit, risk and anti-fraud approaches in respect of:

1. The two stand-alone Academies; City Academy - Hackney and City of London Academy - Islington, of which the City of London Corporation are co-sponsors, and those schools which fall under the City of London Academies Trust (currently 8).

2. The Terms of Reference of the Audit and Risk Management Committee be amended to include: "*To undertake periodic reviews of the risk management procedures, financial capabilities, controls, and safeguarding procedures of the City of London School, the City of London School for Girls, the City of London Freemen's' School, the City of London Academies Trust (including its embedded academies) and the City Academies which are free-standing entities.*"

RESOLVED, that – the report be noted.

19. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

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

There were no items

21. **EXCLUSION OF THE PUBLIC**
RESOLVED: That Under Section 100 (A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information, as defined in Part 1 of Schedule 12 (a) of the Local Government Act.

Item Nos	**Para Nos**
22-24	3

22. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
The non-public minutes of the meeting held on 6th March were approved.

23. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.

24. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There were no items.

The meeting ended at 3.45 pm and Members then met with the Head of Internal Audit in a closed session.

Chairman

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Date Added	ITEM	Action	Officer and target date
23.5.2017	**INTERNAL AUDIT (GENERAL)**	1. Action plan to distinguish low, medium and high priority risks and be more outward focussed. **2.** Chief Officers be invited to attend the Audit and Risk Management Committee where they had not provided an adequate explanation of delayed implementation. 3. Audit report recommendations be linked to Chief Officers' objectives at their annual appraisals.	*Head of Internal Audit and Risk Management* 1,2 & 3 - On-going
23.5.2017	**INTERNAL AUDIT CHARTER**	Cyber awareness to be more visible in all Internal Audit Reviews and suggested that this be more explicit in the Charter.	*Head of Internal Audit and Risk Management* This will be actioned for all audits going forward. A section will be added to the Charter for the next review by the ARMC.
23.5.2017	**HEAD OF INTERNAL AUDIT OPINION AND ANNUAL REPORT 2016/17**	1. The numbers of greens, ambers and reds would give greater assurance than just stating the number of reds. 2. Future opinion reports should include the quality of internal audit and coverage.	*Head of Internal Audit and Risk Management* To be included in the next HoIA Opinion in May 2018 and carried forward to future reports.
23.5.2017	**INTERNAL AUDIT PLAN 2017/18**	1. A review of significant areas every 3 years and an indication of the type of work which would be covered over the course of the year. 2. Future reviews to include an analysis of	*Head of Internal Audit and Risk Management* 1. This will be actioned for the next Audit Plan. 2. This will be considered as

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Agenda Item 4

		efficiency and include resources and training.	part of the forthcoming planning process.
29.05.18	**STATUTORY OBLIGATIONS IN RESPECT OF SEIZED GOODS**	The Police agreed to accept this risk and Members asked for assurance that the risk is not sufficiently great to expose the City of London Police and/or the City Corporation.	*Head of Internal Audit and Risk Management* To be followed up in the Internal Audit Recommendations Update report in September 2018
29.05.18	**CITY FUND AND PENSION FUND FINANCIAL STATEMENTS UPDATE 2017/18**	In respect of a query about contingent assets in Appendix 1 – the Director of Finance agreed to provide more information to Members about increases in valuations.	*Chamberlain* Financial Statements Report - July 2018
29.05.18	**HEAD OF INTERNAL AUDIT ANNUAL OPINION REPORT**	The Head of Internal Audit agreed to check the percentages on page 61 of the report, in respect of direction of travel, and recirculate them	*Head of Internal Audit and Risk Management*
29.05.18	**CITY OF LONDON POLICE PROGRAMME/PROJECT MANAGEMENT AUDIT**	Members asked to see the information sharing protocol, once it had been finalised.	*Commissioner, City of London Police*

Audit & Risk Management Committee - Work Programme 2018/19

Meeting dates:	**25/9/18**	**6/11/18**	**15/1/19**	**12/3/19**	**7/5/19**
Financial Statements/External Audit					
	External Auditors Final opinion on the financial statements	Bridge House Estates Financial Statements City's Cash Financial Statements			
Internal Audit					
	Internal Audit Recommendations Follow Up (*to include Police Risk in respect of seized goods)*		Internal Audit Recommendations Follow Up		Internal Audit Recommendations Follow Up
Governance					

Meeting dates:	**25/9/18**	**6/11/18**	**15/1/19**	**12/3/19**	**7/5/19**
	Draft Annual report on the Work of the Committee – for submission to the Court of Common Council			Annual Governance Statement - Methodology	
	Update on GDPR				
	Whistle Blowing Policy				
Risk Management					
	Deep Dives: • Road Safety • Fire Safety - to include recs and action plans arising from the risk assessments, on an estate basis, with the focus on amber and red risks	Deep Dives: • Air Quality • Information Security	Deep Dives: • Loss of Business Support • IT Service Provision		
		Risk Management Update		Risk Management Update	
Anti-fraud and Corruption					
		Anti-Fraud and Corruption – half yearly update			

Meeting dates:	**25/9/18**	**6/11/18**	**15/1/19**	**12/3/19**	**7/5/19**
External Inspections					
	HMIC (City of London Police)				
Risk Challenge Sessions					
	Multi Academy Trust and Education	Barbican Centre	Department of the Built Environment		

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Committees:	Dated:
Community and Children's Services Committee Health and Wellbeing Board Audit and Risk Management Committee	08/06/2018 15/06/2018 17/07/2018
Subject: Special Educational Needs and Disability (SEND) City of London Local Area Inspection outcome – May 2018	**Public**
Report of: Andrew Carter, Director of Community and Children's Services	**For Information**
Report author: Theresa Shortland, Head of Service – Education and Early Years	

Summary

This report provides an update to Members on the outcome of the City of London Local Area Inspection letter – May 2018.

Her Majesty's Chief Inspector of Education, Children's Services and Skills gave notification on 5 March 2018 to the City of London local area that we were going to be inspected, under section 20 of the Children Act 2004, from 12 to 16 March 2018.

The inspection provided an independent external evaluation of how well the City of London local area carries out its statutory duties in relation to children and young people with special educational needs and /or disabilities (SEND) to support their development.

Ofsted and the Care Quality Commission (CQC) published the inspection findings in letter form on 18 May 2018. The findings set out briefly the context of the inspection, the evidence gathered, any strengths and weaknesses, and areas recommended for improvement.

Recommendation

Members are asked to:

• Note the report.

Main Report

Background

1. The duties on local areas regarding provision for children and young people with SEND are contained in the Children and Families Act 2014. The Minister of State for Children and Families has tasked Ofsted and the CQC with inspecting local areas on their effectiveness in fulfilling these duties. The Ofsted/CQC Inspection Framework sets out the legal basis and the principles of inspection.

Context

2. Her Majesty's Chief Inspector of Education, Children's Services and Skills gave notification on 5 March 2018 to the City of London local area that they were going be inspected under section 20 of the Children Act 2004 from 12 to 16 March 2018.

3. The inspection was led by one of Her Majesty's Inspectors from Ofsted, with a team of five, including an Ofsted inspector and a children's services inspector from the CQC.

4. The inspectors undertook a range of sessions over the period they were in the City and spoke with children and young people who have special educational needs and/or disabilities, parents and carers, local authority and National Health Service staff. They visited a range of providers, including Sir John Cass's Foundation Primary School, and spoke to parents, staff and governors about how they were implementing the SEND reforms.

5. Inspectors looked at a range of information about the performance of the local area, including the local area's self-evaluation. They reviewed performance data and evidence about the local offer and joint commissioning alongside a number of other relevant documents relating to the governance of the SEND work in the City.

6. The inspection provided an independent, external evaluation of how well the City of London local area carries out its statutory duties in relation to children and young people with SEND to support their development. The evaluation identified strengths and areas for development.

7. Ofsted published the inspection findings in letter form on their website on 18 May 2018. The letter sets out the context of the inspection, the evidence gathered, any strengths and weaknesses and areas recommended for improvement. The letter constitutes an inspection report under Regulation 3 of the Children Act 2004 (Joint Area Reviews) Regulations 2015 (see Appendix 1).

Summary of main findings

8. The letter identified that leaders in the local area have shown a strong and purposeful commitment to implementing the reforms. They have a detailed understanding of the strengths and weaknesses of their work. As a result, their

self-evaluation is accurate. Leadership roles and responsibilities are clearly outlined. Governance arrangements in the local area are effective.

9. Due to its small geographical size, the City of London local area faces significant challenges as a large proportion of children and young people who have SEND are educated in schools outside the local area. However, leaders have effectively mobilised resources and staffing, and used joint commissioning to manage these challenges effectively. Inspectors reviewed several examples where leaders commissioned a personalised package to support children and their families.

10. Professionals involved in meeting the needs of children and young people work well together, sharing information and communicating effectively. Strong support is also provided to parents and carers where needed. Professionals and leaders have a clear understanding of the risks facing children and young people with SEND. The sharing of information and monitoring of individual pupils means that additional social care support and interventions are in place to help young people to manage any identified risks.

11. Providers are highly complimentary about the local area's work. They particularly point out the strong communication, quick response and commitment of leaders and professionals to working together with the provider to meet children and young people's needs.

12. The local offer has improved significantly over the last few years. It was reviewed in the autumn term 2017 to include more access to provision outside of the local area. In the words of one parent: "It is refreshing that the local area wants to improve the local offer." Parents appreciated this and recognised the improvements made. Leaders acknowledge that a priority is to widen the offer further, particularly broadening the short-breaks offer and including more activities that take place within the City. Leaders are aware of the need to further improve communication about the offer to parents and young people.

13. Leaders have correctly identified that they need to further develop their processes for ensuring that they receive timely information from schools that City children and young people attend outside the local area. This particularly affects the details that leaders have of the attendance and outcomes for those children and young people identified as receiving SEND support.

14. The Parent Carer Forum (PCF) is in the early stages of development and is moving towards autonomy and independence. One leader of the PCF is also co-chair of the SEND Programme Board. This is another example of the commitment of the local area to working with and hearing the voice of parents.

Strengths

15. The findings identify that there are clear systems and procedures in place for early identification of SEND in a timely way, particularly in the early years. Health visitors and early years staff work well together. Leaders also provide effective support for children, young people and families before a formal assessment is finalised. This means that any emerging needs are met quickly.

16. Leaders have a strong vision and high ambition for children and young people who have SEND. They have made sure that there is effective multi-agency working, and that the providers they commission can meet the needs of children and young people.

17. A wide range of professionals work well together, make effective contributions to Education, Health and Care (EHC) plans, and identify learning needs. Also, a culture has been created which means that professionals in the local area work well together to identify, assess and meet the needs of children and young people. Providers and parents particularly appreciate the availability and quick response of the Educational Psychology service. The range of information gathered from professionals is used well to ensure that detailed provision is included in EHC plans. It was evident that the right people attend meetings at the same time.

18. There is good provision for children looked after by the City. This is currently a unique group of looked-after children composed entirely of unaccompanied asylum seekers. Health professionals have worked to commission a local bespoke health package for all those in this group, including a Child and Adolescent Mental Health Services (CAMHS) assessment and an immunisation and vaccination check. This means that children and young people in this group have quick access to the right support where any signs of SEND are identified.

Areas for development

19. One of the main areas for development is for leaders to improve the City's data collection with providers that educate City children outside of the local area. This is particularly in relation to monitoring information that relates to the SEND support group. Leaders have recognised the need to make better arrangements to collect and share information that relates to attendance, exclusions and achievement more quickly. This work is important because a very high proportion of children and young people are educated outside the local area.

20. Leaders are aware that there is a need to build on their initial work to identify any children or young people who may have a social, psychological or emotional health need, particularly for those aged 13 to 19. Their recent research has suggested that this needs to be explored further.

21. Leaders acknowledge that their work to engage children and young people in co-production is at an early stage of development – for example, collating and analysing their feedback as part of the transition process so that any improvements made reflect their views and opinions.

22. The designated medical officer (DMO) works across both Hackney and the City of London. A lack of time for the DMO role has meant that their work for children from the City focuses on operational priorities. For example, the DMO is unable to attend the SEND programme board meetings. The children's programme board manager attends these meetings and feeds back to the DMO. This means that the expertise of the DMO is not being immediately heard when strategic issues are being discussed at the SEND Programme Board.

Conclusion

23. The priorities for the second year of the SEND Strategy 2017–2020 have been identified in the revised self-evaluation in February 2018. The areas for development identified in the Ofsted and CQC inspection findings are already included in the self-evaluation. The inspection identified that the local area has a detailed understanding of the strengths and weaknesses of its work and, as a result, their self-evaluation is accurate.

24. The summary of findings and the development areas will be implemented and monitored by the SEND Programme Board. SEND report updates are a standing item on the Safeguarding Sub Committee of the Community and Children's Services Committee. The development plans will be reported back to the Sub Committee and the Children's Executive Board at regular intervals over the next year.

Appendices

- Appendix 1 – Letter to City of London – Inspection finds of the joint local area SEND inspection in City of London

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10 May 2018

Mr Andrew Carter
Director of Community & Children's Services, City of London Corporation
City of London North Wing, Guildhall
PO BOX 270
London
EC2P 2EJ

Simon Hall, Acting Managing Director, Tower Hamlets CCG
David Maher, Acting Managing Director, City & Hackney CCG
Theresa Shortland, Local Area Nominated Officer, City of London

Dear Mr Carter

Joint local area SEND inspection in City of London

Between 12 March 2018 and 16 March 2018, Ofsted and the Care Quality Commission (CQC) conducted a joint inspection of the local area of City of London to judge the effectiveness of the area in implementing the disability and special educational needs reforms as set out in the Children and Families Act 2014.

The inspection was led by one of Her Majesty's Inspectors from Ofsted, with a team of inspectors including an Ofsted Inspector and a children's services inspector from the CQC.

Inspectors spoke with children and young people who have SEN and/or disabilities, parents and carers, local authority and National Health Service (NHS) officers. They visited a range of providers and spoke to leaders, staff and governors about how they were implementing the special educational needs reforms. Inspectors looked at a range of information about the performance of the local area, including the local area's self-evaluation. Inspectors met with leaders from the local area for health, social care and education. They reviewed performance data and evidence about the local offer and joint commissioning.

This letter outlines our findings from the inspection, including some areas of strengths and areas for further improvement.

Main findings

- Leaders have shown a strong and purposeful commitment to implementing the reforms. They have a detailed understanding of the strengths and weaknesses of their work. As a result, their self-evaluation is accurate. This is enabling leaders to plan effectively further improvements to the support and provision for children and young people who have SEN and/or disabilities in the local area. Leadership roles and responsibilities are clearly outlined. Governance arrangements in the local area are effective.
- The local area, due to its small geographical size, faces significant challenges. For example, a significant proportion of children and young people of the City who have SEN and/or disabilities are educated in schools outside the local area. Furthermore, the overall number of children who have SEN and/or disabilities is low. Leaders have effectively mobilised resources and staffing, and used joint commissioning, to manage these challenges effectively.
- Leaders and professionals have a detailed understanding of the needs of children, young people and their families. Professionals involved in meeting the needs of children and young people work well together, sharing information and communicating effectively. Strong support is also provided to parents and carers where needed.
- The early years team work well together. The team use a range of methods to identify any emerging needs. As a result, systems and processes to take prompt action are fully in place.
- Leaders use joint commissioning effectively. A leader commented that 'no rule is set in stone'. This sums up the local area's approach to making decisions about how to meet the needs of children and young people. Inspectors reviewed several examples where leaders commissioned a personalised package to support children and their families. However, with some commissioning that relates to health needs there is confusion as to how arrangements work for families that live in different parts of the City.
- Professionals and leaders have a clear understanding of the risks facing children and young people who have SEN and/or disabilities. The sharing of information and monitoring of individual pupils means that additional social care support and interventions are in place to help young people to manage any identified risks.
- Providers are highly complimentary about the local area's work. They particularly point out the strong communication, quick response and commitment of leaders and professionals to working together with the provider to meet children and young people's needs.
- A review of the local offer, which included children and young people and the parent carer forum (PCF), took place last year. As a result, leaders updated and re-launched the local offer in autumn 2017. Parents appreciated this and recognised the improvements made. Leaders acknowledge that a priority is to

widen the offer further, particularly broadening the short-break offer and including more activities that take place within the City. Leaders are aware of the need to improve communication about the offer to parents and young people still further.

- Leaders have recently carried out their own review of the quality of education, health and care plans (EHC plans). The review identified strengths and weaknesses. This has enabled leaders to sharpen and simplify the expected outcomes that are included in the EHC plans. However, not all plans have been amended to reflect the findings of the review.
- All statements of special educational needs are on track to being converted to an EHC plan by the 31 March 2018 deadline. Leaders issue plans regularly within the 20-week timeframe.
- Leaders have correctly identified that they need to develop further their processes for ensuring that they receive timely information from schools that City children and young people attend outside the local area. This particularly affects the details that leaders have of the attendance and outcomes for those children and young people identified as receiving SEN support.
- The PCF is in the early stages of development. Previously, the PCF focused on information-sharing and providing a venue for feedback from and dialogue with leaders in the local area. Now, the PCF is on a journey towards autonomy and independence. One leader of the PCF is also co-chair of the 'SEND [governance] programme board'. This is another example of the commitment of the local area to working with and hearing the voice of parents.
- Families across the City receive timely and appropriate advice and interventions in relation to health needs. Records show that referrals and interventions are appropriate and followed up. The waiting times for therapies such as speech and language and children and adolescent mental health (CAMHS) assessment are within the key performance timescales. Children are seen in a timely manner where any SEN and/or disabilities can be identified at an early stage.
- Parents, health professionals and early years staff are complimentary about the range of services being provided at Hackney Ark, where the child development unit is located. A range of health professionals conduct weekly multi-agency referral service meetings (MARS) to discuss referrals and to progress them, either jointly or to a single health agency. This co-location means that a swift and efficient process is in place for vulnerable children.

The effectiveness of the local area in identifying children and young people's special educational needs and/or disabilities

Strengths

- There are clear systems and procedures in place to identify any SEN and/or disabilities in a timely way, particularly in the early years. Health visitors and early years staff work well together. There is a range of ways to engage parents and carers in the early years, including fail-safes to make sure that any vulnerable children do not 'fall through the net'. Information-sharing in the early years is plentiful.

- Leaders also provide effective support for children, young people and families before a formal assessment is finalised. This means that any emerging need is met quickly.
- Leaders have a strong vision and high ambition for children and young people who have SEN and/or disabilities. Leaders have ensured that there is effective multi-agency working. Also, leaders make sure that the providers they commission can meet the needs of children and young people.
- The transition forum meets regularly to consider the needs of children, young people and their families. Leaders commission impartial advice and guidance through an external provider who works with young people from Year 9 onwards. This includes sourcing information, accompanying young people on visits to providers and expanding their aspirations. Young people spoken to during the inspection were aware of their future career choices.
- A wide range of professionals work well together and make effective contributions to EHC plans and/or identifying a learning need. Providers and parents particularly appreciate the availability and quick response of the Educational Psychology service. The range of information gathered from professionals is used well to ensure that detailed provision is included in EHC plans.
- Providers are particularly confident in the work of leaders and professionals in the local area. They consistently report that there is the right balance of reactive and proactive approaches. Leaders ensure that the right people attend meetings at the same time. A culture has been created which means that professionals in the local area work well together to identify, assess and meet the needs of children and young people.
- There is effective sharing of health information across the different services that informs the 'tell it once' approach. Health professionals effectively use the same electronic patient record system, which enables them to maintain strong communication between different health teams. This allows professionals to coordinate appointments, provide health reports and be aware of the child's health history before any appointments take place.
- There is good provision for children looked after by the City. This is currently a unique group of children looked after composed entirely of unaccompanied asylum seekers. Health professionals have worked to commission a local bespoke health package for all those in this group, including a CAMHS assessment and an immunisation and vaccination check. This means that children and young people in this group have quick access to the right support where any signs of SEN and/or disabilities are identified.
- The health visitor service is commissioned to meet the needs of first-time and vulnerable parents, including a four-week and four-month visit for all first-time and vulnerable parents. A health visitor with a lead role in disability represents

the health visiting service at Hackney Ark to provide representation in the MARS process as well as training in SEN and/or disabilities for other professionals and parents. This aids and supports other professionals in identifying emerging needs in children.

Areas for development

- One of the main areas for development is for leaders to improve the City's data collection with providers that educate City children outside of the local area. This is particularly in relation to monitoring information that relates to the SEN support group. Leaders have recognised the need to make better arrangements to collect and share information that relates to attendance, exclusions and achievement more quickly. This work is important because a very high proportion of children and young people are educated outside the local area.
- Some initiatives in the local area are relatively new, for example the network meetings for special educational needs coordinators. As a result, not all initiatives have secured a high level of impact.
- Leaders are aware there is a need to build on their initial work to identify any children or young people who may have a social, psychological or emotional health need, particularly for those aged 13 to 19. Their recent research has suggested that this needs to be explored further.
- Leaders acknowledge their work to engage children and young people in co-production (a way of working where children and young people, families and those that provide the services work together to create a decision or a service which works for them all) is at an early stage of development, for example collating and analysing their feedback as part of the transition process so that any improvements made reflect their views and opinions.
- The designated medical officer (DMO) works across both Hackney and the City of London. A lack of time for the DMO role has meant that their work for children from the City focuses on operational priorities. For example, the DMO is unable to attend the SEND programme board meetings. The children's programme board manager attends these meetings and feeds back to the DMO. This means that the expertise of the DMO is not being immediately heard when strategic issues are being discussed at the SEND programme board.

The effectiveness of the local area in meeting the needs of children and young people with special educational needs and/or disabilities

Strengths

- The local offer has improved significantly over the last few years. It was reviewed in the autumn term 2017 to include more access to provision outside of the local area. In the words of one parent: 'It is refreshing that the local area wants to improve the local offer.'

- Parents and carers make use of events and activities at the leisure centre and libraries. Leaders also track how the local offer is accessed by families. For example, their analysis of the website showed that 'protected sessions' was the most common area being searched for by parents. As a result, leaders have added protected sessions for swimming. These are popular with families.
- Leaders are always looking at new ways of making improvements to provision to help widen opportunities to meet the needs of children and young people. For example, consultation has started on a possible additional site for children's centre services.
- The independent information advice and support service (SENDIASS) is effective in helping families. SENDIASS is accessible to parents. They report that they find the advice that they are given helpful and supportive. Other sources of support, for example from a national charity, are also available.
- Parents find professionals and leaders in the local area friendly, responsive and welcoming. There were numerous examples where parents explained to the inspection team that professionals working in the local area listened to their concerns and responded quickly.
- A large sample of EHC plans were reviewed during the inspection. They include detailed information about the child's and family's views. A range of information from professionals is gathered to inform the provision that is put in place to meet identified needs. Leaders' review of the EHC plan process is resulting in improved plans, particularly in relation to health and social care outcomes. Education outcomes increasingly focus on appropriate short- and long-term targets.
- Leaders use joint commissioning effectively. Given the size of the local area, there is a reliance on commissioning of services through agencies in other local areas. Leaders ensure that children and young people who have SEN and/or disabilities generally receive a fair and equitable level of service. Numerous case studies illustrated how well leaders use 'one-off' commissioning and funding to meet the needs of children, young people and their families. Their response to commissioning provision is typically quick.
- There has been considerable investment in the CAMHS service in the City. This has resulted in a wide range of service provision that is brought together under the local CAMHS alliance. This includes first steps, an early intervention and a prevention service. Overall, there is a wide range of support on offer. This means families are well supported. Children and young people also benefit from access to some interventions without a referral to the CAMHS service.

Areas for development

- Although there are examples of co-production being used to develop provision, more still needs to be done. This includes ensuring that leaders make more effective use of the views of children and young people. Also, the PCF is not yet a fully productive partner in deepening and developing the co-production of provision across the local area.

- Leaders know that there is a need to continue to improve the local offer through including more activities within the local area and broadening the range of short breaks that are available. Parents and carers have requested a review of the availability of library provision, which currently closes at 4.00pm on weekdays.
- Although health professionals provide a thorough and comprehensive report to the EHC planning process, they are not routinely providing comments on the draft EHC plan. Some practitioners, such as speech and language therapists, receive the draft plans but other professionals, such as the CAMHS team, do not. Health professionals are not challenging how their reports are being interpreted into the final EHC plan.
- The targets that health professionals set for children and young people are not always included in EHC plans in their entirety. This means that families and professionals are unable to focus on the very specific outcomes that have been identified, for example in relation to speech and language therapy, physiotherapy and occupational therapy.
- Although the SENDIASS is meeting parents' needs, leaders are aware of the need to enhance their evaluation of the service, for example making clear to parents how their needs will be met should they need to contact their SENDIASS caseworker during holiday periods or when their caseworker is not available.
- Some parents expressed some dissatisfaction with the timeliness of follow-up to concerns. However, this was not commonplace among the views expressed by the wide range of parents spoken to during the inspection.

The effectiveness of the local area in improving outcomes for children and young people with special educational needs and/or disabilities

Strengths

- Children and young people who have SEN and/or disabilities attend good or better schools. Leaders work effectively with parents and carers when deciding on a suitable provider for children and young people who have an EHC plan.
- The overall numbers of children and young people in the local area who have SEN and/or disabilities is low. A review of a range of case studies across different needs, ages and phases of education showed that:
  - leaders and professionals have a thorough and detailed understanding of the needs of children and young people who have EHC plans
  - there was clear evidence of the inclusion of appropriate social care targets
  - there was demonstrable evidence of an improvement in children's and young people's social participation and communication skills
  - the targets that are set for children and young people are ambitious
  - targets for educational, health and social care outcomes are typically supported by quicker access to the resources needed to help children and young people to achieve their targets

– the views of children and young people and their parents are fully collated and considered

– children and young people are being effectively supported for their next steps into education, training or employment.

- All providers visited or spoken to during the inspection were unequivocal about the local area's challenge to them on achieving the outcomes detailed in EHC plans. Furthermore, providers reported that the local area is flexible and responsive to any additional requests for funding to help children and young people. The local area's use of commissioning is particularly effective in ensuring that provision is personalised to the children and young people as required, for example in relation to transport, care or respite.
- The commissioning of the information, advice and guidance for children and young people as they move through the next steps of their education and training works well. There is effective help and support provided. Leaders have an awareness of individual children and young people's aspirations.
- Children and young people feel safe and gave examples of how they know to keep themselves safe. They also said that they feel welcome when using leisure and health facilities.
- Health professionals use a range of measures to check on the progress being made by individual children and young people before, during and after interventions have taken place. Progress is routinely monitored and plans are adjusted to ensure that needs and objectives are met.
- Health professionals provide training to those working in the children's centre to aid early identification and engage in preventative work. For example, training has been provided to staff to help with behaviour management. This training is helping staff to manage and improve the behaviour of children and to build more effective relationships with parents.

Areas for improvement

- Parents are dissatisfied with the service from general practitioners (GPs) in the City. Parents felt that their GPs were not always supportive when they asked for help, advice and/or referrals to specialist services. The local area has not ensured that enough parents are aware of the fact that they can self-refer for access to specialist services.
- Health professionals, providers and families stated that, in some cases, access to health services was unclear. Families living in certain postcodes in the City who access GP services not associated with the NHS City & Hackney Clinical Commissioning Group found the pathways confusing and at times transfer between health services was necessary. This means that children and young people may experience disruption to the care that they are receiving.
- The DMO is currently in the process of collating information to undertake an audit of the quality of medical assessments being used in EHC plans, but this is still in

its infancy. This means that the DMO has no oversight of the quality of the health input into the EHC plans of children and young people who are not registered with a City and Hackney practice and cannot influence any improvement.

- Leaders have prioritised improving pathways into employment for adults with learning difficulties. The local offer is currently being improved to include more information about preparing for employment and signposting possible pathways. There is currently no use of personal budgets in the local area beyond direct payments for short breaks and the offer of personal health budgets for children and young people eligible for continuing care.
- Leaders have created a 'data digest' of information that relates to children and young people who have SEN and/or disabilities. They review the digest regularly and use it to report to the SEND programme board. Although the digest includes a lot of valuable information, it does not fully reflect the outcomes being achieved by those who are on SEN support. Leaders acknowledge the need to consider how best to account for the broad outcomes of this group of children and young people.

Yours sincerely

Sam Hainey
Her Majesty's Inspector

Ofsted	**Care Quality Commission**
Mike Sheridan Regional Director	Ursula Gallagher Deputy Chief Inspector, Primary Medical Services, Children Health and Justice
Sam Hainey HMI Lead Inspector	Tahir Hussain CQC Inspector
Rosemary Henn-Macrae Ofsted Inspector	

Cc: DfE (Department for Education)
Clinical commissioning group(s)
Director Public Health for the local area
Department of Health
NHS England

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Committee	Dated:
Audit and Risk Management	**17th July 2018**
Subject: Deep Dive: CR01 Resilience – Event or situation related to terrorism or another serious event / major incident	**Public**
Report of: Town Clerks	**For Information**
Report author: Gary Locker, Head of Resilience	

Summary

The corporate risk reflects issues for which the City of London Corporation has both primary responsibility and control. This review has focused on the preparedness of the City of London Corporation and its delivery departments to respond effectively to an emergency related to terrorism or any other serious event / major incident.

For clarity, the current definition of a 'major incident' is "an event or situation requiring the implementation of special arrangements by one or more of the emergency services following an incident" :

- Involving either directly or indirectly large numbers of people
- The rescue and transportation of a potentially large number of casualties
- The large scale combined resources of Police, London Fire Brigade, London Ambulance Service
- The mobilisation and organisation of the emergency services and support services, for example a Local Authority to cater for the threat of death, serious injury or homelessness via set-up of emergency rest centres and humanitarian support through volunteer local authority employees' crisis support teams
- The handling of a large number of media enquiries likely to be generated both from the public and news media
- Acts of terrorism

It should be noted that whilst the combined responses to terror related attacks was prominent in London and Manchester during the summer of 2017, the legislation governing emergency preparedness and response, "Civil Contingencies Act 2004", along with Cabinet Office guidance within the Civil Protection framework, requires organisations tasked with the responsibility of planning for emergencies, to plan for the generic 'consequences' of an event rather than the cause or source.

This review has also examined the effectiveness of our engagement with key partner agencies involved in responding to ‘major incidents’ of this nature, as well as our work with the Square Mile business’ and residential communities. The risk is owned and managed by the Town Clerk.

Main Report

Introduction

1. This deep dive report on CR01 Resilience Risk has been prepared at the request of the Audit and Risk Management Committee. The risk has a number of components for the City of London Corporation resulting from its responsibility as an employer, a provider of local government services and as the Police Authority for the Square Mile. The risks from a policing perspective (operational policing) are managed by the Commissioner of Police. The remaining elements cover a range of operational areas e.g. disaster recovery / business continuity, building management, employee and community safety. Under the “Civil Contingencies Act 2004”, the City of London Corporation (defined by the Act as a ‘Category 1 responder’) also has a responsibility to support its businesses and residential communities in the initial and long-term aftermath of a major incident, which is defines as ‘recovery’.

Context

2. The UK faces a serious and challenging threat from international terrorism. The UK threat level, determined by the Joint Threat Analysis Centre (JTAC) for international terrorism, is currently at ‘SEVERE’, meaning an attack is “highly likely”. The threat to the mainland UK excluding Northern Ireland from Northern Irish Related Terrorism is currently assessed as ‘MODERATE’ meaning an attack is “a possibility” but not likely. The threat level for international terrorism rose twice to ‘CRITICAL’ (the highest level) in 2017, suggesting an attack is expected “imminently”. In the context of the City of London, the City of London Police has the lead responsibility for disrupting and preventing a terrorist attack, as well as leading the initial response to an attack. They are supported in this task by the Metropolitan Police Service, Security services and other partners, including the City of London Corporation. Further detail in respect of the terror related threat towards the City of London can be found in the CR24 Operational Security Risk Update.

3. The City of London Corporation must also plan to respond to a number of other foreseeable risks. The City of London Risk Register, which is a publicly available document on the City Corporation’s website, focuses on the most impactful emergencies that could happen in the square mile or elsewhere in the UK but with significant impacts on the square mile, using the National Risk Assessment and the Greater London Risk Register as the starting point. This assessment includes details of how likely they are to happen and the impacts if they do. This includes the impacts to people, their property, the environment and local businesses. This document is designed to inform the square mile community about the risks that could occur that could impact their daily activities. It is intended as a tool for driving better preparedness across the whole community.

Statutory Requirements

4. The Civil Contingencies Act 2004 places the City of London Corporation under a statutory duty to ensure that it is prepared to respond to an emergency, including public order incidents. Under this Act the City of London Corporation has a number of specific duties:

   - Assess the risk of emergencies occurring and use this to inform contingency planning
   - Put in place emergency plans
   - Put in place business continuity management arrangements
   - Put in place arrangements to make information available to the public about civil protection matters and maintain arrangements to warn, inform and advise the public in the event of an emergency
   - Provide advice and assistance to businesses and voluntary organisations about business continuity management

5. Two further duties are prescribed in the Regulations for all emergency responding organisations

   - Share Information with other local responders to enhance co-ordination
   - Co-operate with other local responders to enhance co-ordination and efficiency

Current Position

6. The issues for the City of London Corporation to manage would include:

   - Dealing with damage to specific areas and buildings, for example Guildhall
   - Employee and community welfare
   - Public and business confidence
   - Co-ordination of the services of the City of London Corporation

7. For responding to specific issues, the City of London Corporation has a range of mitigating controls

8. Business Continuity Planning follows a cycle of review. In October 2018 the Resilience team working in conjunction with the Cabinet Office Emergency

Planning College will carry out an independent assurance review based on the current International Standard ISO 22301 and will examine the Corporation's process for identifying key critical services as part of the business impact analysis. Departmental business continuity leads meet regularly to focus on this activity across departments as part of the Resilience Steering Group quarterly meetings chaired by Head of Resilience for the City of London Corporation. This group also provides a mechanism for engaging with key departments, managers and chief officers across the organisation.

9. The Business Impact Analysis element will be followed by the City of London IT team reviewing its list of Critical Applications and Services. Shaping the service provision, resilience and pre-defined reaction to any incident affecting these applications and services. This will ensure focus is on the business continuity of services key to the Corporation and City Police.

10. The IaaS - Infrastructure as a Service migration project during 2015/16 and the Desktop Transformation Project in 2017/18 has moved all core services out of Guildhall Justice Rooms, including telephony and significantly reduced any Single Points of Failure. The network transformation programme is implementing a new wide area network (between City of London and City of London Police buildings) and a new Local Area Network (internal network), improving resilience for all core sites and services including Guildhall. Additionally, along with Critical Applications and Services being moved into Agilisys' IaaS or in the cloud (SharePoint, Office365, In Tune replacing GOOD for Blackberry) City of London and City of London Police resilience for these services has greatly improved.

11. Once the Network Transformation is complete and the Critical Applications and Services review has completed. A joint exercise will be implemented to test Business Continuity and Disaster Recovery for the City. In conjunction with an improved security position following the recent PSN accreditation, the City's position has greatly improved, with further improvements to come.

12. The City of London Corporation has plans in place to support employees following an incident including the availability of a Freephone advice line. We also have arrangements to care for the residential community should they become displaced by and incident through the establishment of rest centres. Support is also available for the business community, for example, through the establishment of a Business Information Centre at which briefings will be provided by service departments and the emergency services. A survivor reception centre joint exercise and awareness training was also held with City of London Police on 2nd October 2017 with a follow up training and awareness programme delivery to operational and control room police officers and staff.

13. Following the London Bridge attack, the City of London Police and City of London Corporation had the opportunity to test its support to the community, setting up its Survivor Reception Centre at the Andaz Hotel to cater for a large number of significant witnesses to the incident and those caught up in the tragic events.

14. The City of London Corporation has a comprehensive emergency management plan that is regularly reviewed and exercised locally and is part of the wider Pan London exercise programme. The most recent was Exercise Safer City held over

2 days March 14/15. The key element of this exercise for the City of London and local authorities was to exercise the recovery element of a move to ‘critical’ resulting from a terrorist attack outside of the London area. The exercise programmes generally include the ‘blue light services’, the voluntary sector, the military, the utilities, City Corporation service departments and the business community.

15. The City of London Corporation, Head of Resilience, chairs the local City of London Resilience Forum. This forum provides the mechanism for local partners and responders as defined under the Civil Contingencies Act 2004 who have a statutory duty, to meet for co-operation and information sharing between agencies. The City of London invites a comprehensive number of local business identified by sector as part of the partnership. Previous work with the business community conducted a number of thematic workshops designed to explore and understand the needs of the City business community in terms of preparation and response during a ‘major incident’ including key risks terrorism and public order. The membership of business on the local forum means business receive first hand and up to date information on growing trends and an opportunity to share learning and exchange information in the resilience network.

16. The Resilience forum provides the mechanism for overseeing the local City Risk Register.

17. The City of London Corporation along with the 32 London Boroughs is subject to a set of Minimum Standards for London (MSL). This comprises of a set of standards aligned to resilience and emergency planning arrangements locally and Pan London. The MSL for each local authority is subject to peer review. The MSL process is currently under review as part of a wider London standardisation programme investigating ways of working across Boroughs during incidents as experienced during 2017, particularly how councils deploy trained staff to support incidents such as the Grenfell Fire, as part of the established Mutual Aid Arrangements between councils and a defined assurance process to compliment the MSL. As key elements of the standardisation programme, the City of London resilience team are incorporating the following components into its recent learning and review of the organisations emergency management response.

- **Emergency Centres** To ensure sufficient appropriately trained staff to support rest centres, survivor reception centre, Humanitarian Assistance Centre, family and friend’s reception centre

- **Business Continuity management** Assurance process and review of critical services, to include training for department business continuity leads, in conjunction with Cabinet Office Emergency Planning College planned for October 2018

- **Review of LALO-Local Authority Liaison Officer** Trained members of the City of London Corporation deployed to an incident via the resilience team to act in a tactical capacity liaising with on scene emergency services

- **Strategic Gold awareness training** Developing the City of London capability of Senior staff to strategically lead the organisation during response to an incident / pre planned event

18. The City of London Corporation recognised it previously had a reduced capability in terms of appropriate and experienced staff at the senior level to act as Gold Strategic lead for a pre-planned City event such as a banquet or Lord Mayor Show or a Major incident impacting the City. Training analysis was carried out resulting in senior staff attending a 2-day bespoke programme including inputs on Civil Contingencies Act 2004, Crisis Communications including television, newspaper and social media and a full day in a public inquiry court scenario with a solicitor advocate. There is now a capability within the City of London with a cadre of Gold and Silver commanders from the COLC senior staff.

19. The resilience team through its crisis support team training also have an arrangement with First Aid Nursing Yeomanry (FANY) to deploy with City of London volunteers to an emergency centre in the City should one be required to support the local community. Several FANY managers attended a training event on 24th April facilitated by City of London Corporation with a second day to approximately 50 FANY members 25th April. This features as part of the Resilience team commitment to increasing its capability to respond to people as part of its commitment to increase our humanitarian assistance capability.

20. In response to the need for the City of London Corporation to be able to have an initial response capability out of hours to major incidents and emergencies as witnessed during 2017. The City of London Corporation Resilience team implemented a 24 hour call out standby rota from May 1st, 2018. This guarantees a member of the team can respond to an initial call from any one of the emergency services, particularly City of London Police via a dedicated call out number currently held by the City of London Control room.

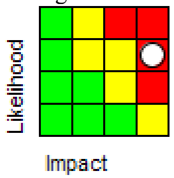
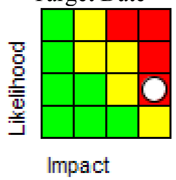
21. The City of London Corporation Emergency Management plan is currently under review taking into consideration some of the lessons identified from events over the past 12 months and was also the subject of a Corporate wide Emergency Planning Review carried out by Chamberlains audit section in April 2018.

Conclusion

The City of London Corporation has comprehensive plans that cover emergency response, business continuity and disaster recovery. These plans meet the requirements established by Central Government through the Cabinet Office and have been benchmarked against those of all other London Local Authorities. The resilience team along with key City of London Corporation departments, emergency services, voluntary agencies and City business' continually striving to ensure a resilient city that can respond to major incidents that may impact the City and has the ability to engage in longer term recovery where required.

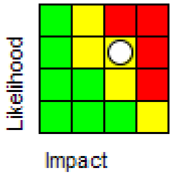
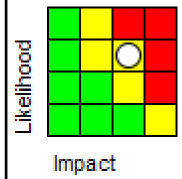
TC Corporate and departmental risks - detailed report EXCLUDING COMPLETED ACTIONS for CR24 and CR01

Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR24 Operational Security 07-Jun-2017 Peter Lisley	Risk Description (Cause, Event, Impact) **Cause:** Inadequate, poorly maintained or time expired security infrastructure; lack of security culture within the organisation; poor training or organisation of staff; insufficient staff. **Event:** Security of an operational property is breached. **Effect:** Unauthorised access to building by criminals/protestors/terrorists; disruption of business/ high profile events; reputational damage; injury or potential loss of life amongst staff or members of the general public	Current Risk Rating & Score  	Risk Update and date of update **24**	Target Risk Rating & Score The Security Board is now mature and in place with all works teams beneath now in place. Public Realm, People Board, Cross Cutting and Security Advisory Board. Good strategic and tactical grip now with Police and key stakeholders. HVM work has now started at venues thought to be at particular risk, in phase one of mitigation to the public from a vehicle borne Terrorist attack. There is phased works in place for the rest of this calendar year. The Corporation threat and risk mitigation plan is being adopted by others. Corporation Estate, ASF and BBM starts next month.	Target Date  	Current Risk score change indicator **16**	30-Apr-2019 30-Apr-2019	Constant

				HVM at Guildhall is aspired to be in place pre Lord Mayors Show this year. A new post has been created by City Surveyor Head of Security for Guildhall Complex, this is to provide grip and consistency across the complex and then support across the Estate **9th July 2018**				

Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
CR24a	Deliver a programme of security infrastructure enhancements	The Security Board is now mature and in place with all works teams beneath now in place. Public Realm, People Board, Cross Cutting and Security Advisory Board.	Paul Wilkinson	04-Jul-2018	30-Apr-2019
CR24b	Mitigating risk of vehicle borne attacks across Corporation estate.	Good strategic and tactical grip established with Police and key stakeholders. HVM work now started venues thought to be at particular risk in phase one of mitigation to the public from a vehicle borne Terrorist attack. There is phased works in place for the rest of this calendar year.	Carolyn Dwyer; Paul Wilkinson	04-Jul-2018	30-Apr-2019
CR24c	Threat and risk mitigation plan.	The Corporation threat and risk mitigation plan is being adopted by Corporation departments.	Richard Woolford	04-Jul-2018	30-Apr-2019
CR24d	Completing the cross-cutting security projects to protect Corporation infrastructure.	Anti-shatter film and Bomb Blast Mitigation start next month.	Paul Wilkinson	04-Jul-2018	30-Mar-2019
CR24e	Protecting Guildhall for major events by installing HVM.	HVM at Guildhall is aspired to be in place pre Lord Mayors Show this year.	Carolyn Dwyer; Paul Wilkinson	04-Jul-2018	01-Nov-2018
CR24f	A new post is to be created in City Surveyor's to address consistency of security across the Corporation estate.	A new post has been created and filled by City Surveyor's for the Head of Security for Guildhall Complex. This role is to provide grip and consistency across the complex and then support across the Estate	Paul Wilkinson	04-Jul-2018	30-Apr-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR01 Resilience Risk 20-Mar-2015 John Barradell	**Cause** - Lack of appropriate planning, leadership and coordination **Event** - Emergency situation related to terrorism or other serious event/major incident is not managed effectively **Effect** - Major disruption to City business, failure to support the community, assist in business recovery. Reputational damage to the City as a place to do business.		**12**	Core services have been moved out of GJR. Network upgrade work and upgrading bandwidth is progressing across the corporation. Once this has been complete we will be able to carry our resilience tests. **29 Jun 2018**		**12**	31-Dec-2018	Constant

Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
CR01D	Working with the IS division, remove potential single points of failure from business continuity processes.	IT are still undergoing work to re-locate servers from GJR to another location. Network upgrade work and upgrading bandwidth is progressing across the corporation. Once this has been complete we will be able to carry our resilience tests.	Gary Locker	29-Jun-2018	31-Jul-2018
CR01H	To provide a larger Capability of Chief Officers & Senior Managers to strategically & tactically lead during a Major Incident impacting the City	Training run on 9th February &14th May 2018 Further delivery of training at Gold and Silver, Tactical level Planned for delivery **October 2018**	Gary Locker	18-Jun-2018	31-Oct-2018
CR01L	Assurance process with Cabinet Office College Provide refresher and initial training for Col staff, this training intended to increase knowledge to ensure BC plans are able to support the Col maintain its business during a major incident, provide an in depth independent oversight of the Col business impact analysis, identifying its most critical business areas	The assurance process and training has been agreed with Cabinet Office College and the start date is 24/25 October. BC leads attended a meeting on 26th June where this assurance process was discussed, further BC leads meeting to be arranged prior to the process to brief and Peter Lisley to be briefed	Gary Locker	02-Jul-2018	31-Oct-2018
CR01M	Enhance process, training and call out process to strengthen the City capability and resilience in responding to major incident and complying with the wider London boroughs standardisation programme	This action refers to LALO training and as part of the wider London Boroughs standardisation programme currently no agreed formal City call out process, progressing the role of LALO in the City, nominated and trained LALO to be invited to meet and further the process	Gary Locker	02-Jul-2018	31-Dec-2018
CR01N	To increase City capability and resilience in supporting wider London boroughs during major incident response, Local Emergency Control Centres, Emergency centres as	Emergency Centres are set up to cater for humanitarian needs and support to ensure local City plans meet the standard requirements, currently all centres and appropriate staff training in place. work ongoing to continue to increase capability of City staff resource	Gary Locker	02-Jul-2018	30-Sep-2018

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	part of a wider humanitarian response.				
CR01P	delivering a strategic based exercise to include command and control of managing events and incidents potentially impacting the show	Meeting with City Police taking place on 5th July to discuss format for 2018 pre LM show exercise and further meeting to be arranged to gauge thoughts of the CoLC and CoLP Gold strategic leads for the show	Gary Locker	02-Jul-2018	31-Oct-2018

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Agenda Item 7b

Committee	Dated:
Audit and Risk Management	17 July 2018
Subject: Deep Dive: CR24 Operational Security Update	**Public**
Report of: Town Clerk	**For Information**
Report author: Richard Woolford, Strategic Security Director and Counter Terrorism Advisor	

Summary

This Corporate Risk has been included in the risk register due to the need to ensure that the security infrastructure across the City Corporation Estate and the security culture within the organisation is robust to evolving threats.

Effective protective security requires the integration of physical, personnel and people, and cyber security measures (this later threat is the subject of a further report on CR16). There is almost always a human element (direct or indirect) at a point of security failure. This strategic risk reflects issues for which the City of London Corporation has both primary responsibility and control. This review has focused on: governance, staff, training and preparedness of the City of London Corporation and its delivery departments to mitigate this.

The risk is owned and managed by the Town Clerk, as good security protects the People and reputation of our organisation.

Introduction

1 This Corporate Risk should be considered among the backdrop that the threat from International Terrorism remains at ‘Severe’, meaning an attack is highly likely. It has been at this level since August 2014; in 2017 the threat level rose to ‘Critical’ twice meaning an attack is expected imminently.

2 The United Kingdom was attacked three times in ten weeks; 22nd March in Westminster, 22nd May in Manchester and 3rd June at London Bridge. This level of Islamist extremism in the country is unprecedented, with 35 people being murdered and 217 injured in these attacks.

3 The target locations of all three attacks were crowded places, populated by civilians going about their day to day lives at tourist locations or social venues, representative of Western life. The attacks seemed timed to ensure maximum casualties, with civilians being indiscriminately targeted, regardless of age, sex, religion, ethnicity or nationality.

4 International Terrorism currently is the biggest terrorist threat to the City of London, with attack methodology being as fluid and diverse as it is, in who

would carry out such attacks. With pre-planned directed attacks being carried out by organised groups as well as inspired lone individuals. The current attack methods used shows, layered attacks, with the use of a vehicle as a weapon being the initiator of the attack, followed by low level non-sophisticated weapons, such as: knives, hammers and recently petrol bombs. Firearms cannot be ignored although military grade ammunition is more difficult to obtain.

5 The use of explosives also cannot be ignored; especially with the awareness and ease of purchasing components to make chemical explosives. As such security enhancements to protect the public realm, our staff and buildings are all still relevant and valid. The step change in terrorist activity is not a minor blip but a clear and substantive change. Our protective measures and planning needs to run parallel to this.

6 MI5, the police and partners have together stopped 18 terrorist plots in Great Britain since mid-2013 by the end of 2017, with nine in 2017 alone including five since the Westminster attack in March last Year. At any one time, MI5 and the police are conducting around 650 active international counter terrorism investigations involving 3,000 subjects of interest. In addition to this, there are around 20,000 individuals who have been subjects of interest in previous terrorism investigations.

7 With every attack that has taken place or been prevented, extensive hostile reconnaissance has been identified. As such, this is key in the posture for a security culture.

8 A lot of the previous working practises around security across and within the Corporation have been based around historical threats from Northern Irish related terrorism (NIRT). The threat level to the UK was lowered to 'Moderate' meaning an attack is possible but not likely on 1st March 2018 after two years at the level of 'Substantial' meaning an attack is a strong possibility. NIRT groups maintain aspirations to attack mainland UK. Splinter groups to PIRA have not engaged in the peace process such as NIRA and CIRA are seeking to undermine the peace process and have moved beyond security service attacks in Northern Ireland. As such this threat can not be ignored.

Context

9 The changing nature of the terrorist threat to the Square Mile has seen the development of numerous policies, processes and public realm designs over time to meet that threat. These include:

- The introduction of the Traffic & Environmental Zone (the 'Ring of Steel'), through
- The implementation of Hostile Vehicle Mitigation (HVM) and stand-off protection for building developments,
- Mitigating the threat to the Corporation estate and public in crowded places from 'vehicle as a weapon' attack.

10 Strategically, there are limitations to what physical infrastructure can achieve alone, so HVM must only be considered part of the wider Secure City programme. This aims to take a holistic approach to security in the Square Mile: integrating HVM with the City Police's CCTV review, the Joint Command & Control Room project, bespoke to this corporate risk, how Corporation Estate CCTV and Control Rooms will feed into this JCCR concept. Existing National Counter Terrorism police lead initiatives include Project Griffin, Project Argus and future technological developments which aim to tackle counter terrorism and crime & disorder, all need to be considered.

11 Previous reports have pointed out that the potential threat to the City's estate, crowded places and pedestrian environment is real and likely to persist in the longer term. However, better security is as much about good process, governance and decision-making as the physical infrastructure. It is essential we establish a process for assessing HVM requirements in a structured and proportional way.

12 To reassure members and the Public that the process does not start from the position that HVM can or should be implemented in every street in the Square Mile. Permanent solutions are also risk assessed against temporary bespoke solutions. That approach accords with the concept of security by design, where HVM measures are visible but unobtrusive; rather than create a rigid architectural landscape that might otherwise normalise hard, obtrusive, overtly security-based measures within the City's landscape.

13 A recent survey done through Building Research Establishment (BRE) suggested over two thirds of people believe recent acts of terrorism have made them more security conscious when out and about, with over 50% of people being influenced by security when deciding whether to attend an event, work place, concert or festival.

14 Our staff, members, public and customers, are representative of this survey. There is public acceptance that not everywhere can be protected, and that disproportionate measures to create a hostile mentality might be unwelcome. It is too easy to focus on HVM measures; it is therefore essential to focus on a proportionate and measured security culture and methodologies to protect our Estate, Staff, Members and the public.

Current Position:

Governance

15 The mitigation to this corporate risk is now maturing and new structures and posts are embedded in governance within the organisation. This is led by the Town Clerk and Assistant Town Clerk leading on the Strategic Security Board. This board has Chief Officer representation from across the organisation and

City of London Police. This board sits monthly. There is a Corporate Security Strategy and a risk assessed action plan underneath this. There are delivery boards underneath the Strategic Security Board led by Chief Officers driving change and held to account at the Strategic Security Board.

16 The Town Clerk identified a lack of operational and occupational strategic awareness of security across the Corporation, and as such created a new post just prior to the London Bridge attack. The new role of Director of Security and Counter Terrorism, as a strategic advisor and driver of change was created. This post was competitively filled, by the former Commander Operations from the City of London Police.

Security Culture

17 People Board, owned by the Director of HR, focuses on: security culture under City Secure 2018, staff roles and responsibilities, security provider contract, training and accreditation and communication. There are representatives from relevant departments on this board, there is a risk assessed action plan monitored by the Strategic Security Board. We are currently awaiting CPNI (Centre for the Protection of National Infrastructure) SeCuRE4 assessment, to carry out a security culture assessment of the organisation and assist in the continual development of an improved safe and secure culture. In the interim we are focusing on the three key people threats: reducing insider risk, optimising people in security and the untapped pool of all staff. This is not just security through staff behaviour change campaigns but also the disruption of hostile reconnaissance.

18 A continuing professional development (CPD) programme has been developed for all staff across the Corporation who perform a security function to ensure confidence in the operational and occupational capability of staff in all security-related roles. This CPD programme will initially be rolled out at the Guildhall and then to all other COLC sites. The CPD programme will ensure our security staff exceed industry standards in relation to training, development and understanding of the threat and associated risk mitigation measures. This is supported by the Security Institute with planned affiliation.

19 The staff handbook is being updated to embrace the changing needs for the security culture, including training plans and communications awareness.

20 New Lanyards have been distributed to enable staff badges to be visible to the front which has been supported by a communications plan. This will develop with new staff badges with COTAG. Centre for Protection of National Infrastructure best practise are being utilised.

21 There is a new HR Security Policy currently out for consultation.

Protective Security Corporation Buildings

22 Cross-Cutting Board owned by the City Surveyor, focuses on protecting staff and internal estate security enhancements. This is phase one of a continual

review, and there are staged improvement plans to create a safe and secure working environment. There are representatives from relevant departments on this board and the City of London Police. Phase one, has brought together all old and current CTSA (Counter Terrorism Security Advisor) reports, to one Cross-Cutting Board. Its purpose to ensure risk-based decision making balanced with value for money to address the issues raised. It focusses on protection from vehicle borne attacks, with options on HVM that are assessed and meet national standards through CPNI ratings. Some of these projects are to replace antiquated systems which we already have, others are to introduce new ones. We are modernising CCTV and control rooms in addition to maintaining protection for explosive devices with Bomb Blast Mitigation, all assessed to CPNI guidelines. This has been subject to close monitoring through committees.

23 The budget initially set has been extended to £16m, addressed in recent Gateway reports. This was due to further essential change requests and additional fees. The finances on this are under strict scrutiny by the City Surveyor. There is a time table for these works.

24 The Director for Security and Counter Terrorism has identified other areas, to be addressed and once phase one has been completed, in partnership with CTSA's a detailed review will be carried out and bring to members options to mitigate further risks. Access control of the estate is being reviewed at present with the focus initially on one site with new COTAG access control; once procurement and implementation is concluded this will be rolled out across the rest of the estate.

Protective Security Public Realm

25 Public Realm Board, led by Carolyn Dwyer, Director for the Built Environment, focuses on protecting the public, members and staff from terrorist attacks across the public realm of the City of London. There are representatives from appropriate departments and police. There is an overlap with the Cross-Cutting board. The Director of Security and Counter Terrorism, in company with Assistant Director Highways, and police lead for Protective Security continually review locations thought to be of particular risk this includes Corporation assets. They focused on priority of risk basing decisions through the corporate risk matrix then reporting to committees for funding and implementation to mitigate these prioritised threats.

26 This Board continually reviews the public realm, considering the changing nature of the City. Its focus as stated earlier is that good security is as much about good process, governance and decision-making as the physical infrastructure. It not only addresses immediate security concerns across priority locations, it also seeks to establish that process for assessing HVM requirements in a structured and proportional way; now and in the future. As such, the Corporation is now creating a resilient pool of reusable portable,

temporary HVM, that can be set up to protect bespoke events, or mitigate identified threats awaiting permanent solutions.

27 In addition, it was identified across the Corporation Estate, there was inconsistency of delivery of security provision. Different working practises, standard operating procedures, staffing levels, training and accreditation existed. There was inadequate cross-department engagement, to mitigate threats, share best practise, and provide threat escalation and surge to mitigate threats. An additional tactical board was created, bringing all heads of security from across the estates, with event management delivers and police.

Security Delivery

28 The Security Advisory Board, now chaired by the Head of Security for the City Surveyor's has new terms of reference and focus will provide: corporate focus, ownership, visibility, oversight, direction, guidance, coordination to the Corporation operational response in manging current risks and threats. To do this there is now a shared understanding of the current threat environment and the Board are shaping a consistent corporate approach to security across the Corporation estate, including access control and accredited passes. The lack of reporting security incidents is also addressed through this group, now reporting to the strategic board. Lessons learnt from going to critical twice last year have helped to shape this. As such if the threat level changes, systems and processes are in place to agree posture and support each other with surge of assets and other tactical enhancements. This group is currently developing Corporation-wide policies, standard operating procedures and approaches to shaping the delivery of a modern and effective security framework, guard force and culture to counter threats to the City of London Corporation by way of the SAB Working Group, made up of the Head of Security and Security Managers from all major COLC sites, reporting to the full SAB Group. SAB now has a 12-month plan to deliver a series of work streams to further enhance performance in this area.

Command and Control

29 There has been an extensive review of command and control of Corporation events, security and management, resulting in a phased training programme, with support from the College of Policing, Solicitor Advocate and accredited Commanders, to provide Gold, Silver and Bronze training across the Corporation.

30 An additional post within City Surveyors has been created as Head of Security responsible initially for the Guildhall. Again, this was a highly competitive process now filled, by the former Chief Superintendent in charge of Metropolitan Police Service events and public order.

31 The Director of Security and Counter Terrorism and Head of Security have reviewed the event structure and have introduced a risk assessed approach, introducing effective command and control of events, as recently witnessed with Commonwealth Heads of Government Meeting. There is now embedded

within pre-multi-agency exercising and testing and audited debriefs post-events with activity to not only capture learning but to also implement learning. A process is now in place to assess threat, harm and risk associated with all events at the Guildhall and to implement effective and proportionate risk mitigation measures and command teams. This process will be rolled out to the rest of the COLC by November 2018.

32 The Corporation now has a pool of trained and accredited loggists, to support planning and incident response that has been expanded.

Guarding

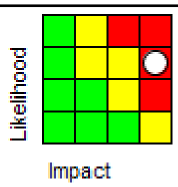
33 The corporate security contract is under intense scrutiny over delivery to correct standards and efficiency. The aim is to ensure a professional and proportionate security guarding product across the corporate estate. There is a detailed mitigation plan in place to ensure that when the current contract expires that tendering will have been competitive to meet current and future security needs. In the meantime, the current service provider is being held to account by way of attendance at SAB and through the Security Core Group within City Surveyors. An improvement plan is in place and the service providers are being held accountable for delivery against this plan.

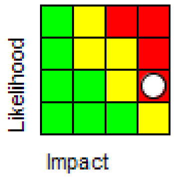
34 It is evident that across sites there are differing levels of training and awareness. As such there is a phased programme of training that has commenced, all Corporation Security and front of house staff are receiving and to receive, Project Griffin and Argus training, in addition to detailed hostile reconnaissance training. The emphasis on a partnership approach with neighbours and stakeholders, step outside the curtilage of our buildings and work with others to create detailed areas of effective security, designed to deter hostile recognisance from crime or terrorists. This will fall into the CPD plan for Guarding.

35 This is not isolated to Corporation Guarding, there are differing and inconsistent levels across the City from public to private sector, as such Director of Security and Counter Terrorism is now working with Guarding Companies from across London, Police, CPNI and the Security Institute, to scope the concept of a City Security Academy. They have now created a City Security Council, looking at joint risk mitigation.

Conclusion

36 In conclusion the current threat and risk matrix shows:

Current Risk Assessment, Score & Trend Comparison		**24**		Constant

Likelihood	Possible
Impact	Extreme
Risk Score	24
Review Date	22-May-2018
Target Risk Assessment & Score	 16
Likelihood	Unlikely
Impact	Extreme
Risk Score	16
Target Date	30-Apr-2019

37 A lot of work is being done to address this risk. There is improved governance, resilience and drive in place. Until this is embedded we remain at this score at present. It is aspired to reach the target date of 30th April 2019, however continual review and work is mitigating the current risk. The deadline is intrinsically linked to departments delivering activity within time frames, if these are not met the deadline may need to be extended, especially around protective security measures. The work being done has mitigated some of the likelihood risk already.

38 However, we now have auditable work being done to address this that lacked previously. A lot of what is being done is in the Protect side of the National Contest Strategy, we are now shaping the Prepare side with audited table top multi agency exercises and debriefs. With the training started to create a resilient pool of Gold and Silver leads, if an attack takes place, training a pool of loggists, meeting the requirements of the Civil Contingency act 2004.

Committee(s)	Dated:
Audit and Risk Management Committee	17 July 2018
Subject: Risk Management Update	**Public**
Report of: Dr Peter Kane, Chamberlain	**For Information**
Report author: Paul Dudley, Chamberlain's department	

Summary

This report provides the Committee with an update on the corporate and top red departmental risk registers following the review by the Chief Officer Risk Management Group (CORMG) on 22 May 2018, Summit Group on 27 June 2018 and CORMG on 3 July 2018.

There are currently 12 corporate risks (13 in May 2018) included on the corporate risk register of which there are five red and seven amber risks.

Summit Group agreed at their meeting on 27 June 2018 to de-escalate CR25 GDPR based upon the progress being made to mitigate this risk. The Committee are requested to endorse this decision. This risk together with the actions will be managed at departmental level by the Comptroller and City Solicitor. GDPR will now also feature as part of CR16 information security risk.

Except for CR22 Barbican Centre fire safety risk, which has been reduced in score from a Red 16 to and amber 8 (its target score), there have been no other changes in score of the remaining risks.

The total number of top red departmental risks is seven (Nine in May 2018). Since the April 2018 report five risks have been removed and two new risks added to this register.

A total of 297 risks (310 as at May 2018) have been identified by departments providing a wide range of risks that may affect service delivery. Departments have used the Corporation's Risk Management Strategy to ensure a consistent approach to the way risks are described and scored.

The outcome of corporate risk profiling exercise, undertaken by David Forster, Head of Risk, Zurich Municipal was reported to the Chief Officer Group on 14 June 2018. Further work has been identified to clarify any new risks to be included on the corporate risk register and whether some or all of these risks should be in the public domain.

Recommendation

1. Endorse the decision of the Summit Group of the 27 June 2018 that the CR25 GDPR risk should be de-escalated to a departmental level risk and managed by the Comptroller and City Solicitor.
2. Note the risk report

Main Report

Background

1 The corporate risk register was last reviewed by the CORMG on 22 May 2018, Summit Group on 27 June 2018 and CORMG on 3 July 2018.

2 In accordance with the established risk framework, each risk has been reviewed and where appropriate updated by the responsible risk owner and departmental management teams.

3 A total of 297 wide ranging risks have been identified by departments comprising of 24 red, 174 amber and 99 green risks. This compares with total of 310 risks in May 2018 which included 28 red, 172 amber and 110 green risks.

4 Of the 297 total risks, there are 12 corporate, and seven top red departmental level risks. There are another 79 amber and 38 green risks recorded at departmental level. The remaining 161 are recorded as either service or team level risks.

5 Departments have used the City Corporation's Risk Management Strategy to ensure that there is a consistent approach to the way risks are described and scored. Attached as appendix 1 is the corporate risk matrix which illustrates the likelihood and impact ratings as well as the definitions for red, amber and green risks.

Corporate risk register

6 There are currently 12 corporate risks (five red and seven amber risks). Corporate risk CR25 GDPR has been escalated to departmental level (Comptroller and City Solicitor) by Summit Group on 27 June 2018 (see paras 8 -11 below). There have been no new corporate risks added to this register since the last report. However, CR22 Barbican Centre fire risk has been reduced in score from a red 16 to an amber 8 and it is anticipated that will be de-escalated to the from the corporate risk register in July. A copy of the corporate risk register is attached as appendix 2.

7 Table 1 below – List of current corporate risks as at 29 June 2018 (ordered by corporate - strategic and operational categories as suggested following corporate risk profiling exercise)

Risk ref	Risk title	Status	Risk Score	Trend Icon	Strategic/ Operational
CR24	Operational Security	Red	24		S/O
CR02	Loss of Business Support for the City	Red	16		S
CR23	Police Funding	Red	16		S
CR10	Adverse Political Developments	Amber	8		S
CR16	Information Security (see para 15)	Red	16		O

CR21	Air Quality	Red	16		O
CR01	Resilience Risk	Amber	12		O
CR09	Health and Safety Risk	Amber	12		O
CR19	IT Service Provision (see para 15)	Amber	12		O
CR20	Road Safety	Amber	12		O
CR22	Barbican Centre Fire Risk	Amber	8		O
CR17	Safeguarding	Amber	8		O

CR25 - GDPR

8 The GDPR project phase 1 was delivered successfully. The required governance structure, policies and procedures for GDPR compliance are in place. Detailed GDPR training for Access to Information Representatives and Members was delivered and expert guidance delivered on specific GDPR issues. Mandatory GDPR e-learning has been undertaken by 95% of all staff (as at 02 July 2018) and a significant communications campaign delivered to raise awareness.

9 Mazars have provided initial feedback from their May 2018 audit which confirms that the corporate infrastructure for compliance is in place. The audit identified the key risk going forward as the management of GDPR compliance by departments: on this basis the risk rating remains unchanged.

10 Phase 2 of the GDPR project has commenced and will focus on supporting and advising departments to embed GDPR compliance with an initial high priority task of collecting and collating departmental information retention schedules.

11 The Comptroller and City Solicitor recommended to Summit Group that the classification of CR25 as a corporate risk should be considered given the work that had now been done to prepare the City Corporation for this regulation. CORMG were consulted and Summit Group at their meeting on 27 June 2018 agreed to de-escalate this risk to departmental level. It will continue to be managed by the Comptroller and City Solicitor. GDPR will be included in the CR 16 information security risk for corporate visibility. CORMG will keep a watching brief on the GDPR risk until the scheduled completion of the mitigating actions in December 2018.

Corporate risk ratings and target dates

12 Out of the twelve corporate risks, five risks have annual target dates and relate to longer term risks. These are:

- CR01 Resilience risk
- CR02 Loss of Business Support for the City
- CR09 Health and Safety
- CR10 Adverse political developments
- CR17 Safeguarding

The other seven risks relate to specific, and usually significant operational risks. They have target dates where the risk scores should be achieved.

13 The corporate risks with the highest likelihood rating(Likely) are CR10 Adverse Political Developments, CR17 Safeguarding and CR24 Operational

Security. The following corporate risks have the highest impact rating – CR02 Loss of Business support for the City, CR21 Air Quality and CR23 Police Funding.

14 Below is a table showing three corporate risks which have target dates from the June 2018 to the end of October 2018. Further information about these three risks is contained in paras 11 to 16 below.

Code	Title	Current Risk Score	Target Risk Score	Target Risk Date
CR16	Information Security	16 (Red)	8 (Amber)	30-Jun-2018
CR19	IT Service Provision	12 (Amber)	4 (Green)	30-Jun-2018
CR20	Road Safety	12 (Amber)	6 Amber	31 October 2018

CR16 Information Security and CR19 IT Service provision

15 The IT Director has reported that significant progress has been made to mitigate both CR16 information security and CR19 IT service provision risks. CR 16 will be re-rated to amber and CR19 will be re-rated to green. A report is being presented to IT Sub Committee on 10 July to recommend endorsement to the re-rating of these risks. Amendments to the risk register will then be made.

CR20 Road Safety

16 The Director of the Build Environment has reported that the Permanent Bank Scheme is still on hold and a final decision is due to be taken by the Court of Common Council on 13 September 2018. There are also other actions being implemented to mitigate this risk and these are outlined in the detailed risk register (attached as appendix 2).

Potential change to the Corporate risk register - CR 22 Barbican Centre fire safety risk

17 The Operations & Buildings Director, Barbican Centre has indicated that sufficient progress has now been made to reduce this risk from Red 16 to an amber 8 rating (its target score). However, consideration is now being given to retiring this risk from the corporate risk register and a new risk to be drafted recognising that the risk now is focussed on the delivery of several fire safety improvement projects within the Barbican Centre. A proposal is to be presented, by the Operations and Buildings Director, at the next meeting of CORMG meeting in July 2018.

Top departmental red risks

18 There are currently seven top departmental red risks (nine in May 2018). The following changes have been made to the top red departmental risk register since May 2018. (see appendix 3):

Risks removed:

1. OSD 005 Pests and Diseases summary risk
2. BBC H&S 002 -Failure to deal with Emergency /Major Incident or Risk of Terrorism.

City Bridge risks (SUR SMT 006,007,008)

19 The City Surveyor’s Department has organised a workshop in early July with the relevant leads from Built Environment, Chamberlain’s, City Bridge Trust and City Surveyor’s to consider City Bridge risks. Following the meeting, the risks associated with the City Bridges will be reviewed and revised.
This will result in some changes to the risk register as it relates to the City Bridges.

Corporate risk profiling exercise

20 To ensure that the City Corporation’s corporate risks are aligned to the new Corporate Plan (and to identify any new risks), a corporate risk profiling exercise was commissioned and undertaken by David Forster, Head of Risk with Zurich Municipal. The exercise involved interviews with Chairman of Policy and Resources, Finance and the Audit and Risk Management Committees and with a number of Chief Officers. The initial results of this exercise were reported and discussed at the Chief Officers Group (COG) held on 14 June 2018. Further work has been requested to clarify potential new risks and the whether some or all of these risks should be in the public domain. The results of this exercise will be reported back to Summit Group and then to the audit and Risk Management Committee.

Conclusion

21 The corporate and top red departmental risk registers were reviewed by CORMG (22 May 2018), Summit Group on 27 June 2018 and CORMG on 3 July 2018. The CORMG provides additional assurance to the Summit Group, COG and the Audit and Risk Management Committee that corporate and top red departmental risks are appropriate and being actively managed.

Appendices:
APPENDIX 1 – Corporate Risk Matrix
APPENDIX 2 – Corporate risk register
APPENDIX 3 – Top Red departmental risk register

Contact: *Paul.Dudley | Paul.Dudley@cityoflondon.gov.uk | 02073321297*

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City of London Corporation Risk Matrix (Black and white version)

Note: A risk score is calculated by assessing the risk in terms of likelihood and impact. By using the likelihood and impact criteria below (top left (A) and bottom right (B) respectively) it is possible to calculate a risk score. For example a risk assessed as Unlikely (2) and with an impact of Serious (2) can be plotted on the risk scoring grid, top right (C) to give an overall risk score of a green (4). Using the risk score definitions bottom right (D) below, a green risk is one that just requires actions to maintain that rating.

	Rare (1)	**Unlikely (2)**	**Possible (3)**	**Likely (4)**
Criteria	Less than 10%	10 – 40%	40 – 75%	More than 75%
Probability	Has happened rarely/never before	Unlikely to occur	Fairly likely to occur	More likely to occur than not
Time period	Unlikely to occur in a 10 year period	Likely to occur within a 10 year period	Likely to occur once within a one year period	Likely to occur once within three months
Numerical	Less than one chance in a hundred thousand (<10-5)	Less than one chance in ten thousand (<10-4)	Less tha chance in a (<10-3)	an one chance a hundred (<10-2)

Appendix 1

(B) In

(C) Risk scoring grid

Likelihood	X	Impact: Minor (1)	Serious (2)	Major (4)	Extreme (8)
	Likely (4)	**4 Green**	**8 Amber**	**16 Red**	**32 Red**
	Possible (3)	**3 Green**	**6 Amber**	**12 Amber**	**24 Red**
	Unlikely (2)	**2 Green**	**4 Green**	**8 Amber**	**16 Red**
	Rare (1)	**1 Green**	**2 Green**	**4 Green**	**8 Amber**

(D) Risk score definitions

RED	Urgent action required to reduce rating
AMBER	Action required to maintain or reduce rating
GREEN	Action required to maintain rating

This is an extract from the City of London Corporate Risk Management Strategy, published in May 2014.

Contact the Corporate Risk Advisor for further information. Ext 1297

October 2015

City of London Corporation Risk Matrix (Black and white version)

Note: A risk score is calculated by assessing the risk in terms of likelihood and impact. By using the likelihood and impact criteria below (top left (A) and bottom right (B) respectively) it is possible to calculate a risk score. For example a risk assessed as Unlikely (2) and with an impact of Serious (2) can be plotted on the risk scoring grid, top right (C) to give an overall risk score of a green (4). Using the risk score definitions bottom right (D) below, a green risk is one that just requires actions to maintain that rating.

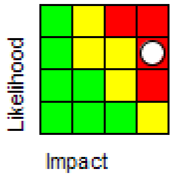
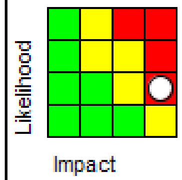
Impact title	Definitions
Minor (1)	**Service delivery/performance**: Minor impact on service, typically up to one day. **Financial:** financial loss up to 5% of budget. **Reputation**: Isolated service user/stakeholder complaints contained within business unit/division. **Legal/statutory**: Litigation claim or find less than £5000. **Safety/health**: Minor incident including injury to one or more individuals. **Objectives**: Failure to achieve team plan objectives.
Serious (2)	**Service delivery/performance**: Service disruption 2 to 5 days. **Financial:** Financial loss up to 10% of budget. **Reputation:** Adverse local media coverage/multiple service user/stakeholder complaints. **Legal/statutory**: Litigation claimable fine between £5000 and £50,000. **Safety/health**: Significant injury or illness causing short-term disability to one or more persons. **Objectives:** Failure to achieve one or more service plan objectives.
Major (4)	**Service delivery/performance**: Service disruption > 1 - 4 weeks. **Financial:** Financial loss up to 20% of budget. **Reputation**: Adverse national media coverage 1 to 3 days. **Legal/statutory**: Litigation claimable fine between £50,000 and £500,000. **Safety/health**: Major injury or illness/disease causing long-term disability to one or more people **objectives:** Failure to achieve a strategic plan objective.
Extreme (8)	**Service delivery/performance**: Service disruption > 4 weeks. **Financial**: Financial loss up to 35% of budget. **Reputation**: National publicity more than three days. Possible resignation leading member or chief officer. **Legal/statutory**: Multiple civil or criminal suits. Litigation claim or find in excess of £500,000**.** **Safety/health**: Fatality or life-threatening illness/disease (e.g. mesothelioma) to one or more persons. **Objectives:** Failure to achieve a major corporate objective.

Appendix 2

Corporate risks - detailed report EXCLUDING COMPLETED ACTIONS

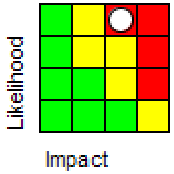
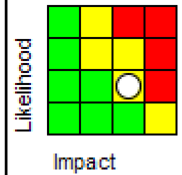
Report Author: Paul Dudley
Generated on: 02 July 2018

Rows are sorted by Risk Score

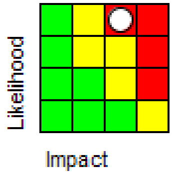
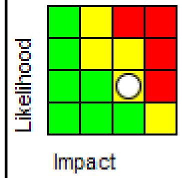
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR24 Operational Security	**Cause:** Inadequate, poorly maintained or time expired security infrastructure; lack of security culture within the organisation; poor training or organisation of staff; insufficient staff. **Event:** Security of an operational property is breached. **Effect:** Unauthorised access to building by criminals/protestors/terrorists; disruption of business/ high profile events; reputational damage; injury or potential loss of life amongst staff or members of the general public		**24**	The Security Board is now mature and in place with all works teams beneath now in place. Public Realm, People Board, Cross Cutting and Security Advisory Board. Good strategic and tactical grip now with Police and key stakeholders. HVM work now started at Barbican and St Pauls in phase one of mitigation to the public from a vehicle borne Terrorist attack. There is phased works in place for the rest of this calendar year. The Corporation threat and risk mitigation plan is being adopted by others. Corporation Estate, ASF and BBM starts next month.		**16**	30-Apr-2019	

07-Jun-2017 Peter Lisley				HVM at Guildhall is aspired to be in place pre Lord Mayors Show this year. A new post has been created by City Surveyor Head of Security for Guildhall Complex, this is to provide grip and consistency across the complex and then support across the Estate **22 May 2018**				Constant

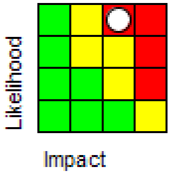
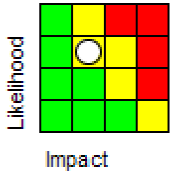
Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
CR24a	Deliver a programme of security infrastructure enhancements	The Security Board is now mature and in place with all works teams beneath now in place. Public Realm, People Board, Cross Cutting and Security Advisory Board. Good strategic and tactical grip now with Police and key stakeholders. HVM work now started at Barbican and St Pauls in phase one of mitigation to the public from a vehicle borne Terrorist attack. There is phased works in place for the rest of this calendar year. The Corporation threat and risk mitigation plan is being adopted by others. Corporation Estate, ASF and BBM starts next month. HVM at Guildhall is aspired to be in place pre Lord Mayors Show this year. A new post has been created by City Surveyor Head of Security for Guildhall Complex, this is to provide grip and consistency across the complex and then support across the Estate	Paul Wilkinson	22-May-2018	30-Apr-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR02 Loss of Business Support for the City 23-Sep-2014 Damian Nussbaum	**Cause** - The City Corporation's actions to promote and support the competitiveness of the business City do not succeed. **Event** - The City's position as the world leader in international financial services is adversely affected **Effect** - The City loses its ability to attract and retain high value global business activity, both as a physical location and in mediating financial and trade flows; the City Corporation's business remit is damaged and its perceived relevance is diminished. Reputational damage to the City as a place to do business and to Corporation ability to govern effectively		**16**	Since the increase in the risk level, the Brexit negotiations between the UK and EU27 have made progress. In December 2017, the Phase One of the negotiations was agreed to have made significant progress, which enabled the second stage of the negotiations to proceed. The agreement at the March 2018 European Council to a transition period until the end of 2020, provides additional time for businesses to prepare for Brexit. The European Council also agreed to commence the negotiations on the future trade agreement between the UK and EU27 **22 May 2018**		**8**	30-Apr-2019	Constant

Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
CR02C	City Corporation providing opportunities for informing the debate on the terms of Brexit, and representing the views of the financial and professional services sector	We are continuing to make the case for the "mutual recognition" model to the UK government, as well as with EU institutions and Member States. Until the formal negotiations progress, the impact of our engagement is difficult to determine. However, we are pleased that mutual recognition was stated as the preferred option by both the Prime Minister and Chancellor of the Exchequer.	Damian Nussbaum	11-Jun-2018	31-Dec-2018
CR02H	Work on initiatives which ensure London is at the forefront of innovation in financial and professional services	We have actively contributed to UK Government led initiatives with other markets on FinTech. The Green Finance Initiative has also signed a new Green Finance Centre with their Chinese counterparts.	Damian Nussbaum	11-Jun-2018	21-Mar-2019

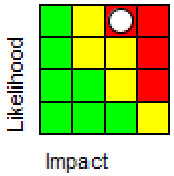
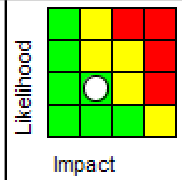
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR16 Information Security 22-Sep-2014 Peter Kane	**Cause**: Breach of IT Systems resulting in unauthorised access to data by internal or external sources. Officer/ Member mishandling of information. **Event**: Cybersecurity attack - unauthorised access to COL IT systems. Loss or mishandling of personal or commercial information. **Effect**: Failure of all or part of the IT Infrastructure, with associated business systems failures. Harm to individuals, a breach of legislation such as the Data Protection Act 1988. Incur a monetary penalty of up to £500,000. Compliance enforcement action. Corruption of data. Reputational damage to Corporation as effective body.		**16**	The risk will be mitigated by the development of a new Data Retention Schedule (DRS) and policy and the scope widened to include IT systems. We expect the risk to Amber by end of June 18. **12 Jun 2018** **(see para 15 of cover report)**		**8**	30-Jun-2018	Constant

Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
CR16i	The Development and implementation of more technical security infrastructure	Using a recognised Cyber security maturity model there is a dashboard being reported that shows via a RAG status 10 areas of focus to mitigate this risk with training, processes and tools being delivered that in combination will bring the risk to Amber by June 2018. Dedicated project manager is supporting the delivery of new Cyber protection solutions for the CoL and CoLP estates.	Sean Green	13-Jun-2018	30-Jun-2018

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR21 Air Quality 07-Oct-2015 Jon Averns	**Cause:** Small particulate pollution has chronic health impacts from long term exposure at very low concentrations and is in evidence within the City and central London. There is also a health impact associated with long term and short term exposure to nitrogen dioxide. **Event:** Under certain atmospheric conditions there is a higher probability of poor air quality within the City and it is more likely that residents, workers and visitors would suffer the acute consequences. **Effect:** The consequences both acute and chronic may include: An increase in hospital referrals placed upon both emergency services and the NHS for those already suffering from respiratory or cardiovascular conditions (it may also place a strain on City social services). An increase in deaths, particularly of those already suffering from respiratory or cardiovascular conditions (both residents and workers). Economic costs such as acting as a deterrent of businesses coming to London or staying and financial penalties for non-compliance with air quality limits. Persistent poor air quality may affect the longer term health of the City population. Persistent poor air quality may attract adverse media coverage making the City seem a less attractive place to live and work.		**16**	No change from previous assessment. Although measured levels of air pollution are going down across the City, nitrogen dioxide still remains above the health based limits despite a number of measures to bring levels of pollution down **04 Jun 2018**		**6**	31-Dec-2020	Constant

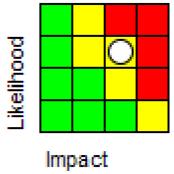
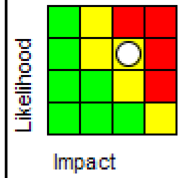
Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
CR21 001e	Develop and implement a plan for reducing the impact of diesel vehicles on air pollution in the Square Mile. This is to complement the work being undertaken by the Mayor of London to reduce air pollution in the central zone through the implementation of the Ultra Low Emission Zone.	The City is producing a draft Transport Strategy which will contain measures to reduce the amount of diesel vehicles in the Square Mile.	Jon Averns	04-Jun-2018	31-Dec-2018

CR21 001f	Investigate options to reduce emissions from combustion plant in the City using local legislation.	Local legislation will be utilised to investigate options for the reduction of emissions from combustion plant in the City.	Jon Averns	04-Jun-2018	31-Dec-2018
CR21 001g	Refresh the City of London Air Quality Strategy	Officers are to refresh the City of London Air Quality Strategy by March 2019.	Jon Averns	04-Jun-2018	29-Mar-2019
CR21 001h	Update the City Air Quality Supplementary Planning Document in line with the London Plan.	The City Air Quality Supplementary Planning Document is being updated in line with the London Plan.	Jon Averns	04-Jun-2018	28-Dec-2018
CR21 001i	Pilot an ultra-low emission street in the City of London.	Officer are planning to pilot an ultra-low emission street within the City of London.	Jon Averns	04-Jun-2018	31-Dec-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR23 Police Funding 21-Nov-2016 Ian Dyson; Peter Kane	**Cause:** Reduction in government funding and growing demand in Policing services leading to pressures for the City Fund -Police. **Event:** Reduction in government funding. Failure to deliver VfM savings. Budget deficit forecast for next 5 years requiring action to balance the budget **Effect:** Potential impact on security and safety in the City as need to make savings, prioritise activity, review funding City of London Police will be unable to maintain a balanced budget and current service levels as reflected in their Medium Term Financial Plan.		**16**	Despite savings target of £1.2m in 2018/19, the current medium term financial plan shows an ongoing gap of £4-5m per annum. This has not yet been resolved and the risk has become an issue. The Transformation Programme is expected to reduce the financial gap. The 2017/18 year-end underspend of £3.5m has boosted the reserve balance to £7m, which means the 2019/20 forecast deficit of £4.2m can be reduced to £0.7m through a draw down on reserves. **07 Jun 2018**		**4**	31-Mar-2019	Constant

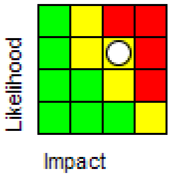
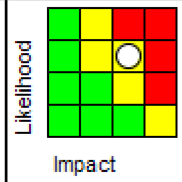
Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date

CR23a	Deliver the savings programme for currently identified savings in 2018/19.	COLP has a plan in place to deliver on £1.2m savings for 2018/19 and continues to explore opportunities for continual improvement, both internally and through wider collaboration with the City Corporation. The details of the planned savings were reported to Efficiency and Performance Sub Committee in March. Further work is being done to explore the profile of the achievement of the savings and quantify to extent of ongoing savings in future years.	Alistair Sutherland	07-Jun-2018	31-Mar-2019
CR23b	Medium Term Financial Plan	The assumptions in the Medium Term Financial Plan are being revisited for July, but a broader piece of work is being initiated by Chamberlains and Police. The broader piece of work will be informed by early outputs from the costing of services from the Transformation Board as it builds the new operating model. We will also be reviewing in detail the income assumptions, especially around the Economic Crime Academy and the Domestic/International Training agenda. We expect to report back in the autumn in time for 2019/20 budget setting.	Philip Gregory; Michelle King	07-Jun-2018	31-Mar-2019
CR23c	A Transformation Programme is underway to develop a revised Target Operating Model for CoLP to deliver greater effectiveness and financial stability. The Programme comprises eight work strands.	The Deloitte short term recommendations or 'quick wins' have been realised and are funding the core transformation project team. The Transformation Board met in April and provided positive progress updates as follows: • City of London Police 'As is' Services listed/catalogued to identify duplication • Prioritisation of key areas for Design efficiency • Community Policing • Financial Investigation • Performance + Data Management • Resolution Centre linked to Demand Reduction + Management • Protective Security • Immediate savings • Transform savings contributions towards £1.2m identified so far within Police Staff departments and supplies budgets.	Jane Gyford	07-Jun-2018	31-Mar-2019
CR23d	Consider increase in the business rates premium in future periods	Consider contribution levels from City Fund/ City's Cash as part of financial planning and budget setting for 2019/20, measures could include increasing the business rate premium, ongoing support for capital project shortfalls, or direct contribution from City Fund or City's Cash to support additional Policing service demands.	Caroline Al-Beyerty	07-Jun-2018	31-Mar-2019

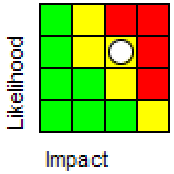
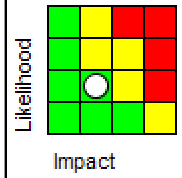
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR01 Resilience Risk 20-Mar-2015 John Barradell	**Cause** - Lack of appropriate planning, leadership and coordination **Event** - Emergency situation related to terrorism or other serious event/major incident is not managed effectively **Effect** - Major disruption to City business, failure to support the community, assist in business recovery. Reputational damage to the City as a place to do business.		**12**	IT are still undergoing work to re-locate servers from GJR to another location. Network upgrade work and upgrading bandwidth is progressing across the corporation. Once this has been complete we will be able to carry our resilience tests. **29 Jun 2018**		**12**	31-Dec-2018	Constant

Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
CR01D	Working with the IS division, remove potential single points of failure from business continuity processes.	IT are still undergoing work to re-locate servers from GJR to another location. Network upgrade work and upgrading bandwidth is progressing across the corporation. Once this has been complete we will be able to carry our resilience tests.	Gary Locker	29-Jun-2018	31-Jul-2018
CR01H	To provide a larger Capability of Chief Officers & Senior Managers to strategically & tactically lead during a Major Incident impacting the City	Training run on 9th February &14th May 2018 Further delivery of training at Gold and Silver, Tactical level Planned for delivery **October 2018**	Gary Locker	18-Jun-2018	31-Oct-2018
CR01L	Assurance process with Cabinet Office College Provide refresher and initial training for Col staff, this training intended to increase knowledge to ensure BC plans are able to support the Col maintain its business during a major incident, provide an in depth independent oversight of the Col business impact analysis, identifying its most critical business areas		Gary Locker		31-Oct-2018
CR01M	process, training, call out process to strengthen the City capability and resilience in responding to major incident and complying with the wider London boroughs standardisation programme		Gary Locker		31-Dec-2018
CR01N	to increase City capability and resilience in also supporting wider London boroughs during major incident		Gary Locker		30-Sep-2018

	response, Local Emergency Control Centres, Emergency centres as part of a wider humanitarian				
CR01P	delivering a strategic based exercise to include command and control of managing events and incidents potentially impacting the show		Gary Locker		31-Oct-2018

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR09 Health and Safety Risk 2[illegible]-Sep-2014 Chrissie Morgan	**Cause** - Safety is treated as a low priority by the organisation, lack of training of staff and managers, management complacency, poor supervision and management **Event** - Statutory regulations and internal procedures relating to Health and Safety breached and/or not complied with. **Effect** - Possible enforcement action/ fine/prosecution by HSE, Employees/visitors/contractors may be harmed/injured, Possible civil insurance claim, Costs to the Corporation, Adverse publicity /damage to reputation, Rectification costs		**12**	New mental health and wellbeing policy agreed by Establishment Committee (25 April). In addition support being given to CCC/MH, Barbican, GSMD re: Fire Safety and Work at Height at CCC. Corporate Safety Working at Height Policy is under consultation. **19 Jun 2018**		**12**	31-Dec-2018	Constant

Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
CR09F	Deliver a series of health and safety audits and compliance checks to provide corporate assurance that the organisation is being managed safely	Inspections continuing	Justin Tyas	18-Jun-2018	31-Dec-2018
CR09G	To deliver a programme of training sessions for Chief Officers and their reports	The programme of training is currently being delivered	Justin Tyas	18-Jun-2018	31-Dec-2018
CR09H	To implement and deliver a Workplace Wellbeing Action Plan	Plan is being scoped for stakeholder consultation	Justin Tyas	18-Jun-2018	31-Mar-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR19 IT Service Provision 14-Jul-2015 Sean Green	**Cause**: The whole Police IT Estate and parts of the Corporation are in need of further investment. **Event**: For the Corporation, poor performance of IT Service and for the Police critical failure of the Police IT Service. **Effect**: Loss of communications or operational effectiveness (may also lead to low staff morale). Possible failure of critical Corporation and Policing activities. Reputational damage.		**12**	The risk will be mitigated with the implementation of the new Local Area Network and Wi-fi on schedule to be Green by June 18 **19 Jun 2018** **(See para 15 of cover report)**		**4**	30-Jun-2018	Constant

Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
CR19e	This is the first phase of the revised project to fully replace ageing unsupportable networking hardware from the City and City Police's infrastructure.	Implementation continues and will be completed between May-October 2018.	Sean Green	13-Jun-2018	31-Oct-2018
CR19f	The full delivery of a new network for the Corporation and city Police.	The WAN work continues. Remediation of IT communications rooms complete. LAN design completed. LAN implementation now underway for CoL and CoLP.	Sean Green	13-Jun-2018	30-Jun-2018

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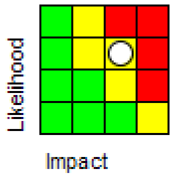
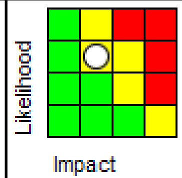
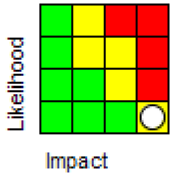
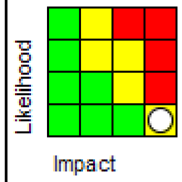
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR20 Road Safety	**Cause:** Limited space on the City's medieval road network to cope with the increased use of the highway by vehicles and pedestrians / cyclists within the City of London. Interventions & legal processes take time to deliver **Event:** The number of casualties occurring in the City rises instead of reducing. **Effect:** The City's reputation and credibility is adversely impacted with businesses and/or the public considering that the Corporation is not taking sufficient action to protect vulnerable road users; adverse coverage on national and local media		**12**	The Permanent Bank Scheme is still on hold. The final decision report will be presented to all relevant Committees between now and July 5th. The Road Danger Reduction and Active Travel Plan is open for public consultation.		**6**	31-Oct-2018	

23-Oct-2015 Carolyn Dwyer				The Be Brake Ready campaign continues with pop-up events across the City between now and September, promotional videos are under development and a launch is planned for June. City Mark scheme is on-going and achieving excellent engagement with the construction sites around the City. **15 May 2018**				Constant

Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
CR20b	Permanent Bank Junction redesign	The Permanent Scheme is still on hold. The final decision report will be presented to Streets and Walkways Sub Committee on 21st May, Project Sub Committee on 13th June, Planning and Transportation Committee on 19th June, Policy and Resources Committee and Resource Allocation Sub Committee on 5th July.	Steve Presland	15-May-2018	30-Nov-2018
CR20f	In accordance with the agreed workplan the Road Danger Reduction & Active Travel Strategy is being prepared. Indicative milestones (1) draft to Planning & Transportation Committee in early 2018; (2) Public Consultation in Q2 of 2018; & (3) revised strategy to be presented to Planning & Transportation committee with recommendation for adoption Summer 2018.	The Road Danger Reduction and Active Travel Plan is open for public consultation. This will be the subject of a joint survey with the Transport Strategy (which will be launched in June).	Steve Presland	15-May-2018	01-Oct-2018
CR20g	Behaviour Change Campaign to address 'inattention'. The process will be (1) use focus groups to identify options; (2) conduct attitudinal survey of road users; (3) prepare campaign delivery plan; (4) deliver campaign; (5) evaluate and report to Q4 2018/19.	The Be Brake Ready campaign continues with pop-up events across the City between now and September, promotional videos are under development and a launch is planned for June. Following the completion of the campaign in September, a post-campaign attitudinal survey will take place to evaluate effectiveness. The results of the survey will be included in the next Annual Road Danger Reduction Report.	Steve Presland	15-May-2018	31-Mar-2019
CR20j	The objective is to provide appropriate support to enable 75% of all active construction sites to be CLOCS compliant by summer 2018 including safer vehicles and trained drivers/ banksmen.	City Mark scheme is on-going and achieving excellent engagement with the construction sites around the City. Road Safety Signs are now posted on the hoardings of the majority of sites reminding all site managers, banksmen and drivers of the commitment to be compliant with CLOCS and FORS. The sites best demonstrating CLOCS compliance have entered the Road	Steve Presland	15-May-2018	31-Aug-2018

		Danger Reduction Award competition and the winners will be announced at the CCS Awards on May 18th			

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR10 Adverse Political Developments 22-Sep-2014 Paul Double	**Cause:** Policy issues that may compromise the City's operation as an international financial marketplace to which the City Corporation's functions are aligned; other financial services issues that make the City Corporation vulnerable to political criticism; local government proposals that call into question the justification for the separate administration of the Square Mile; overarching political hostility. **Event:** Changes in international relationships particularly those with the EU; reputational questions related to financial institutions; local government changes in London; political hostility to the Corporation. **Impact:** Damage to the City's ability to put its case nationally and internationally and to the City's standing as a dedicated international financial marketplace. The City of London Corporation would be compromised if the City's position as a world leading financial and professional services centre were undermined.		**8**	Constant attention is given to the form of legalisation affecting the City Corporation and the broader City, and any remedial action pursued. Making known the work of the City Corporation in the financial sphere among opinion formers, particularly in Parliament and central Government, is also part of the apparatus by which the City's voice is heard and by which the Corporation is seen to be "doing a good job" for London and the nation for a crucial sector of the economy; the Brexit issue is the foremost consideration at present time. The same approach is replicated in respect of the Corporation's other activities. **04 May 2018**		**8**	31-Dec-2018	Constant

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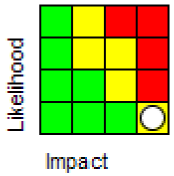
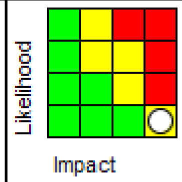
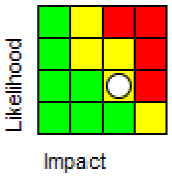
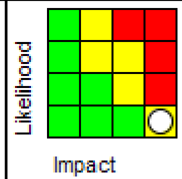
Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
CR10a	Monitoring of Government legislation and proposed regulatory changes.	Relevant Bills in the Government's legislative programme will be identified and City Corporation departments alerted to issues of potential significance as the measures are introduced in the new Session. Action taken through negotiation with departmental officials or amendments tabled in Parliament as required. The legislative consequences of Britain leaving the EU as they may affect the Corporation and the City more generally as an international financial centre are a particular focus.	Paul Double	07-Jun-2018	31-Dec-2018

CR10b	Provision of information to Parliament and Government on issues of importance to the City.	Briefing has been provided for parliamentary debates including on Brexit, air quality, immigration, housing, planning, the creative industry, trade and investment, apprenticeships, economic crime, Fintech and broadband.	Paul Double	07-Jun-2018	31-Dec-2018
CR10c	Engagement with key opinion informers in Parliament and elsewhere. Programme of work to monitor and respond to issues affecting the reputation of the City Corporation.	Liaison with the City's MP and other MPs, Peers and Select Committee of both Houses on matters of importance to the City, including increased engagement on Brexit-related issues. Working with other organisations, including the Financial Markets Law Committee, to analyse the legal framework following exit from the EU. Continuing engagement on devolution in London and liaison with London Councils and Central London Forward on the application of devolution to the London boroughs and the City, either directly from Central Government or the Mayor.	Paul Double	07-Jun-2018	31-Dec-2018

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR17 Safeguarding Page 75 22-Sep-2014 Andrew Carter	**Cause:** Not providing appropriate training to staff, not providing effective management and supervision, poor case management **Event:** Failure to deliver actions under the City of London' safeguarding policy. Social workers and other staff not taking appropriate action if notified of a safeguarding issue **Effect:** Physical or mental harm suffered by a child or adult at risk, damage to the City of London's reputation, possible legal action, investigation by CQC and or Ofsted		8	Options for commissioning a revised Corporate Safeguarding Audit are being considered by the Director of Community and Children's Services, the Strategic Education and Skills Director and the Assistant Director People. **06 Jun 2018**		8	31-Mar-2019	Constant

Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
CR17o	A review is being conducted into the safeguarding arrangements within the independent schools within the City of London. It is anticipated that the report will be available at the start of December. If the report makes recommendations these will be implemented within agreed timescales.	An additional deep dive review was undertaken with the GSMD satellite provision across the country. This was completed Q4 2016/17 and a detailed Action Plan was put in place to address issues identified in the review. The improvement group chaired by the GSMD Principal, supported by members of the DCCS Safeguarding leadership team are overseeing the implementation of the plan. The Improvement group are meeting termly until completion of the plan by end of academic year 2017/18.	Andrew Carter	06-Jun-2018	31-Jul-2018
CR17p	The new Ofsted Safeguarding framework will be launched in 2018. This replaces the previous Safeguarding Inspection Framework (SIF) which the CoL received a	CoL are part of the Association of London Directors Children Services Sector Lead Improvement East region. A self assessment has been completed and presented to Ofsted who will make arrangements to visit.	Chris Pelham	06-Jun-2018	31-Mar-2019

	judgement of Good. The CoL CCS will need to respond to the new framework arrangements in readiness for future safeguarding inspection of Children and Families Early help and Social Care.				

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR22 Barbican Centre Fire Risk 10-Nov-2016 Jonathon Poyner	**Cause**:Fire engineering solutions, fire precautions and procedures not fully scoped, effective and/or fully understood at the Barbican. **Event:**Emergency **i**ncident or fire occurs and management procedures or protective mechanisms do not function or works as designed **Impact:** Effective/partial Art gallery evacuation compromised Damage to artworks Effective concert hall evacuation delayed or implemented unnecessarily for CO incident Ineffective cooperation and coordination of health and safety arrangements with contractors Fire and smoke damage not limited Risk of injury or death to performers, audience, staff, contractors, technical and fire responder teams Adverse effect on the Centre’s reputation Financial loss Enforcement action incurring a fine		**8**	The Operations and Building Director has reviewed the progress being made to mitigate this risk and now considers that sufficient work has been completed to re rate this risk as Amber **08 Jun 2018**		**8**	29-Dec-2018	Constant

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Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
CR22c	Ensure that Fire systems are maintained and tested in accordance with the Corporate Building Health & Safety compliance standards.	Progress still being made and CAFM system still to be verified for compliance and consistence. Our contractors are performing PPMs and records to demonstrate compliance is being addressed.	Jonathon Poyner	04-Jun-2018	31-Jul-2018

Cr22j	Implement CO Incident Report recommendations not already addressed by Actions a - i above.	We are working with Multifire our contractor to ensure we have covered the full deliverable's before closing out. They have noted some irregularities with some detectors that we are consulting over with CoL to agree a suitable solution, this may require replacement of vesda systems to be installed.	Jonathon Poyner	04-Jun-2018	31-Jul-2018

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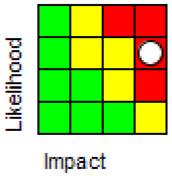
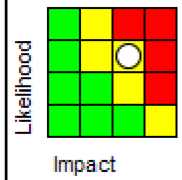
Appendix 3

Top Red departmental risks - detailed report EXCLUDING COMPLETED ACTIONS

Report Author: Paul Dudley
Generated on: 02 July 2018

Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
MAN CCC 001 Fire Safety 12-Dec-2017 Vic Annells; Adam Rout	**Cause:** Lack of management and maintenance focus on fire safety at both Mansion House and CCC e.g. Fire safety risk assessments not current and/ or works identified in the FRAs not acted upon, ageing fire safety systems, evacuation procedures out of date **Event:** Major fire at either Mansion House or CCC **Effects:** Potential harm/injury to staff, visitors, contractors Breach of H&S and fire legislation and possible prosecution by HSE Loss of business-critical information Either location out of use for indeterminate period of time Disruption to both the House and court operations Loss of income Civil insurance claim		**24**	A follow-up inspection by LFB took place on 5 March 2018 and they indicated that they were happy with the progress made by the new management team at CCC. No enforcement notice would be issued and LFB are due to return again in May 2018. The LFB are now due to visit again on 26 June 2018. Further progress on achieving a state of compliance has been made since the March visit. **29 May 2018**		**12**	21-Dec-2018	Constant

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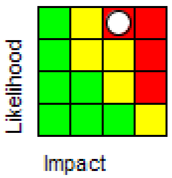
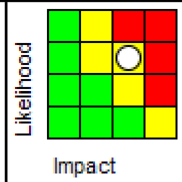
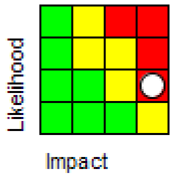
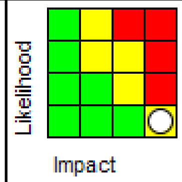
Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
MAN CCC 001 a	This follows on from the fire door survey already carried out by the FPA. It will assess the current mitigation in place to prevent/stop the spread of fire in the CCC and produce recommendations as to how this can be improved.	This is the second of five survey that will be carried out as part of the overall fire safety improvement plan at the CCC	Wayne Garrigan	06-Jun-2018	26-Jul-2018
MAN CCC 001 b	In conjunction with CSD, set up and run project board to develop and implement action plan.	Last meeting was held on 5 June 2018. Board will now meet as and when required.	Vic Annells; Adam Rout	06-Jun-2018	31-Dec-2018
MAN CCC 001 c	The appointed consultant has started work on producing an overall strategy for the CCC. This will include effective evacuation procedures that will take into account the specific factors related to a criminal court and this particular building. The plans will be subject to thorough testing before they are approved.	The consultant has made good progress on this in a short space of time.	Wayne Garrigan	06-Jun-2018	09-Aug-2018

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
OSD 006 Impact of development summary risk 30-Aug-2017 Colin Buttery	**This risk summaries the risks associated with housing and/or transport development across the Open Spaces Department.** **Cause:** Pressure on housing and infrastructure in London and South East; failure to monitor planning applications and challenge them appropriately; challenge unsuccessful; lack of resources to employ specialist support or carry out necessary monitoring/research, lack of partnership working with Planning Authorities **Event:** Major development near an open space **Impact:** Increase in visitor numbers, permanent environmental damage to plants, landscape and wildlife, air and light pollution, ground compaction and resulting associated effects on tree and plant health. Wear and tear to sports pitches. Lack of budget to facilitate repairs, potential for encroachment. This risk is felt to be of departmental concern due to the		**16**	Risk remains at red. Sites are actively monitoring the impact of development. **22 May 2018**		**12**	30-Apr-2020	Constant

	high level of work required across the open space divisions to defend against the impact of development and the serious nature of the impact. The actions for this risk are the open actions from each of the divisional risk registers.							

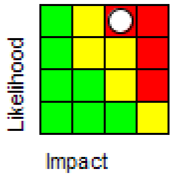
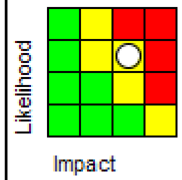
Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
OSD EF 010 a	Epping Forest DC local plan - Attend meetings and respond to consultation on the local plan so that can influence the content of the plan and the Memorandum of Understanding between EFDC and Natural England LB Redbridge core strategy and other LA actions plans - respond to any further consultation.	Mitigation strategy in place. Ongoing implementation work action.	Jeremy Dagley	28-Mar-2018	30-Apr-2020
OSd EF 010 c	Negotiate renewal with Essex County Council and extend to cover London Borough's	Still on Essex radar with traffic modelling works undertaken. Agree a forest transport strategy to agree mitigation strategy.	Jeremy Dagley	30-Aug-2017	10-Mar-2019
OSD NLOS 011 a	Maintain a close partnership with Planning Authorities. Supt and Officers in contact with the London Borough of Camden, Barnet and Haringey in regard to planning issues which may impact the open spaces.	Ongoing, division to make representation as necessary.	Richard Gentry	28-Mar-2018	31-Mar-2020
OSD NLOS 011 b	Respond to consultation on the local plans to help influence the content of the documents.	Ongoing. Response to planning issues as necessary. No change.	Richard Gentry	28-Mar-2018	31-Mar-2020
OSD NLOS 011 c	A Consultant is monitoring planning activity and will assist the Superintendent with specialist support in regard to resisting planning applications that impact on the Open Spaces.	Division continues to monitor planning issues.	Richard Gentry	28-Mar-2018	27-Jul-2020
OSD P&G 007 a	Attendance at meetings and respond to consultation on the local plans to help influence the content of the document.	Relationship with planning colleagues in the city continues - ongoing action.	Lucy Murphy; Martin Rodman; Jake Tibbets	28-Mar-2018	31-Mar-2020
OSD P&G 007 b	Maintain a close partnership with planning authorities including (but not limited to) Newham, Islington, Camden, and Tower Hamlets.	Ongoing risk action based on responding appropriately to relevant planning issues. Developments by Islington around Bunhill Fields are being monitored.		28-Mar-2018	31-Dec-2020
OSD TC 002 a	Inclusion in core strategy planning documents - where applicable	Monitoring activity continues - ongoing action.	Hadyn Robson	28-Mar-2018	31-Mar-2020

	Close partnership working with local planning authorities Active monitoring of planning applications with responses as appropriate All ongoing and/or as and when				
OSD TC 002 b	Active monitoring of pollution where possible Active monitoring of environmental impacts - where possible Undertake research - where appropriate and where resources allow Ongoing	Ongoing action - monitoring of impact of visitors and other possible stressors continues.	Hadyn Robson	28-Mar-2018	31-Mar-2020

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
OSD 007 Maintaining the City's water bodies summary risk 30-Aug-2017	**This risk summaries the property maintenance risks across the Open Spaces Department.** The City is responsible for a number of water bodies, some of which are classified as "Large Raised Reservoirs" under the provisions of the Reservoirs Act 1975 and the Flood & Water Management Act 2010. Failure to adequately manage and maintain the City's reservoirs and dams could result in leaks, dam collapse or breach. For some of the City's large raised reservoirs there is the potential for loss of life, damage to property and infrastructure in the event of dam collapse or breach, and the associated reputational damage. This risk is felt to be of departmental concern due to potential for serous consequences, the possibility of legislative change and the possibility that significant capital projects could be required. The actions for this risk are the open actions from each of the divisional risk registers.		**16**	Risk remains at red. Target date moved to 2022 to reflect planning process for works to the relevant water bodies, which include: - Hampstead Heath ponds - Five statutory large raised reservoirs at Epping Forest - Burnham Beeches ponds **22 May 2018**		**8**	31-Mar-2022	Constant

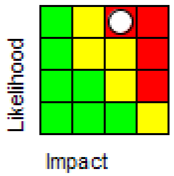
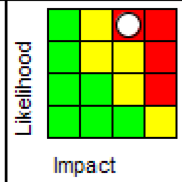
Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date

OSD EF 004 a	Statutory inspection visits by engineer - 6 monthly in May and October	Inspection booked for June 2018. EA have confirmed the LRR at Wanstead Park at High Risk. We are awaiting a visit from the Panel engineer in June to find out what the implications may be. Estimate of £5-10 million upgrade costs have been made by DBE	Martin Newnham; Geoff Sinclair	29-May-2018	30-Apr-2020
OSD EF 004 b	Complete works on the Eagle ponds and obtain approval for distribution of responsibilities. Survey the outward toe of the dam pending decision on shared responsibility with London Borough of Redbridge	Conservation statement complete. No actions pending	Geoff Sinclair	29-May-2018	31-Dec-2018
OSD EF 004 c	Weekly inspection of reservoirs / dam. Review the use of penstock gates	Ongoing action.	Martin Newnham	29-Mar-2018	08-Apr-2020
OSD EF 004 e	Undertake scoping evaluations for Baldwins Pond and Birch Hall Park Pond	Ongoing action. Still awaiting further work.	Geoff Sinclair	03-Apr-2018	31-Dec-2018
OSD TC 006 a	Condition assessments carried out and options provided for approval Options costed Gateway 4 report drafted - Sept 16	Project at The Commons remains a goal for the future. Ongoing action to mitigate risk, to be updated as project moves forward.	Hadyn Robson	28-Mar-2018	31-Dec-2022
OSD TC 006 b	Inspections / monitoring od outflow condition Ongoing	All water bodies are actively monitored by relevant authorities within the City to ensure they comply with legislation.	Hadyn Robson	28-Mar-2018	31-Mar-2020

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
SUR SMT 006 City Bridges: - Wanton Damage / Terrorism 10-Jun-2017 Paul Wilkinson	**Cause:** Wanton Damage / Terrorism **Event:** Structural damage to bridge/s **Impact: I**nstability in bridge structure leading to possible collapse, **r**eputational damage, disruption to traffic, additional costs to repair / replac**e** disruption to traffic, additional costs to repair / replac**e**		**16**	CSD is working with internal partners, particularly DBE, to improve ongoing management and communication of actions associated with this risk. This will include - Inspections - Maintenance reports - Areas of concern A workshop is planned for July with relevant leads from Built Environment, Chamberlain's, City Bridge Trust and City Surveyor's to consider our City Bridge Risks. A review of the City Bridges Risks and updates to risk and actions will follow after the workshop. **08 Jun 2018**		**12**	31-Mar-2019	Constant

Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 006a	Counter Terrorism	There is Police presence, but the bridges are located outside the security cordon. Tower Bridge has cameras and security requirements for visitors Temporary mitigation by the Metropolitan Police is in place, but this is not full Hostile Vehicle Mitigation -discussions are on-going with various authorities to identify next steps. To be reviewed again in July 2018	Nicholas Gill; Ian Hughes; Paul Monaghan	08-Jun-2018	31-Mar-2019
SUR SMT 006b	Traffic Management	Paul Monaghan has spoken to TFL in connection with traffic management contingency plans. TFL have a sequence of plans in place depending on the situation which arises. Paul is an on-	Nicholas Gill; Paul	08-Jun-2018	31-Mar-2019

		going member of the River Crossings Liaison Group and can update CSD at the quarterly meetings as appropriate. To be reviewed in July 2018.	Monaghan; Peter Young		

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
SUR SMT 007 City Bridges: - Tunnelling for the Thames Tideway Tunnel 19-Jun-2017 Paul Wilkinson	**Cause:** Tunnelling for the Thames Tideway Tunnel effects bridge structures **Event:** Bridge/s become inoperable or have reduced operability **Impact:** Closure, reputational damage, disruption to traffic, additional costs to repair / replace		**16**	All tunnelling on the Thames Tideway should conclude by 2021 CSD to work with internal partners, particularly DBE, to improve ongoing management and communication of actions associated with this risk. This will include - Inspections - Maintenance reports - Areas of concern A workshop is planned for July with relevant leads from Built Environment, Chamberlain's, City Bridge Trust and City Surveyor's to consider our City Bridge Risks. A review of the City Bridges Risks and updates to risk and actions will follow after the workshop. **08 Jun 2018**		**16**	31-Mar-2021	Constant

Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date

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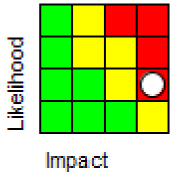
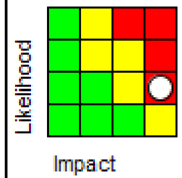
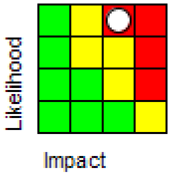
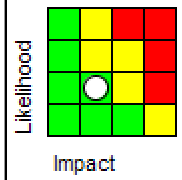
SUR SMT 007a	Asset protection Agreements	CSD to negotiate asset protection Agreements in conjunction with Comptroller and City Solicitor. To be reviewed July 2018.	Paul Monaghan	08-Jun-2018	31-Mar-2019
SUR SMT 007b	Reputation and Traffic management	DBE have appraised TFL of the potential impacts of bridge closures and suggest that TFL have appropriate contingency plans in place. This was with the view that mitigation plans could be developed. However, TFL advised that they do not define contingencies prior to an event, as this is dependent on the availability of alternative routes. To be reviewed July 2018.	Paul Monaghan	08-Jun-2018	31-Mar-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
SUR SMT 008 City Bridges: - Substantial Vessel strikes 19-Jun-2017 Paul Wilkinson	**Cause:** Substantial Vessel strike **Event:** Structural damage to bridge **Impact:** Instability in bridge structure leading to possible collapse. Death / injury, disruption of traffic,reputational damage, additional costs to repair / replace		**16**	CSD is working with internal partners, particularly DBE, to improve ongoing management and communication of actions associated with this risk. This will include - Inspections - Maintenance reports - Areas of concern A workshop is planned for July with relevant leads from Built Environment, Chamberlain's, City Bridge Trust and City Surveyor's to consider our City Bridge Risks. A review of the City Bridges Risks and updates to risk and actions will follow after the workshop. **08 Jun 2018**		**16**	31-Mar-2018	Constant

Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 008a	Navigation controls	Navigation is controlled by the Port of London Authority and navigation lights fixed to bridges. Department of Built Environment to investigate further defences and report back to the City Surveyor. Paul Monaghan is an on-going member of the River Crossings Liaison Group and can update CSD at the quarterly meetings as appropriate as to any appropriate actions, activities, or change in the risk status of this item. to be reviewed July 2018.	Nicholas Gill; Paul Monaghan; Peter Young	08-Jun-2018	31-Mar-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
TC TCO 05 Customer Relationship Management System 20-Nov-2015 John Barradell; Simon Murrells; Damian Nussbaum	Cause: Outdated software that is no longer supported stops working or will no longer work with our network environment Event: Failure of the CRM system Effect: Loss of critical data, Contact Centre, C.O.D team unable to effectively carry out their duties.		**16**	The Corporation has procured a new system tailored to the needs of the Contact Centre (“Firmstep”). We are now implementing the new system and it should be operational by the end of **July** **22 Jun 2018**		**4**	31-May-2018	Constant

Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
TCTCO05D	The Corporation has procured a new system tailored to the needs of the Contact Centre (“Firmstep”). We are now implementing the new system and it should be operational by the end of **July**	The Corporation has procured a new system tailored to the needs of the Contact Centre (“Firmstep”). We are now implementing the new system and it should be operational by the end of **July**	Sam Collins	22-Jun-2018	30-Aug-2018

TCTCO05E	The Corporation has a procured a new platform (City Dynamics) and is configuring a new application tailored to the needs of strategic engagement and events management (SEEM) that will support compliance with new data protection law. The strategic engagement function will be implemented in early Summer, followed by the events management function in early Autumn. The solution for Strategic Engagement is currently undergoing System Testing and will be made available for UAT shortly.	The Corporation has a procured a new platform (City Dynamics) and is configuring a new application tailored to the needs of strategic engagement and events management (SEEM) that will support compliance with new data protection law. The strategic engagement function will be implemented in early Summer, followed by the events management function in early Autumn. The solution for Strategic Engagement is currently undergoing System Testing and will be made available for UAT shortly.	Damian Nussbaum	06-Apr-2018	30-Oct-2018
TCTCO05F	A data retention and data migration approach have been proposed and are being considered by the City Dynamics governance group. Initial discussions took place last week but further consideration is required. The decision has been taken not to migrate data to Firmstep, but to start with a clean dataset for the Contact Centre.	A data retention and data migration approach have been proposed and are being considered by the City Dynamics governance group. Initial discussions took place last week but further consideration is required. The decision has been taken not to migrate data to Firmstep, but to start with a clean dataset for the Contact Centre.	Simon Murrells	06-Apr-2018	30-Aug-2018

Committee(s): Audit and Risk Management – for decision Finance – for decision	Date(s): **17/06/2018** **24/06/2018**
Subject: City Fund and Pension Funds Financial Statements 2017/18	**Public**
Report of: The Chamberlin	**For Decision**
Report author: Philip Gregory, Chamberlin's Department	

Summary

Attached to this report are the City Fund and Pension Fund Financial Statements for the year ended 31 March 2018.

The key points are:

- The Statement of Accounts were published and submitted to our external auditors on 31 May, meeting the new earlier statutory deadline for completion.
- An overall better than budget position of £25.7m was achieved.
- Total net assets of £1,343.8m, an increase of £89.3m since last year.
- The net asset position of £1,343.8m is after having deducted total pension funds liabilities of £1,260.7m (an increase in liabilities of £40.4m on the previous year).
- The net asset position is reflected in usable reserves of £188.5m and unusable reserves of £1,155.3m.
- Usable reserves have increase by £25.9m from a year earlier. These are relatively liquid reserves that can be applied to fund expenditure or reduce local taxation.
- Unusable reserves have increased by £63.4m from a year earlier. These reserves hold unrealised gains and losses and differences between the accounting basis and statutory requirements for local authorities.
- BDO commenced its audit on 5 June. At the time of writing this report the audit was still underway. To date no significant issues have been raised and it is anticipated that the audit will be concluded satisfactorily to enable BDO to issue unqualified opinions. Representatives of the auditors will be in attendance at the Audit and Risk Management Committee to present their progress reports.

Recommendation(s)

The Audit and Risk Management Committee is requested to:-

- consider the contents of BDO's progress reports (to follow);
- recommend approval of the City Fund and Pension Fund Financial Statements for the year ended 31 March 2018 to the Finance Committee; and
- delegate 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 BDO - which is expected to be by the end of July.

The Finance Committee is requested to:-

- consider the resolution from the Audit and Risk Management Committee and, if appropriate, approve the City Fund and Pension Fund Financial Statements for the year ended 31 March 2018; and
- delegate to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Finance Committee, approval of any material changes to the financial statements required before the signing of the audit opinion by BDO - which is expected to be by the end of July.

Main Report

Background

1. The City Fund and Pension Funds Financial Statements for 2017/18 are set out in Annex 1.

2. The Accounts and Audit Regulations 2015 require the approval and publication of the City Fund and Pension Funds Financial Statements for the year to 31 March 2018 to take place as soon as reasonably practicable, and in any event by 31 July 2018. The 2017/18 Financial Statements are the first to be compiled and audited under the earlier statutory deadlines, which has brought forward the initial submission deadline from 30 June to 31 May and completion of the final audited statements from 30 September to 31 July.

3. Approval of each year's financial statements has been delegated by the Court of Common Council to the Finance Committee

Summary of City Fund Accounts 2017/18

Revenue

4. There is no change to the provisional net expenditure outturn position of £25.7m better than budget. More detailed analyses of the outturn compared to budget are currently being submitted to spending committees.

5. In accordance with the City's budget management arrangements, requests for the carry forward of City Fund resources totalling £2.1m have been approved by the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee. This will increase the call on the City Fund General Reserve in 2018/19. In addition, £1.7m of projects and works programmes have slipped and/or been re-phased to 2018/19.

Balance Sheet

6. The Consolidated Balance Sheet indicates that the City Fund's total net assets increased by £89.3m (or 7.1%) to £1,343.8m from £1,254.5m a year earlier.

7. The increase in net assets of £89.3m is reflected in an increase in usable reserves of £25.9m and unusable reserves of £63.4m.

8. Usable reserves are those relatively liquid reserves that can be applied to fund expenditure or reduce local taxation. They are required over the medium term for the funding of the capital programme and also include sums earmarked, either by statute or as agreed by Members, for specific purposes such as spend on Highways, the Housing Revenue Account and the Police.

9. The £25.9m year on year increase in usable reserves from £162.6m to £188.5m mainly relates to funds set aside in earmarked reserve for future expenditure in Highways and the Police along with the overall underspend in City Fund activity, which has been added to the City Fund Reserve. The year on year movement in usable reserves is summarised in the chart below.

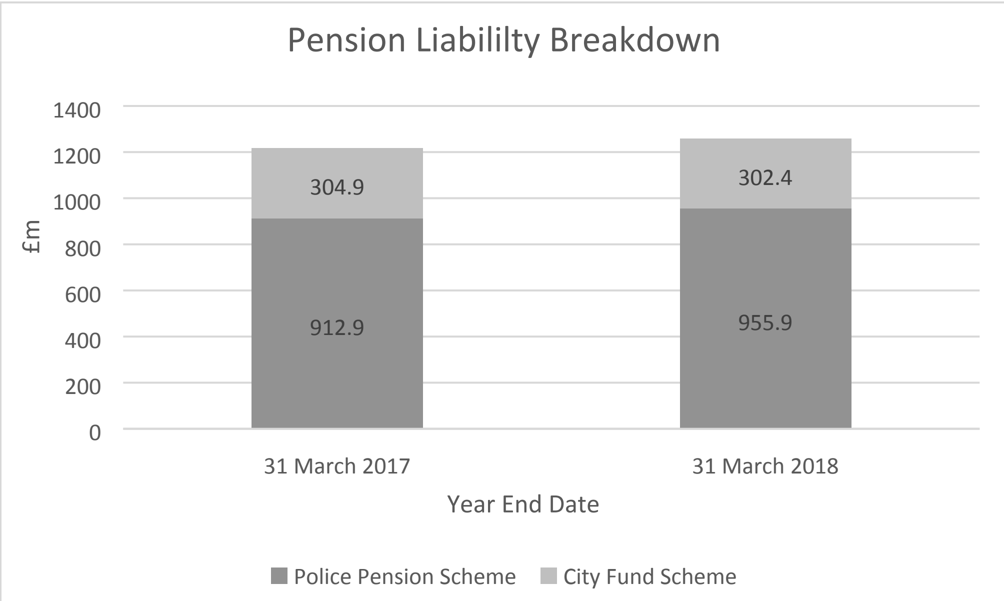
10. Unusable reserves hold unrealised gains and losses and differences between the accounting basis and statutory basis for preparing local authority financial statements. The £63.4m year on year increase in unusable reserves from

£1,091.9m to £1,155.3m is analysed further in note 28 to the City Fund financial statements. The most significant items contributing to this increase was the increase in investment (£69.2m) and operational property valuations (£27.5m). These increases were offset by an increase of £40.4m in the negative pension reserve to match the increase in estimated pension liabilities.

Pension Liabilities

11. The City Fund's total net assets of £1,343.8m are after having deducted net pension liabilities totalling £1260.7m. The comparator for 31 March 2017 is £1,220.3m. The liabilities arise from applying the requirements of International Accounting Standard (IAS) 19. This accounting standard is complex but is based on the principle that an organisation should recognise liabilities for pension benefits as they are earned, even if the payment of such benefits will be many years into the future. The estimated net liabilities are calculated by independent actuaries, Barnett Waddingham.

12. The liabilities are mainly in relation to the City Fund share of the City of London Pension Scheme and the Police Pension Schemes (see chart below).



City of London Pension Scheme

13. City of London staff, excluding police officers, teachers and judges are eligible to join the Local Government Pension Scheme – a statutory scheme administered in accordance with Government regulations.

14. Although the Pension Fund net deficit cannot be attributed precisely between the City Fund, City's Cash and Bridge House Estates, 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 excluded. Accordingly, an apportionment has been made which is based on employer's annual contributions to the fund.

15. The total net deficit in the City of London Pension Fund was £592.6m at 31 March 2018 (31 March 2017: £597.9m). The City Fund's estimated proportion of this deficit is £302.4m or 51% (31 March 2017: £304.9m or 51%).

16. Pension fund deficits (or surpluses) are relatively sensitive to movements in the underlying assumptions. Whilst there have been changes in these assumptions from the previous year, these have been offsetting and the overall deficit has remained similar to last year. Details of these changes can be found in note 44 of the accounts.

17. It should be noted that the employer's pension contribution rate is a separate issue from the IAS19 calculations. It is considered and determined by the Finance Committee following each triennial valuation (updated by any subsequent interim valuations). The triennial valuation considers the period over which the pension deficit should be recovered through employer's contributions and the City Corporation is consulted on the assumptions used by the actuary for these valuations. Following the triennial valuation as at 31 March 2016 the Finance Committee agreed to increase the employer's contribution rate from 17.5% to 21% for the years 2017/18 to 2019/20 in order to recover the pension fund deficit over a period of 17 years.

City Police Pension Scheme

18. The Police Pension Scheme is a statutory scheme as specified by police regulations. The scheme is unfunded (i.e. the scheme has no assets - unlike the Local Government Pension Fund which has both assets and liabilities). The main reasons for the increase in the deficit is the decrease in the discount rate used to value liabilities and a small increase in mortality assumption. This has led to an increase in the liability of £43m from £912.9m to £955.9m.

19. The City of London Corporation in its capacity as Police Authority pays an employer's contribution of 21.3% of pensionable pay for all serving police officers into the Police Pension Fund Account. If there is insufficient money in the Police Pension Fund Account to meet all expenditure commitments in any particular year, the Home Office will fund the deficit. In practice therefore, the significant balance sheet liability of £955.9m relating to benefits earned but to be paid in the future, will be covered by future contributions (employees' and employer's) and receipt of Home Office grant monies.

Audit Progress Update

20. BDO commenced its audit on 5 June 2018. At the time of writing this report the audit was still underway. To date no significant issues have been raised and it is anticipated that the audit will be concluded satisfactorily to enable BDO to issue unqualified opinions. Representatives from BDO will be in attendance at the Audit and Risk Management Committee to present their progress reports and to clarify any points or issues

Conclusion

21. BDO is expecting to sign its audit opinion by the end of July. Should any material adjustments to the financial statements 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.

22. As soon as reasonably possible after the conclusion of the audit, and in any event by 31 July 2018, the City is required to publish the 2017/18 City Fund and Pension Fund Financial Statements including the Audit Opinion on its website. Copies of the published statements will be placed in the Members' Reading Room. The final management letters from BDO on its audit will be presented to the Court of Common Council for information.

Appendices

Annex 1: Statement of Accounts for the City Fund and the Pension Funds

Annex 2: BDO's City Fund Progress Report

Annex 3: BDO's Pension Fund Progress Report

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Chamberlain's

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THE CITY OF LONDON CORPORATION

DRAFT STATEMENT OF ACCOUNTS FOR THE CITY FUND

YEAR ENDED 31 MARCH 2018

Contents

AN INTRODUCTION TO THE CITY OF LONDON CORPORATION

1. Although little more than one mile square in size, the City of London is densely developed with 24,420[1] businesses providing employment for 483,000[2] people, which represents 9.0% of Greater London's employment. 1 in 63 of the UK's workforce is employed in the City. The City is a key driver of growth for the UK, contributing £47bn to the UK economy.

2. By contrast the residential population of around 7,500[3] is relatively small. In addition, it is estimated that the City attracts some 18.8[4] million visitors each year.

3. As the local authority for the "Square Mile" the City of London Corporation (the City Corporation) is the oldest continuous municipal democracy in the world and predates Parliament. While the City Corporation has a long history, with many traditions and ceremonies continuing to this day, it has a modern outlook that matches that of the City it serves.

4. A unique organisation with a diverse range of roles and responsibilities the City Corporation has a role and remit that goes beyond that of an ordinary local authority. In addition to the functions of a local and police authority, a range of specialist services are provided for businesses in the City and to its residents, workers and visitors. Many of the City Corporation's services are of wider regional and national importance including the Barbican Centre, the Old Bailey, three wholesale markets and the Animal Reception Centre at Heathrow.

5. Recognising that the Square Mile cannot work in isolation, the City Corporation is committed to working in partnership to improve the quality of life of, and increase the opportunities for the wider London community. This work ranges from encouraging corporate responsibility in City firms to assisting in education, promoting employability, jobs and growth.

6. The City Corporation plays a leading role in supporting and promoting the City as the world's leading international financial and business centre and in promoting the interests of the financial services sector in the City and the UK. This includes providing essential infrastructure maintenance, strategic economic development and encouraging inward investment. The City of London Police is a dedicated police force for the Square Mile and the national lead force for economic crime.

7. The City Fund covers the City Corporation's activities in its capacity as a local authority, police authority and port health authority. The other funds are Bridge House Estates and City's Cash. Bridge House Estates funds the maintenance of Tower, London, Southwark, Millennium and Blackfriars Bridges and the work of City Bridge Trust (London's largest independent grant-giving charity). City's Cash allows us to provide services that are of importance to Greater London as

[1] Source: UK Business: Activity, Size and Location, 2017
[2] Source: Business Register and Employment Survey, Office for National Statistics, 2016 data (released autumn 2017)
[3] Source: GLA 2015 round SHLAA-based population projections: DCLG-Based Model
[4] Source: City of London estimates for 2015

well as to the City at little or no cost to the public. More information on the role and ongoing work of the City Corporation, can be found on City's website at www.cityoflondon.gov.uk[1].

8. The City's Corporate Plan 2018-23 sets out our Vision and Strategic Aims which drives our decisions making and resource allocations. Our vision is that:

   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

9. This vision is supported by 3 strategic aims, which in turn are broken down into 12 outcomes (shown below) by which we will judge our success.

[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

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.

10. The Corporate Plan sets out our ambitious aspirations against what is likely to be another period of significant change on a global, national and regional level, bringing with it significant threats as well as opportunities. Preventing climate change, terrorism and cyber-crime, and countering their effects, will remain high priorities. So too will retaining the UK's competitiveness, in the context of Brexit, increases in the cost of living and reductions in public sector spending.

11. Disruptive changes, such as the digitisation of our work and personal lives, are likely to bring both threats and opportunities to our residents, workers, visitors, partners and our own organisation.

12. To ensure our response to these challenges and opportunities is robust and the objectives we have set ourselves are bought to life, all departments develop annual business plans to shape their services reflecting on the strategic direction of the organisation and changes in the external environment. Our strategic objectives and business plans are also linked to our performance development framework and staff appraisal process which ensure that there is a golden thread linking our strategy to operational activity and the development of one of our key assets, our staff.

13. The City is committed to equal opportunities for all employees. The Establishment Committee overseeing employee related issues for the City providing high-level Member oversight on equality and inclusion in employment issues. An officer led Equality and Inclusion Board has also been established to actively promote equality, diversity and inclusion in service delivery and employment practices. The Board is responsible for monitoring the delivery of the Equality and Inclusion Action Plan and progress against the Equality Objectives for 2016-20. This also includes addressing the City's gender pay gap, highlighted above.

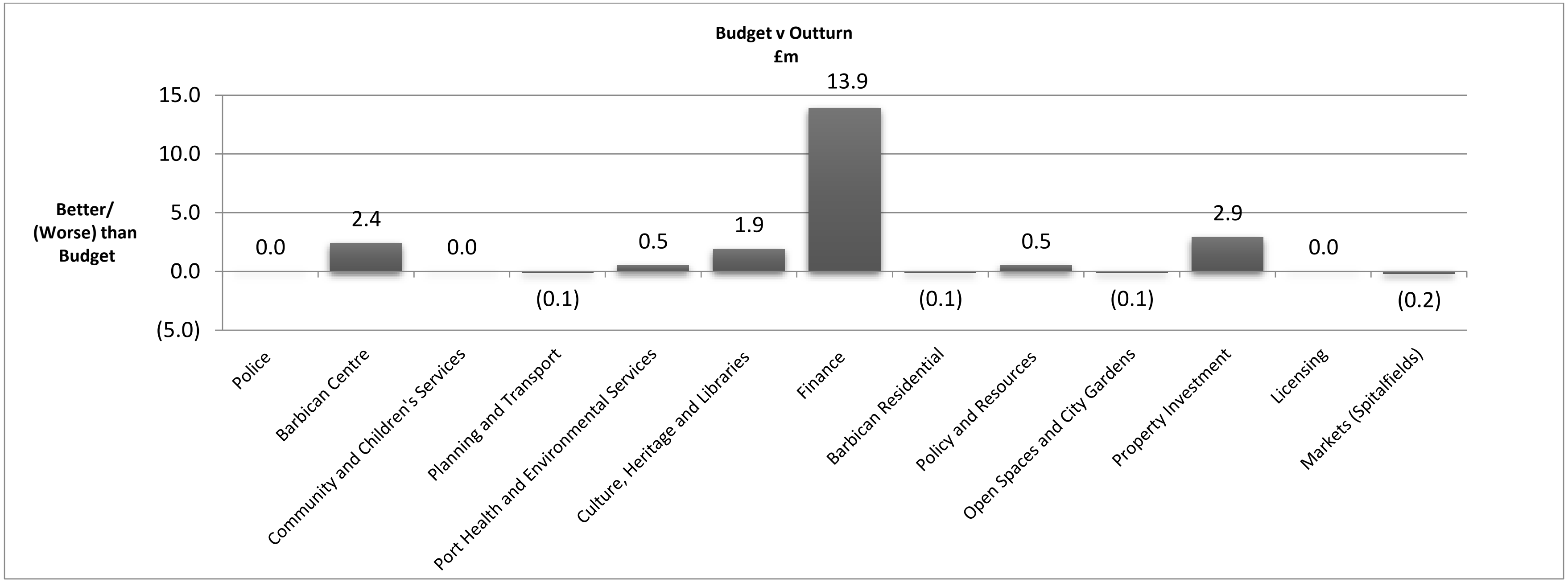
GOVERNANCE

14. A strong governance framework is present within the City, ensuring that its responsibilities and objectives are delivered in accordance with the law and proper standards; makes best use of public money, deliver continually improving services with risks managed appropriately. Details of this framework and how it operates within the City Fund can be found in the Annual Governance Statement which is included within the Statement of Accounts (see page 143-163).

FINANCIAL SUMMARY 2017/18

The resources available and how these are directed is a key factor in achieving of our stated goals. Our budget for 2017/18 was agreed by the Court of Common Council (the City's primary decision-making body) in February 2017 for both capital and revenue expenditure.

15. The overall position for the City Fund's revenue budget shows an underspend of £21.6m for the year, which is broken down below by Committee.



16. In line with previous years, the City's capital spend has been financed from its own resources or external contributions and therefore has not required any external financing i.e borrowing. This option will remain under review, especially considering the significant capital commitments the City is undertaking over the medium term. These are discussed in more detail in the outlook section below.

17. Along side the financial performance for the year, the City has achieved several notable successes in delivering services to residents, businesses and visitors. These include:

External Inspections

- City of London Police rated 'Good' by HMICFRS in its inspection of Police Effectiveness in preventing, investigating and tackling crime and antisocial behaviour.
- The Police also rated 'Good' by HMICFRS in its inspection of Police Efficiency in how it manages demand and resources.

Internal Performance Indicators

- During 2017-18 the City exceeded its target to recruit and appoint 100 apprentices.
- The percentage of carers who say they are extremely or very satisfied with the support or services they receive in the City is significantly higher than the national average, at 50% compared to 39% nationally.
- The rate for successful rent collection in the City remains exceptionally high at 98.6%, despite new challenges with the introduction of Universal Credit.
- 98% of adults and 100% of children were satisfied with the level of services in Public Libraries in the City.
- 87% of surveyed Cemetery and Crematorium visitors rated the features and facilities of the Cemetery as 'very good' or 'good'.
- New Spitalfields Market continued to meet its target to divert 100% of waste from landfill.
- 95% of justifiable noise complaints investigated by the Pollution Team resulted in a satisfactory outcome, against a 90% target.
- Whilst notifiable crimes increased by 8.1% (from 5,445 to 5,901), this was amongst the lowest increases nationally, placing the City of London Police in the top 5 performing forces.
- 80% of victims satisfied with the service received from the City of London Police.

Other Achievements

- The City Corporation won the RTPI Local Planning Authority of the Year 2017
- The Cleansing Team won the Most Effective Communications Campaign for the Coffee Cup Challenge.
- Four City buildings won RIBA London awards: 1 King William Street, 40 Chancery Lane, Leathersellers' Hall and 8 Finsbury Circus.
- The Transportation team won National Urban Design Awards 2018 for Aldgate.
- Winner RTPI Awards 2017: Green Roofs City of London.
- London in Bloom awards:
    - City of London – Overall winner in the Town category.
    - St Olave's Churchyard, Hart Street – Overall winner of Churchyard of the Year award.
    - Beech Gardens, the Barbican Estate and St Dunstan in the East all won Gold in the Small Park/Garden category.
- Cemetery and Crematorium awarded Green Flag and Green Flag Heritage status and Bunhill Fields Burial Ground awarded Green Flag Heritage status.
- The Air Quality Team supported volunteers and businesses in the creation and development of 19 'Clean Air Gardens' around the City throughout 2017 as part of City in Bloom.
- The Guildhall Art Gallery achieved its second highest annual footfall since it opened and a 15% increase in school visits; it was the third most visited attraction in London during London Open House weekend and received TripExpert's 2018 Experts' Choice Award.
- Guildhall Galleries (the collective of Guildhall Art Gallery, London's Roman Amphitheatre, Guildhall Great Hall, City of London Police Museum and City of London Heritage Gallery) received the Visit England Quality Rose Marque for the first time.

- LMA marked the 950th anniversary of the City of London's extensive archives through a programme of events and widening of digital access. A further 60,000 digital images were made available publicly including 950 'Digital Documents' (around 12,000 digital images) on the relaunched online catalogue.
- New Spitalfields Market won the prestigious Best Wholesale Market 2017 Award at The Great British Market Awards, organised by the National Association of British Market Authorities (NABMA).
- At the World Cargo Symposium, the Heathrow Animal Reception Centre (HARC) received a Certificate of Recognition for its work with the International Air Transport Association (IATA) to develop a new standardized global certification program to improve the safety and welfare of animals travelling by air.
- The Animal Health Team won an RSPCA Gold Footprint Award for its work and involvement with Animal Activity Licensing. This was part of the RSPCA Community Animal Welfare Footprints award scheme.

18. From both a financial and non-financial perspective, 2017-18 was a positive year for the City, achieving success across several different areas. Looking forward, there are a number of challenges in continuing to deliver successful outcomes across the diverse range of the City's activities.

STRATEGY AND RESOURCE ALLOCATION

19. The City's unique characteristics place it in an incomparable position to other local authorities due to its small geographical area, low residential populations and diverse range of services which operate at a local, regional and national level. These unique characteristics also translate into the City's funding arrangements where by returns generated from the City's investment property portfolio and the funds generated through Business Rates play a significant part in funding the City's activities. This structure brings its own challenges, which are reflected in the City's medium term financial plan. The City faces several decisions on how it continues to fund its activities especially in light of the major projects it is undertaking and the changing picture around the funding it has available.

20. Based on the current forecasts of Police and non-Police services, over the medium terms there is a substantial gap projected between available resources and projected expenditure, leading to the gradual reduction in unearmarked reserves as shown below.

City Fund Overall Revenue	**18/19**	**19/20**	**20/21**	**21/22**
	£'000	**£'000**	**£'000**	**£'000**
City Fund – non Police				
Current forecast (surplus)/deficit [1]	(16,700)	5,500	63,400	103,300
Unearmarked revenue reserves [2]	(72,600)	(68,100)	(4,700)	0
City Fund – Police				
Current forecast (surplus)/deficit	0	0	4,100	4,800
Unearmarked Police revenue reserves [2]	-	-	-	-

[1] Costs, including Major Projects, have been applied up to available reserves with assumption that the balance will be funded by borrowing.

[2] Unearmarked reserve were project at the MTFP planning and have been included here unaltered for consistency. The financial outturn for 2017/18 has differed from these projections therefore the reserve balanaces will differ.

21. For non-Police City Fund activity, the major contributor to the reducing unearmarked reserve balance is the inclusion of costs for the Museum of London relocation project and the Combined Court project. It has been assumed that the preference will be to utilise City Fund reserves prior to borrowing to fund these projects, though this is subject to the overall funding strategies for the projects, which are yet to be agreed. The anticipate cost of these projects across this period is £277m (the overall cost of these project to completion is £414m).

22. For the Police service, increasing demand and the changing nature of the Policing means changes are required to ensure the service can operate within the financial resources available. Whilst in the short term a balanced position has been reached, over the medium term a deficit position is projected against its limited reserve balances (the 2017/18 outturn for the Police shows a £6.9m unearmarked reserve balance available).

23. The Police have also taken on responsibility for the Action Fraud Service, which was transferred from the Home Office National Fraud Authority from 1 April 2014. Subsequently the service was subject to a procurement process which was won by IBM (UK) Ltd. The phasing of contract payments reflects IBM‟s significant mobilisation costs which could not be met from Police reserves. The costs were originally envisaged to all fall in 2016/17 but due to slippage on the project an additional cash flow loan of £5.2m was approved taking the total cash flow support to £11.7m. Repayments will fall between 2018/19 and 2023/24 and are partially reliant on the successful monetisation of the service.

24. In addition to these pressures, the City Corporation manages a number of risks for which a comprehensive Risk Management Strategy in place. The Audit and Risk Management Committee monitors and oversees the strategy on a regular basis and undertakes a systematic programme of detailed reviews of each of the risks on the Corporate Risk Register. The Chief Officer Risk Management Group has a remit to ensure that risk management policies are applied, that there is an ongoing review of risk management activity and that appropriate advice and support is provided to Members and officers.

25. The Risk Management Strategy captures the following key objectives:

    - Enables corporate, departmental and programme objectives to be achieved in the optimum way and to control risks and maximise opportunities which may impact on the City Corporation's success
    - The City Corporation recognises its responsibility to manage risks and support a structured and focused approach that includes risk taking in support of innovation to add value to service delivery
    - Risk Management is seen as an integral element of the City Corporation's culture

26. The Corporate Risk Register codifies key strategic risks and assigns responsibility to named Chief Officers to ensure appropriate mitigation action is taken. It includes risk in the areas listed below:

    - Information Technology Service provision and security
    - Road Safety
    - Air Quality
    - Resilience (emergency planning)
    - Health and Safety
    - Loss of business support for the City
    - Safeguarding
    - Funding Reduction (City Police

27. Further details on the Corporate Risk Register are available in the regular reports to Audit and Risk Management Committee at:

http://democracy.cityoflondon.gov.uk/ieListMeetings.aspx?CommitteeId=244

28. Departmental risk registers use the Corporation's Risk Management Strategy to ensure that there is a consistent approach to the way risks are described and scored. Top departmental risks are reported on a regular basis to Service Committees and the Audit and Risk Management Committee holds departmental risk challenge sessions with Chief Officers and their respective Committee Chairmen.

THE CITY FUND FINANCIAL STATEMENTS

1. The format and content of the financial statements set out in this publication is prescribed by the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. They comprise core and supplementary statements together with supporting disclosure notes.

CORE STATEMENTS

Comprehensive Income and Expenditure Statement or CIES

(page 12) - the cost of providing services in accordance with generally accepted accounting practices (GAAP) rather than the statutory amount to be funded from business rates, council tax and general government grants. The statutory position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Movement in Reserves Statement

(page 13) –sets out the change in the City Fund's "net worth" over the year and analyses the movement between "usable reserves" and "unusable reserves".

Balance Sheet

(page 14) – a "snapshot" at 31 March of the City Fund's assets and liabilities matched by the reserves held. Reserves are categorised as usable (available to provide services subject to maintaining a prudent level and in some instances statutory limitations) and unusable which are mainly used to hold unrealised gains and losses.

Cash Flow Statement

(page 15) - shows the change in cash and cash equivalents during the year and whether that change is due to operating, investing and financing activities. The net cash flow from operating activities is a key indicator of the extent to which services are funded by way of taxation and grant income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to future service delivery.

Explanatory Notes to the Core Financial Statements are on pages 16 to 988. They include the **Expenditure and Funding Analysis** (Note 3, page 30) which shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the City Corporation's Committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Supplementary Financial Statements

Housing Revenue Account (HRA) (pages 99 to 105) –reflects a statutory obligation to maintain a separate revenue account for social housing.

Collection Fund (pages 1066 to 110) –a separate account setting out income collected from taxpayers and its distribution between the Government, the Greater London Authority and the City Corporation.

Police Pension Fund (pages 111 and 112) and **City Corporation Pension Fund** (pages 113 to 144) .

The City of London Corporation's Responsibilities

The City of London Corporation is required to:

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

The Chamberlain's Responsibilities

The Chamberlain is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code").

In preparing this Statement of Accounts, the Chamberlain has:

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

The Chamberlain has also:

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

Chamberlain's Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the City Fund and the Pension Funds of the City of London Corporation at the reporting date and of its expenditure and income for the year ended 31 March 2018.

Dr Peter Kane
Chamberlain

Date: 31 March 2018

2016/17					2017/18		
Gross Expenditure £m	Gross Income £m	Net Expenditure (Income) £m		Notes	Gross Expenditure £m	Gross Income £m	Net Expenditure (Income) £m
			Services				
117.7	-58.9	58.8	Police		128.3	(60.2)	68.1
52.4	-25.1	27.3	Barbican Centre		58.0	(30.9)	27.1
28.9	-15.2	13.7	Community & Children's Services		28.9	(13.9)	15.0
18.7	-15.1	3.6	Housing Revenue Account (HRA)		22.1	(15.9)	6.2
34.7	-28.2	6.5	Planning & Transportation		41.7	(37.1)	4.6
24.9	-13.9	11.0	Port Health & Environmental Services		27.2	(14.8)	12.4
23	-2.1	20.9	Culture, Heritage and Libraries		28.9	(2.7)	26.2
21.6	-11.5	10.1	Finance		27.0	(14.7)	12.3
12.3	-13.7	(1.4)	Barbican Residential		12.2	(13.8)	(1.6)
11	-5.9	5.1	Policy & Resources		12.4	(7.6)	4.8
2.2	-0.4	1.8	Open Spaces and City Gardens		2.4	(0.5)	1.9
1.5	-0.7	0.8	Property Investment Board		1.5	(0.5)	1.0
0.7	-0.7	0.0	Licensing		0.8	(0.7)	0.1
200	0	200.0	Crossrail (material one-off item)	11	0.0	0.0	0.0
549.6	**(191.4)**	**358.2**	**Cost of Services**		**391.4**	**(213.3)**	**178.1**
		-8.4	Other Operating Income	12			(1.7)
		-66	Financing & Investment Income & Expenditure	13			(84.9)
		-140.1	Taxation & Non-Specific Grant Income	14			(161.5)
		143.7	**(Surplus)/Deficit on the Provision of Services**				**(70.0)**
		-16.5	Surplus on the Revaluation of Property, Plant & Equipment	28A			(27.5)
		173.7	Remeasurements of the Pensions Liability	49			8.0
		157.2	**Other Comprehensive (Income) & Expenditure**				**(19.5)**
		300.9	**TOTAL COMPREHENSIVE (INCOME) & EXPENDITURE**				**(89.5)**

	Notes	City Fund Balance £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
Balance at 31 March 2017*		**(90.9)**	**(8.1)**	**(33.7)**	**(23.4)**	**(6.5)**	**(162.6)**	**(1,091.9)**	**(1,254.5)**
Movement in reserves during 2017/18									
Total Comprehensive Income & Expenditure		(74.2)	4.2	0.0	0.0	0.0	(70.0)	(19.5)	(89.5)
Adjustments between accounting basis & funding basis under regulations	9	42.8	(0.5)	7.4	(3.7)	(2.0)	44.1	(44.1)	0.0
(Increase) or decrease in 2017/18		**(31.4)**	**3.7**	**7.4**	**(3.7)**	**(2.0)**	**(25.9)**	**(63.6)**	**(89.5)**
Balance at 31 March 2018 carried forward*		**(122.3)**	**(4.5)**	**(26.2)**	**(27.1)**	**(8.5)**	**(188.5)**	**(1,155.5)**	**(1,344.0)**

* The City Fund balance of £122.3m comprises unallocated revenue funds of £66.7m and earmarked revenue reserves of £55.6m (see note 10)

	Notes	City Fund Balance £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
Balance at 31 March 2016		**(108.4)**	**(10.1)**	**(129.9)**	**(3.6)**	**(6.2)**	**(258.2)**	**(1,297.2)**	**(1,555.4)**
Movement in reserves during 2016/17									
Total Comprehensive Income & Expenditure		**142.9**	**0.8**	**0.0**	**0.0**	**0.0**	**143.7**	**157.2**	**300.9**
Adjustments between accounting basis & funding basis under regulations	9	(125.4)	1.2	96.2	(19.8)	(0.3)	(48.1)	48.1	0.0
(Increase) or decrease in 2016/17		**17.5**	**2.0**	**96.2**	**(19.8)**	**(0.3)**	**95.6**	**205.3**	**300.9**
Balance at 31 March 2017 carried forward		**(90.9)**	**(8.1)**	**(33.7)**	**(23.4)**	**(6.5)**	**(162.6)**	**(1,091.9)**	**(1,254.5)**

* The City Fund balance of £90.9m comprises unallocated revenue funds of £50.3m and earmarked revenue reserves of £40.6m (see note 10)

31 March 2017 £m		Notes	31 March 2018 £m
888.2	Property, Plant and Equipment	15	916.5
8.9	Heritage Assets	16	9.0
1,444.8	Investment Property	17	1,519.0
0.1	Intangible Assets		0.0
0.2	Investments	19	0.2
18.7	Long-Term Debtors	21	17.6
2,360.9	**Long-Term Assets**		**2,462.3**
697.0	Short-Term Investments	19	686.0
0.3	Assets Held for Sale		0.3
0.5	Inventories		0.5
0.4	Intangible Current Assets		0.3
85.7	Short-Term Debtors	22	92.8
53.2	Cash and Cash Equivalents	23	55.1
837.1	**Current Assets**		**835.0**
(372.8)	Short-Term Creditors	24	(360.7)
(82.6)	Provisions	25	(58.0)
(455.4)	**Current Liabilities**		**(418.7)**
(1,220.3)	Pensions Liability	49	(1,260.7)
(111.3)	Capital Grants and Contributions Received in Advance	40	(102.8)
(152.4)	Deferred Credits	41	(167.3)
(4.1)	Other Long-Term Liabilities	43	(4.0)
(1,488.1)	**Long-Term Liabilities**		**(1,534.8)**
1,254.5	**NET ASSETS**		**1,343.8**
(162.6)	Usable Reserves	27	(188.5)
(1,091.9)	Unusable Reserves	28	(1,155.3)
(1,254.5)	**TOTAL RESERVES**		**(1,343.8)**

2016/17 £m		Notes	2017/18 £m
143.7	Net (surplus)/deficit on the provision of services		(70.0)
(86.6)	Adjustments for non-cash movements	29	14.3
74.9	Adjustments for items that are investing and financing activities	29	29.5
132.0	Net cash (inflows)/outflows from operating activities		(26.2)
(59.6)	Investing activities	30	(12.4)
(67.9)	Financing activities	31	36.7
4.5	Net (increase)/decrease in cash and cash equivalents		(1.9)
(57.7)	Cash and cash equivalents at the beginning of the reporting period	23	(53.2)
(53.2)	**Cash and cash equivalents at the end of the reporting period**	23	**(55.1)**

1. Accounting Policies

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

1.1. General Principles

The Statement of Accounts summarises the City Fund transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The City Corporation is required to prepare the City Fund annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 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 the City Fund
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be measured reliably and it is probable that economic benefits or service potential associated with the transaction will flow to the City Fund
- 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
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is subsequently identified that debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

1.3. Cash and Cash Equivalents

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

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

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

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

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

1.5. Charges to Revenue for Non-current Assets

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

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

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

1.6. Employee Benefits

(a) Short-term employee benefits

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

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

(b) Termination benefits

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

(c) Retirement benefit costs

(i) Pension Costs – City of London Staff

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

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

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

- Service cost comprising:
  - current service cost, the increase in liabilities as a result of years of service earned this year, allocated in the comprehensive income and expenditure statement to the services for which the employees worked
  - past service cost, the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non-distributed costs
  - net interest on the net defined benefit liability is charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement. The interest is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments

- Remeasurements comprising:
  - the return on plan assets, excluding amounts included in the net interest on the net defined benefit liability, charged to the pensions reserve as other comprehensive income and expenditure
  - actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the pensions reserve as other comprehensive income and expenditure
- Contributions paid to the Pension Fund, cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense

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

(ii) Pension Costs – Police Officers and Judges

The Police Pension Scheme is unfunded. Prior to 1 April 2006 each police authority was responsible for paying the pensions of its own former employees on a "pay as you go" basis. Under the current arrangements the City Fund no longer meets pension costs directly; instead it contributes a percentage of police pay into the Police Pension Fund. At the year end the Police Pension Fund is balanced to zero by either receiving a contribution from the City Fund equal to the amount by which the amounts payable from the Pension Fund for the year exceed the amounts receivable or, by paying to the City Fund the amount by which sums receivable by the Pension Fund for the year exceed the amounts payable. Where the City Fund makes a transfer to the Pension Fund, the Home Office will pay an equivalent top-up grant to the City Fund. Where a transfer is made out of the Pension Fund, the City Fund must pay the amount to the Home Office.
The payment of pensions to former judges is the responsibility of the Treasury with the City of London reimbursing the Treasury for the City Fund's share of the liability. The City Fund's estimated liability has been determined by independent actuaries in accordance with IAS19.
The accounting treatment for the estimated liabilities on the Police and Judges schemes are similar to that outlined above for the City of London Pension Scheme.

(iii) Pension Costs - Teachers

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

1.7. Events After the Reporting Period

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

(a) Adjusting Events

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

(b) Non-adjusting Events

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

1.8. Financial Instruments

(a) Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

<u>Loans and Receivables</u>

Loans and receivables are recognised when the City Fund becomes party to a financial instrument contract (any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another) or, in the case of trade receivables, when the goods or services have been delivered. They are initially recognised at fair value, defined as the amount for which an asset could be exchanged or a liability settled, assuming the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price. After initial recognition they are measured at amortised cost using the effective interest method, less any impairment.

<u>Available for Sale</u>

Available for sale assets are recognised when the City Fund becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. The City Fund has investments in money market funds and another small unquoted equity investment. Although they meet the definition of available for sale assets they are not adjusted for any movement in fair value as they are held at cost.

<u>Impairment</u>

At the end of the reporting period, the City Corporation assesses whether any of the City Fund financial assets are impaired. They are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset. The impairment of receivables is based on the age and type of each debt with the percentages applied reflecting an assessment of the recoverability. The loss is recognised in expenditure and the carrying amount of the asset is reduced through a provision for impairment of receivables. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Where investments are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure.

(b) Financial Liabilities

Financial liabilities are recognised when the City Fund becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

1.9. Interest Income

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

1.10. Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received. Where a grant or contribution has been received but the conditions of entitlement have not been satisfied, the grant or contribution is treated as a receipt in advance.

(a) Revenue

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

(b) Capital

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

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

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

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

1.11. Business Improvement Districts

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

1.12. Community Infrastructure Levy

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

1.13. Heritage Assets

Heritage assets are those assets intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Where the cost or value of heritage assets cannot be obtained at a cost which is commensurate with the benefits to the users of the financial statements, such assets will not be recognised in the Balance Sheet. The City Corporation does not consider the expense of obtaining information on cost or values to be justified and therefore recognises on the City Fund balance sheet only those heritage assets for which information on costs is readily available. The City Corporation considers that heritage assets will have indeterminate lives and high residual values; hence the City Corporation does not consider it appropriate to charge the City Fund depreciation for these assets (see note 16 for details of these assets).

1.14. Investment Property

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

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

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

1.15. Contingent Assets

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

1.16. Contingent Liabilities

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

1.17. Provisions

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

1.18. Leases

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

(a) Finance Leases

(i) City Fund as Lessee

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

(ii) City Fund as Lessor

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

(b) Operating Leases

(iii) 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).

(iv) City Fund as Lessor

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

1.19. Overheads

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

1.20. Property, Plant and Equipment

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

(a) Recognition

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

(b) Valuation

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

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

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

(c) Revaluations

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

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

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

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

(d) Impairments

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

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

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

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

(e) De-recognition

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

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

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

The gain or loss arising from de-recognition of an asset is included in Surplus or Deficit on the Provision of Services under other operating expenditure.

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

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

If the asset derecognised was carried at a re-valued amount, an additional entry is required; the balance on the Revaluation Reserve is written off to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Capital Receipts Reserve can only be used for new capital investment or set aside to reduce any underlying need to borrow (the capital financing requirement). A proportion of receipts relating to Housing Revenue Account disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.

(f) Depreciation

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

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

(g) Components

Assets other than Housing Revenue Account (HRA) Dwellings

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

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

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

HRA Dwellings

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

1.21. Fair value measurement

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

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

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

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

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

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

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

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

1.22. Reserves

Specific amounts have been set aside as reserves for future policy purposes or to cover contingencies. Details of the City Fund's earmarked reserves are set out in 10. 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 28.

1.23. Revenue expenditure funded from capital under statute

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

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

1.24. Value Added Tax

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

1.25. Schools

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

1.26. Accounting for Council Tax and National Non Domestic Rates

The council tax and National Non Domestic Rates (NNDR) income included in the Comprehensive Income and Expenditure Statement is the City Fund's share of accrued income for the year. However, regulations determine the amount of council tax and NNDR that must be included in the City Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the City Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

2. Prior Year Restatement

No prior year restatements have been required in these accounts.

3. Expenditure and Funding Analysis

2016/17				2017/18		
Net Expenditure Chargeable to City Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES		Net Expenditure Chargeable to City Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
£'m	£'m	£'m		£'m	£'m	£'m
			Committees			
68.4	(9.6)	58.8	Police	73.5	(5.4)	68.1
26.2	1.1	27.3	Barbican Centre	25.2	1.9	27.1
13.0	0.7	13.7	Community and Children's Services	13.4	1.6	15.0
2.1	1.5	3.6	HRA	3.7	2.6	6.3
6.8	(0.3)	6.5	Planning and Transport	4.5	0.1	4.6
12.3	(1.3)	11.0	Port Health and Environmental Services	13.3	(0.8)	12.5
20.7	0.2	20.9	Culture, Heritage and Libraries	25.7	0.6	26.3
234.3	(224.2)	10.1	Finance	(14.6)	26.9	12.3
3.2	(4.6)	(1.4)	Barbican Residential	2.9	(4.5)	(1.6)
4.9	0.2	5.1	Policy and Resources	4.3	0.5	4.8
1.7	0.1	1.8	Open Spaces and City Gardens	1.8	0.1	1.9
(39.0)	39.8	0.8	Property Investment	(42.0)	43.0	1.0
0.0	0.0	0.0	Licensing	0.1	0.0	0.1
(2.6)	2.6	0.0	Markets	(1.1)	1.1	0.0
0.0	200.0	200.0	Crossrail	0.0	0.0	0.0
352.0	6.2	358.2	**Net Cost of Services**	110.7	67.7	178.4
(332.5)	118.0	(214.5)	Other Income and Expenditure	(138.2)	(109.9)	(248.1)
19.5	124.2	143.7	**(Surplus) or Deficit on the Provision of Services**	(27.5)	(42.2)	(69.7)
(118.5)			**Opening City Fund and HRA Balances**	**(99.0)**		
19.5			Add (Surplus) or Deficit on City Fund and HRA Balance in Year	(27.5)		
(99.0)			**Closing City Fund and HRA Balances at 31 March***	**(126.5)**		

* For a split of this balance between the City Fund and the HRA – see the Movement in Reserves Statement (page 13)

Further information on the City Corporation's Committees can be found on the website at www.cityoflondon.gov.uk/about-the-city/how-we-make-decisions.

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.

	2017/18				
	Adjustments for Capital Purposes	Net Changes for Pension Adjustments	Collection Fund Adjustment Account	Other Adjustments	Total Adjustments
	£'m	£'m	£'m	£'m	£'m
Committees					
Police	1.8	(7.1)	0.0	(0.1)	(5.4)
Barbican Centre	0.0	1.5	0.0	0.4	1.9
Community and Children's Services	0.4	0.5	0.0	0.7	1.6
HRA	2.2	0.4	0.0	0.0	2.6
Planning and Transport	0.1	0.9	0.0	(0.9)	0.1
Port Health and Environmental Services	0.0	1.0	0.0	(1.8)	(0.8)
Culture, Heritage and Libraries	0.0	0.7	0.0	(0.1)	0.6
Finance	17.8	0.6	0.0	8.5	26.9
Barbican Residential	0.0	0.3	0.0	(4.8)	(4.5)
Policy and Resources	0.0	0.5	0.0	0.0	0.5
Open Spaces and City Gardens	0.0	0.1	0.0	0.0	0.1
Property Investment	0.0	0.0	0.0	43.0	43.0
Licensing	0.0	0.0	0.0	0.0	0.0
Markets	0.0	0.1	0.0	1.0	1.1
Crossrail	0.0	0.0	0.0	0.0	0.0
Net Cost of Services	22.3	(0.5)	0.0	45.9	67.7
Other Income and Expenditure	(91.0)	32.8	(5.8)	(45.9)	(109.9)
Difference between the City Fund and HRA surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(68.7)**	**32.3**	**(5.8)**	**0.0**	**(42.2)**

	2016/17				
	Adjustments for Capital Purposes	**Net Changes for Pension Adjustments**	**Collection Fund Adjustment Account**	**Other Adjustments**	**Total Adjustments**
	£'m			**£'m**	**£'m**
Committees					
Police	2.9	(12.4)	0.0	(0.1)	(9.6)
Barbican Centre	0.0	0.8	0.0	0.3	1.1
Community and Children's Services	0.0	0.2	0.0	0.5	0.7
HRA	1.4	0.2	0.0	(0.1)	1.5
Planning and Transport	0.0	0.4	0.0	(0.7)	(0.3)
Port Health and Environmental Services	0.0	0.5	0.0	(1.8)	(1.3)
Culture, Heritage and Libraries	0.0	0.4	0.0	(0.2)	0.2
Finance	(37.5)	0.7	0.0	(187.4)	(224.2)
Barbican Residential	0.0	0.2	0.0	(4.8)	(4.6)
Policy and Resources	0.0	0.2	0.0	0.0	0.2
Open Spaces and City Gardens	0.0	0.1	0.0	0.0	0.1
Property Investment	0.0	0.0	0.0	39.8	39.8
Licensing	0.0	0.0	0.0	0.0	0.0
Markets	0.0	0.0	0.0	2.6	2.6
Crossrail	0.0	0.0	0.0	200.0	200.0
Net Cost of Services	(33.2)	(8.7)	0.0	48.1	6.2
Other Income and Expenditure	104.6	36.5	25.1	(48.2)	118.0
Difference between the City Fund and HRA surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**71.4**	**27.8**	**25.1**	**(0.1)**	**124.2**

Adjustments for Capital Purposes

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

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

Net Changes for Pensions Adjustments

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

Collection Fund Adjustment Account

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

Other Adjustments

This column includes:

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

The above adjustments net to nil overall. The net difference remaining relates to accruals for the cost of annual leave entitlement earned but not taken in the year.

5. Expenditure and Income Analysed by Nature

City Fund income and expenditure included in the net cost of services is analysed as follows:

2016/17 £'m		2017/18 £'m
	Expenditure	
156.0	Employee expenses	173.5
154.1	Other service expenses	174.3
200.0	Crossrail	0.0
33.6	Support service recharges	36.8
26.6	Depreciation, amortisation and impairments	29.8
36.2	Interest payments	32.4
0.5	Precepts and levies	0.5
213.3	Business rates tariff and levy payments to Governement	291.9
0.3	Payments to Government's housing capital receipts pool	0.3
(9.5)	Gain on the disposal of assets	(2.9)
811.1	**Total expenditure**	**736.6**
	Income	
(160.8)	Fees, charges and other service income	(186.1)
(5.1)	Interest and investment income	(4.3)
(257.4)	Business rates and council tax income	(369.7)
(189.2)	Government grants and other grants, contributions and reimbursements	(177.4)
(54.9)	Unrealised gains on revaluation of investment properties	(69.2)
(667.4)	**Total Income**	(806.7)
143.7	**(Surplus) or Deficit on the Provision of Services**	**(70.1)**

6. Critical Judgements in Applying Accounting Policies

In applying accounting policies authorities may have to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement that management considers will have a material effect on the amounts recognised in the financial statements is the net deficit on the City of London Pension Fund. This the responsibility of the City Corporation as a whole rather than the specific responsibility of any of its three funds. Therefore, the City Fund does not have an exclusive relationship with the Pension Fund and the portion of the Pension Fund net deficit relating to City Corporation employees engaged on City Fund activities is not separately identifiable. An apportionment is made based on employer's pension contributions paid by each of the three funds into the Pension Fund.

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

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

(a) ***Business Rates***

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates in their proportionate share. Therefore, a provision has been recognised for the best estimate of successful appeals up to 31 March 2018. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals.

(b) ***Pension Benefits***

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

The effect of changes in individual assumptions on the net pension liability can be measured, but are complex and interact in a complex manner. For example the actuary determines the appropriate discount rate at the end of each year after taking account of the yield from a high quality bond of appropriate duration, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liabilities of City Fund of some £27.4.8m. Other key assumptions for pension obligations are based in part on current market conditions and demographic data. Additional information on pension schemes is given in notes 45 to 48.

(c) ***Property Valuations***

The carrying values of property, plant and equipment and investment properties are primarily dependent on judgements of such variables as the state of the property market, location, asset lives, condition of the property, indices etc. Valuation is an inexact science with assessments provided by different surveyors rarely agreeing and with prices subsequently realised diverging from valuations. A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. For example a 1% reduction in the value of investment properties would result in a £15.2m debit to "Financing and Investment Income and Expenditure" in the Comprehensive Income and Expenditure Statement. Conversely, an increase in value 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.

However, the risk of material adjustments is mitigated by using the experience and knowledge of professional chartered surveyors, both in-house staff and external firms. In addition, tests are undertaken to ensure that variations between the valuations of different surveyors, and between valuations and actual prices, are within reasonable tolerances. Additional information on property asset valuation is provided in note 17.

(d) ***Arrears***

At 31 March 2018, the City Fund had a balance for rents and sundry debtors of £39.2m. A review of the length of time past due and progress on recovery action suggested that an impairment allowance for doubtful debts of £5.6m was appropriate. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

8. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chamberlain on 31 May 2018. Events after the balance sheet date and up to 31 May 2018 have been considered in respect of material impact on the financial statements. Events taking place after this date are not reflected in the financial statements or notes.

9. 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.

2017/18	Usable Reserves					
	City Fund Balance £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	Movement in Unusable Reserves £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)	(32.0)	(0.4)				32.4
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	5.8					(5.8)
Holiday pay (transfers to or from the Accumulated Absences Reserve)	0.1	0.0				(0.1)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (transfers to or from the Capital Adjustment Account)	49.2	(7.0)				(42.2)
Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account	5.2			(5.2)		0.0
Transfer of deferred non-current asset sale proceeds from revenue to the Deferred Capital Receipts Reserve						0.0
Other adjustments						0.0
Total Adjustments to Revenue Resources	**28.3**	**(7.3)**	**0.0**	**(5.2)**	**0.0**	**(15.7)**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6.7	1.8	(8.5)			0.0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.3)		0.3			0.0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	8.1					(8.1)
Posting of HRA resources from revenue to the Major Repairs Reserve		5.0			(5.0)	0.0
Total Adjustments between Revenue and Capital Resources	**14.6**	**6.8**	**(8.3)**	**0.0**	**(5.0)**	**(8.1)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			16.3			(16.3)
Use of the Major Repairs Reserve to finance capital expenditure					3.0	(3.0)
Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account)				1.5		(1.5)
Cash payments in relation to deferred capital receipts			(0.6)			0.6
Total Adjustments to Capital Resources	**0.0**	**0.0**	**15.7**	**1.5**	**3.0**	**(20.2)**
Total Adjustments	**42.8**	**(0.5)**	**7.4**	**(3.7)**	**(2.0)**	**(44.1)**

2016/17 Comparative Figures	Usable Reserves					
	City Fund Balance £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	Movement in Unusable Reserves £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)	(27.6)	(0.2)				27.8
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	(25.1)					25.1
Holiday pay (transfers to or from the Accumulated Absences Reserve)	0.1					(0.1)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (transfers to or from the Capital Adjustment Account)	(175.2)	(7.2)				182.4
Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account	19.9			(19.9)		0.0
Transfer of deferred non-current asset sale proceeds from revenue to the Deferred Capital Receipts Reserve						0.0
Other adjustments	(0.1)	0.1				0.0
Total Adjustments to Revenue Resources	**(208.0)**	**(7.3)**	**0.0**	**(19.9)**	**0.0**	**235.2**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	27.8	3.5	(31.3)			0.0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(0.1)		0.1			0.0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(0.3)		0.3			0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	55.2					(55.2)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)		5.0			(5.0)	0.0
Posting of HRA resources from revenue to the Major Repairs Reserve						0.0
Total Adjustments between Revenue and Capital Resources	**82.6**	**8.5**	**(30.9)**	**0.0**	**(5.0)**	**(55.2)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			144.5			(144.5)
Use of the Major Repairs Reserve to finance capital expenditure					4.7	(4.7)
Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account)				0.1		(0.1)
Cash payments in relation to deferred capital receipts			(17.4)			17.4
Total Adjustments to Capital Resources	0.0	0.0	127.1	0.1	4.7	(131.9)
Total Adjustments	**(125.4)**	**1.2**	**96.2**	**(19.8)**	**(0.3)**	**48.1**

10. 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 2017/18.

	Notes	Balance at 31 March 2016 £m	Transfers Out 2016/17 £m	Transfers In 2016/17 £m	Balance at 31 March 2017 £m	Transfers Out 2017/18 £m	Transfers In 2017/18 £m	Balance at 31 March 2018 £m
Highway Improvements	(i)	(17.2)	3.4	(6.3)	(20.1)	4.7	(14.5)	(30.0)
Police Future Expenditure	(ii)	(4.1)	0.6	0.0	(3.5)	0.0	(3.4)	(6.9)
Crime Reduction Initiatives	(iii)	(3.6)	0.0	(0.1)	(3.7)	0.7	0.0	(3.0)
Crossrail	(iv)	(25.5)	25.5	0.0	0.0	0.0	0.0	0.0
Other Earmarked Reserves	(v)	(4.3)	2.1	(11.1)	(13.3)	1.5	(3.9)	(15.7)
Total		**(54.7)**	**31.6**	**(17.5)**	**(40.6)**	**6.9**	**(21.9)**	**(55.6)**

(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) Police Future Expenditure - Revenue expenditure for the City Police service is cash limited. Underspendings against this limit may be carried forward as a reserve to the following financial year and overspendings are required to be met from this reserve.

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

(iv) Crossrail - Funds set aside to contribute towards the City Fund's £200m commitment towards the Crossrail project were fully spent in 2016/17 when the payment was made.

(v) Other Earmarked Reserves – The total for a number of relatively small reserves including service projects, VAT, the School's reserve and renewals and repairs.

11. Crossrail

In recognition of Crossrail's huge strategic importance to the City, the City Corporation agreed to make a £200m contribution from the City Fund towards the costs of the Crossrail project provided certain conditions were met. All the conditions were fulfilled by the end of 2016/17 and the payment was duly made in March 2017. The contribution is classed as revenue expenditure in the Comprehensive Income and Expenditure Statement as it does not result in the creation of a City Fund asset. However, under statutory provisions the City is able to capitalise this expenditure and this is included as one of the adjustments between the accounting basis and funding basis in the Movement in Reserves Statement.

12. Other Operating Income and Expenditure

2016/17 Net Expenditure/ (Income) £m		2017/18 Net Expenditure/ (Income) £m
(9.5)	Net Gain on Disposal of Fixed Assets	(2.9)
0.3	Inner and Middle Temple Precepts	0.4
0.2	Local levies	0.1
0.3	Payment to Government Housing Capital Receipts Pool	0.3
0.3	Pension Fund Administration Expenses	0.4
(8.4)	**Total**	**(1.7)**

13. Financing and Investment Income and Expenditure

2016/17 Net Expenditure/ (Income) £m		2017/18 Net Expenditure/ (Income) £m
	Investment Properties	
(39.8)	Operational	(43.0)
(54.9)	Gain on revaluation	(69.2)
(5.1)	Interest receivable and similar income	(4.2)
36.2	Pension Interest Cost	32.4
(2.4)	Contribution from Trading Services	(0.9)
(66.0)	**Total**	**(84.9)**

14. Taxation and Non-Specific Grant Income

2016/17 Income £m		2017/18 Income £m
(18.6)	Retained National Business Rates	(47.9)
(8.0)	City Fund Non Domestic Rates Premium	(12.0)
(11.0)	City Fund Offset	(11.3)
(6.6)	Council Tax Income	(6.6)
	Non Ringfenced Government Revenue Grants	
(10.6)	Revenue Support Grant	(8.8)
(52.1)	Police Core Grant	(51.4)
(2.3)	Other	(4.6)
(30.9)	Capital Grants & Contributions	(18.9)
(140.1)	**Total**	**(161.5)**

15. Property, Plant and Equipment

Movements on Balances 2017/18	Council Dwellings £m	Other Land & Buildings £m	Leasehold Improvements £m	Vehicles, Plant & Equipment £m	Infrastructure £m	Community Assets £m	Assets Under Construction £m	Surplus Assets £m	Total £m
Cost or valuation									
at 1 April 2018	343.9	440.7	61.2	39.7	87.4	1.3	11.2	6.4	**991.8**
Additions	0.3	2.8	0.4	5.3	9.8	0.2	17.2	0.1	**36.1**
Transfers	0.6	2.4	0.0	0.0	0.8	0.0	(3.8)	0.0	**0.0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(11.2)	25.9	0.0	0.0	0.0	0.0	0.0	(0.2)	**14.5**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3.6)	(0.7)	0.0	0.0	0.0	0.0	0.0	0.0	**(4.3)**
Derecognition - disposals	(5.3)	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	**(5.4)**
at 31 March 2018	**324.7**	**471.1**	**61.6**	**44.9**	**98.0**	**1.5**	**24.6**	**6.3**	**1,032.7**
Accumulated Depreciation and Impairment									
at 1 April 2018	(0.1)	(4.8)	(21.2)	(31.5)	(45.3)	0.0	0.0	(0.7)	**(103.6)**
Depreciation Charge	(3.9)	(9.8)	(3.0)	(2.7)	(6.7)	0.0	0.0	(0.1)	**(26.2)**
Depreciation written out to the Revaluation Reserve	3.2	9.6	0.0	0.0	0.0	0.0	0.0	0.1	**12.9**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.7**
Derecognition - disposals	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	**0.1**
at 31 March 2018	**(0.1)**	**(5.0)**	**(24.2)**	**(34.1)**	**(52.0)**	**0.0**	**0.0**	**(0.7)**	**(116.1)**
Net Book Value									
at 31 March 2017	**343.8**	**435.9**	**40.0**	**8.2**	**42.1**	**1.3**	**11.2**	**5.7**	**888.2**
at 31 March 2018	**324.6**	**466.1**	**37.4**	**10.8**	**46.0**	**1.5**	**24.6**	**5.6**	**916.6**

Property, Plant and Equipment (continued)

Movements on Balances Comparative for 2016/17	**Council Dwellings £m**	**Other Land & Buildings £m**	**Leasehold Improvements £m**	**Vehicles, Plant & Equipment £m**	**Infrastructure £m**	**Community Assets £m**	**Assets Under Construction £m**	**Surplus Assets £m**	**Total £m**
Cost or valuation									
at 1 April 2017	338.1	440.0	60.5	38.4	79.5	0.7	18.9	0.9	**977.0**
Additions	3.9	4.2	0.7	1.6	7.0	0.2	6.5	0.0	**24.1**
Transfers	7.0	2.7	0.0	0.0	0.9	0.4	(14.2)	3.2	**0.0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9.4	(5.8)	0.0	0.0	0.0	0.0	0.0	2.3	**5.9**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3.4)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	**(3.2)**
Derecognition - disposals	(11.1)	(0.6)	0.0	(0.3)	0.0	0.0	0.0	0.0	**(12.0)**
at 31 March 2018	**343.9**	**440.7**	**61.2**	**39.7**	**87.4**	**1.3**	**11.2**	**6.4**	**991.8**
Accumulated Depreciation and Impairment									
at 1 April 2017	(0.1)	(4.1)	(18.4)	(29.1)	(38.7)	0.0	0.0	(0.7)	**(91.1)**
Depreciation Charge	(2.7)	(9.4)	(2.8)	(2.8)	(6.6)	0.0	0.0	0.0	**(24.3)**
Depreciation written out to the Revaluation Reserve	2.7	7.8	0.0	0.1	0.0	0.0	0.0	0.0	**10.6**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	**0.9**
Derecognition - disposals	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	**0.3**
at 31 March 2018	**(0.1)**	**(4.8)**	**(21.2)**	**(31.5)**	**(45.3)**	**0.0**	**0.0**	**(0.7)**	**(103.6)**
Net Book Value									
at 31 March 2017	**338.0**	**435.9**	**42.1**	**9.3**	**40.8**	**0.7**	**18.9**	**0.2**	**885.9**
at 31 March 2018	**343.8**	**435.9**	**40.0**	**8.2**	**42.1**	**1.3**	**11.2**	**5.7**	**888.2**

* Revaluations at 1 April 2015 for surplus assets reflects the adoption of IFRS 13 valuation at highest and best use. This measure is recognised in the revaluation reserve.

Depreciation

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

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

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

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

Commitments

Significant capital commitments of some £7.1m were outstanding at 31 March 2018, detailed as follows:

- £2.7m outstanding in respect of the delivery of the new street lighting strategy
- £2.9m for the completion of works to Bishopsgate and 21 New Street to upgrade the police accommodation decant estate
- 1.5m relating to new windows and cladding on a block of dwellings at the Golden Lane Estate.

In addition, the City has committed to grant funding up to £30.4m to meet the initial design and planning costs of relocating the Museum of London to new premises at Smithfield. Of this initial sum, £xxx had been paid as at 31 March 2018. Should the decision to proceed be made, a significant funding commitment from the City will be required, with contributions from the Greater London Authority and fund-raising by the Museum.

The following have been revalued at 31 March 2018 in accordance with the Rolling Five Year Programme of Revaluation or to reflect material changes in value:

- Barbican Estate residential properties, baggage stores, and car bays
- Housing Dwellings (including guest flats)
- Artizan Street Community Centre
- Various Housing Commercial Properties (shops, garages and parking spaces etc)
- Properties at the City of London Cemetery and Crematorium
- Golden Lane Recreation Centre
- Barbican Centre, including the Barbican lending library
- Central Criminal Court
- Cleansing Depot and Offices at Walbrook Wharf
- Police Stations
- Aldgate Public Square Pavilion
- Spitalfields Market
- Surplus Properties
    - public conveniences
    - various properties on the Woodredon and Warlies Park Estate
    - disused areas identified for development on the Barbican Residential Estate
- Investment Properties
- Assets Held for Sale - land adjacent to the City of London Cemetery

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, Walbrook Wharf (depot and offices), Golden Lane Recreation Centre, Woodredon and Warlies Park, Cemetery and Crematorium, Police Stations and Section House, Barbican Hostel, 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 Jones Lang Lasalle Ltd, Cushman and Wakefield LLP, Gerald Eve and Savills.

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

16. Heritage Assets

The carrying value of heritage assets currently held in the Balance Sheet at historic cost is £8.9m (2016/17 £8.9m) 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 printing books collection from the 15th century onwards and many special collections including those devoted to Samuel Pepys, John Wilkes and 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's website (www.cityoflondon.gov.uk).

17. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2016/17 £m		**2017/18** £m
(54.5)	Income from investment properties	(59.2)
14.7	Operating expenses arising from investment property	16.3
(39.8)	**Net gain**	**(42.9)**

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.

The following table summarises the movement in the fair value of investment properties over the year:

2016/17 £m		2017/18 £m
1,366.7	Balance at start of the year	1,444.8
	Transfers	0.0
	Additions:	
33.2	Purchases	4.8
0.0	Construction	0.0
0.1	Subsequent expenditure	0.5
(10.1)	Disposals	(0.3)
	Revaluations:	
54.9	Net gains from fair value adjustments	69.2
1,444.8	**Balance at end of the year**	**1,519.0**

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

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

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

As part of the annual valuation of our investment properties, our external valuers have determined a proportion of the portfolio has been valued on a level 3 basis. This means there some significant unobservable inputs which determine the value of these properties, namely the market rent and yield when using the valuation method highlighted above. The below table sets out the sensitivity of the property valuations to these inputs based on a +/- 0.25% change in yield and +/-5% change in market value. This on average generates a 6% change in the value of these properties.

Description of Assets	Assessed Valuation Range	Value 31 March 2018	Tolerance Range	
Investment Property	+/- 6%	1,218,154,000	1,291,243,240.00	1,145,064,760.00

18. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown, in the table below, together with the resources that have been used to finance it. Where assets are acquired under finance leases (see note 43) 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 £200m payment to Crossrail in 2016/17 was categorised as Revenue Expenditure Funding from Capital Under Statute (REFCUS) and is the reason for the significant change in capital expenditure between years.

2016/17 £m		2017/18 £m
(1.3)	**Opening Capital Financing Requirement**	**40.6**
	Capital Investment	
24.1	Property, Plant and Equipment	36.1
33.3	Investment Properties	5.3
0.0	Non-property Investments	0.0
	Intangible Assets	
203.7	Revenue Expenditure Funded from Capital Under Statute	8.2
	Sources of Finance	
0.0	Minimum Revenue Provison	(0.9)
(144.5)	Capital Receipts	(16.3)
(14.8)	Capital grants, contributions and donations	(17.3)
(59.9)	Direct revenue contributions	(11.1)
40.6	**Closing Capital Financing Requirement**	**44.6**

	Explanation of movement in year	
0	Minimum Revenue Provision	(0.9)
1.7	Assets acquired under finance leases	0.0
40.2	Increase in underlying need to borrow	4.9
41.9	**Increase/(decrease) in Capital Financing Requirement**	**4.0**

19. 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:

Long Term	Current		Long Term	Current
31 March 2017	31 March 2017 Restated		31 March 2018	31 March 2018
£m	£m		£m	£m
		Investments		
0.2	0.0	Unquoted equity investment at cost	0.2	0.0
0.0	446.6	Loans and receivables	0.0	471.5
0.0	250.4	Available for sale	0.0	214.5
0.2	**697.0**	**Total Investments**	**0.2**	**686.0**
		Debtors		
18.7	41.1	Loans and receivables	17.6	35.5
18.7	**41.1**	**Total Debtors**	**17.6**	**35.5**
		Creditors		
0.0	(66.4)	Financial liabilities at amortised cost	0.0	(56.7)
0.0	**(66.4)**	**Total Creditors**	**0.0**	**(56.7)**
		Long Term Liabilities		
(4.1)	0.0	Finance Leases	(4.0)	0.0
(4.1)	**0.0**	**Total Long Term Liabilities**	**(4.0)**	**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). Investment in money market funds are classed as available for sale financial assets as they are quoted in active markets. Loans and receivables are defined as financial assets that have fixed or determinable payments and are not quoted in an active market e.g. deposits

Income, Expense, Gains and Losses

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

2016/17 Financial Assets Loans and Receivables £m		**2017/18 Financial Assets Loans and Receivables £m**
0.1	Impairment (gains)/losses	0.0
0.1	**Total (Gains)/Losses in Surplus or Deficit on the Provision of Services**	**0.0**
(5.1)	Interest Income	(4.2)
(5.1)	**Total Income in Surplus or Deficit on the Provision of Services**	**(4.2)**
(5.0)	**Net gain for year**	**(4.2)**

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by investments and long term debtors are carried in the Balance Sheet at amortised cost. The fair value of trade and other receivables is taken to be the invoiced or billed amount. Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

The City Fund's investments in the London money markets are predominately fixed rate and fixed length deposits. The carrying amount of the investments is assumed to be a reasonable approximation of fair value taking into account the period to maturity.

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.

31 March 2017			**31 March 2018**	
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m
697.0	697.0	Investments	686.0	686.0
7.1	8.0	Long Term Debtors - investment properties	7.1	7.6
11.6	11.6	Long Term Debtors - other	10.5	10.5
715.7	716.6		703.6	704.1

20. 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 "score" of Long term A and Short term F1 or are building societies with assets over £9bn (or which have a minimum credit rating "score" similar to that set for the banks) . The City Fund also invests in money market funds, which are subject to a minimum credit rating of AAAmmf (Fitch) or equivalent. In 2017/18 the City invested in two Short Dated Bond Funds. These financial instruments typically do not obtain their own standalone credit rating. The funds will invest in a wide array of investment grade instruments, which the City will actively monitor in terms of the fund's composition and credit quality of its underlying assets. The lending list is reviewed on a regular basis using advice from credit rating agencies and in-house judgements based partially on credit default swap rates.

The creditworthiness of the counterparties on the City Fund's lending list is carefully monitored. Security of the investments is the prime criteria when selecting investments with liquidity and yield being secondary and tertiary considerations. By the end of the year, the City Fund effectively had eleven potential borrowers in the form of UK banks and building societies and it has been necessary to maintain relatively high levels of individual maximum lending limits to accommodate lending requirements. The lending limits attributable to HSBC, Barclays, Goldman Sachs International Bank, Royal Bank of Scotland and Santander UK were maintained at maximum lending limits of £100m each, and Lloyds Bank was fixed at £150m (Lloyds being the City Corporations banker). The lending limit for the Nationwide Building Society was maintained at £120m. The maximum duration for such loans was fixed at three years. The lending limits for the Yorkshire, Coventry, Skipton and Leeds Building Societies were maintained at £20m each and the duration for such loans was fixed at 1 year. The list also contains three foreign banks with individual limits of £25m, being National Australia Bank, Australia and New Zealand Banking Group and Svenska Handelsbanken. The lending list also includes six highly rated money market funds (Aberdeen Sterling Liquidity Fund, CCLA, Deutsche Liquidity Fund, Federated Liquidity Fund, Standard Life Ignis Liquidity Funds, Invesco), three highly rated Ultra-Short Dated Bond Funds (Federated Sterling Cash Plus Fund, Standard Life Investments Short Duration Managed Liquidity Fund and Payden Sterling Reserve Fund) and most recently two Short Dated Bond Funds (Legal & General Short Dated Sterling Corporate Bond Index Fund and Royal London Investment Grade Short Dated Credit Fund). The City Corporation will also lend to other UK local authorities with a limit of £25m to any individual authority.

The 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 2018 the City Fund had some £738.2m in cash, cash equivalents and investments.

The City Fund does not generally allow credit for customers. Therefore, the potential maximum exposure to credit risk is with customers for which prudent provision for bad debts has been included within the accounts based on the length of time past due and progress on recovery action (see note 22). The past due but not impaired amount is summarised below.

Amount as at 31 March 2017 £m		Amount as at 31 March 2018 £m
14.8	Less than three months	17.7
1.2	Three to six months	1.3
0.7	Six months to one year	0.4
1.5	More than one year	2.5
18.2	**Total**	**21.9**

Liquidity risk

As 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 and has no plans to borrow to finance future capital expenditure. All trade creditors and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

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

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

The low interest rate environment persisting in 2017/18 continues to have an adverse impact on the income earnings of the City Fund and HRA, which is anticipated to continue in 2018/19, although longer term deals are entered into wherever possible to earn higher rates when available.

Changes in interest receivable on variable rate investments are posted to the Surplus or Deficit on the Provision of Services and affect the City Fund unallocated reserve. 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:

2016/17 £m		2017/18 £m
	Increase in interest receivable on investments held at variable rates	
1.9	City Fund	2.4
0.1	HRA	0.0
2.0	**Total**	**2.4**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

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

Foreign exchange risk

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

21. Long Term Debtors

31 March 2017 £m		31 March 2018 £m
13.8	Net Investment in Finance Leases	13.2
2.0	Loans to Museum of London (repayable by 2032)	1.8
2.6	Rent	2.3
0.2	Museum in Docklands Loan	0.1
0.1	Service Charge Loans	0.1
18.7		**17.6**

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

31 March 2017		31 March 2018	
£m		£m	£m
27.5	Central Government Bodies		34.0
5.6	Greater London Authority		5.5
12.0	Rents	11.9	
(0.8)	less impairment allowance for bad and doubtful debts	(0.7)	
11.2			11.2
17.8	Sundry	28.4	
(2.4)	less impairment allowance for bad and doubtful debts	(4.9)	
15.4			23.4
5.4	City Fund's share of national business rates arrears	10.9	
(3.0)	less impairment allowance for bad and doubtful debts	(2.9)	
2.4			8.0
13.5	Investment property sale proceeds		0.0
0.6	Net Investment in Finance Leases		0.7
0.7	Season Ticket and Loans to Employees		0.7
8.8	Prepayments		9.3
85.7			**92.8**

The Code specifies that, except where information is not material, debtors should be analysed between the following categories; central government bodies, other local authorities, NHS bodies, public corporations and trading funds, and bodies external to general government (i.e. all other bodies). With the exception of central government bodies and the Greater London Authority, there are no material amounts due from other general government bodies.

23. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2017 £m		31 March 2018 £m
53.2	Cash at bank	55.1
53.2		**55.1**

24. Creditors and Receipts in Advance

31 March 2017 £m		31 March 2018 £m
(170.1)	Central Government Bodies	(128.1)
(78.3)	Greater London Authority and Transport for London	(119.2)
(20.8)	City Fund's share of national business rates creditors and receipts in advance	(29.1)
(8.4)	Deposits	(1.2)
(62.6)	Sundry	(60.1)
(32.6)	Receipts in advance	(23.0)
0.0	Spitalfields Market Tenants Fund	0.0
(372.8)		**(360.7)**

The Code specifies that, except where information is not material, creditors should be analysed between the following categories; central government bodies, other local authorities, NHS bodies, public corporations and trading funds, and bodies external to general government (i.e. all other bodies). With the exception of central government bodies, the Greater London Authority and Transport for London there are no material amounts due to other general government bodies. The City Fund acts as an agent; on behalf of central government and the Greater London Authority in collecting sums due from business rates; and on behalf of Transport for London by collecting Mayoral Community Infrastructure Levy (CIL) and Section 106 agreements planning obligations. Sums collected, but not yet paid over, by the City Fund as an agent for theses bodies are included as creditors.

Sundry creditors include monies held on behalf of third parties by the City of London Police arising from its operational responsibilities and the year on year increase in sundry creditors is mainly due to the increase in these funds.

25. Provisions

	National Business Rates £m	City Fund Premium on Business Rates £m	**Total**
Balance at 1 April 2017	**(80.2)**	**(2.4)**	**(82.6)**
Appeals settled in 2017/18	25.4	0.9	**26.3**
Provisions made in 2017/18	(1.7)	(0.1)	**(1.8)**
Balance at 31 March 2018	**(56.4)**	**(1.6)**	**(58.1)**

With the introduction of the Business Rates Retention Scheme from 1 April 2013, Local Authorities are liable for successful appeals against business rates in their proportionate share. The City Fund's proportionate share is 30%. A provision is recognised for the best estimate of the City Fund's liability at the year-end for known appeals. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals outstanding as at 31 March 2018 and an analysis of successful appeals in 2017/18.

26. Contingent Liabilities

There is a disagreement with a contractor as to whether or not certain work is inside or outside the scope of a contract. It is not known what the outcome of this dispute will be, but costs could be in the region of £2.6m.

27. Usable Reserves

Movements in the City Fund's usable reserves are detailed in the Movement in Reserves Statement on page 13 and Note10.

28. Unusable Reserves

31 March 2017 £m		**Note**	**31 March 2018 £m**
(305.6)	Revaluation Reserve	A	(325.5)
(1,994.5)	Capital Adjustment Account	B	(2,073.3)
1,220.3	Pensions Reserve	C	1,260.7
(0.7)	Collection Fund Adjustment Account	D	(6.5)
2.9	Accumulated Absences Account	E	2.8
(14.3)	Deferred Capital Receipts Reserve	F	(13.7)
(1,091.9)	**Total Unusable Reserves**		**(1,155.4)**

A. <u>Revaluation Reserve</u>

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).

2016/17		**2017/18**	
£m		**£m**	**£m**
(301.9)	Balance at 1 April		(305.6)
(26.8)	Upward revaluation of assets	(39.0)	
10.3	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	11.5	
(16.5)	Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(27.5)
4.2	Difference between fair value depreciation and historical cost depreciation	3.8	
0.0	Assets reclassified as investments		
8.6	Accumulated gains on assets sold or scrapped	3.8	
12.8	Amount written off to the Capital Adjustment Account		7.6
(305.6)	**Balance at 31 March**		**(325.5)**

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.

2016/17		2017/18	
£m		£m	£m
(1,959.7)	Balance at 1 April		(1,994.5)
	Reversal of items relating to capital expenditure debited or credited to the CIES:		
28.0	Charges for depreciation, impairment and revaluation losses of non-current assets	29.8	
(1.4)	Revaluation gains on Property, Plant and Equipment		
0.1	Amortisation of intangible assets		
203.7	Revenue expenditure funded from capital under statute	8.2	
21.7	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	5.6	
252.1		43.7	
(12.8)	Adjusting amounts written out of the Revaluation Reserve	(7.6)	
239.3	Net written out amount of the cost of non-current assets consumed in the year		36.0
	Capital financing applied in the year:		
(144.5)	Use of the Capital Receipts Reserve to finance new capital expenditure	(16.3)	
(4.7)	Use of the Major Repairs Reserve to finance new capital expenditure	(3.0)	
(14.7)	Capital grants,contributions & donations credited to the CIES that have been applied to capital financing	(15.7)	
(0.1)	Application of grants to capital financing from the Capital Grants Unapplied Account	(1.5)	
0.0	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(0.9)	
(55.2)	Capital expenditure charged against the City Fund & HRA balances	(8.1)	
(219.2)			(45.6)
(54.9)	Movements in the market value of Investment Properties debited or credited to the CIES		(69.2)
(1,994.5)	**Balance at 31 March**		**(2,073.3)**

C. Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Post-employment benefits in the Comprehensive Income and Expenditure Statement are recognised as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as employer's contributions are paid to pension funds. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The negative pension reserve matches the estimated liabilities on the City of London (City Fund share), Police and Judges Pension Schemes as determined by independent actuaries using the projected unit method and in accordance with IAS19 (see notes 44 to 47).

2016/17 £m		2017/18 £m
1,018.9	Balance at 1 April	1,220.3
173.7	Remeasurements of the net defined benefit liability	8.0
64.8	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	71.4
(37.1)	Employer's pension contributions less direct payments to pensioners payable in the year	(39.0)
1,220.3	**Balance at 31 March**	**1,260.7**

D. Collection Fund Adjustment Account

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

2016/17 £m		**2017/18 £m**
(25.9)	Balance at 1 April	(0.7)
25.2	Amount by which national business rates and council tax income credited to the Comprehensive Income and Expenditure Statement is different from national business rates and council tax income calculated for the year in accordance with statutory requirements	(5.8)
(0.7)	**Balance at 31 March**	**(6.5)**

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.

2016/17		**2017/18**	
£m		**£m**	**£m**
3.0	Balance at 1 April		2.9
(3.0)	Settlement or cancellation of accrual made at the end of the preceding year	(2.9)	
2.9	Amounts accrued at the end of the current year	2.8	
(0.1)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements		(0.1)
2.9	**Balance at 31 March**		**2.8**

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.

2016/17 £m		**2017/18 £m**
(31.6)	Balance at 1 April	(14.3)
17.3	Cash payments in relation to deferred capital receipts	0.6
0.0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0.0
(14.3)	**Balance at 31 March**	**(13.7)**

29. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following item:

2016/17 £m		2017/18 £m
(5.1)	Interest received	(4.2)

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

2016/17 £m		2017/18 £m
(26.6)	Depreciation, impairments and impairment reversal	(29.8)
(0.1)	Amortisation	0.0
(33.8)	Increase in creditors	(13.4)
5.3	Increase in debtors	16.6
0.1	Increase in inventories	(0.0)
(27.8)	Movement in pension liability	(32.4)
(21.7)	Carrying amount of non-current assets sold	(5.6)
54.9	Movement in investment property values	69.2
(0.7)	Deferred credits	(14.9)
(36.2)	(Increase)/Decrease in contributions to provisions	24.5
0.0	Other non-cash items charged to the net surplus or deficit on the provision of services	0.0
(86.6)		14.2

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

2016/17 £m		2017/18 £m
40.3	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8.5
34.6	Capital grants credited to the net surplus or deficit on the provision of services	21.0
74.9		29.5

30. Cash Flow Statement – Investing Activities

2016/17 £m		2017/18 £m
56.3	Purchase of property, plant and equipment, investment property and intangible assets	30.4
(24.5)	Movement in short-term and long-term investments	(11.0)
(34.4)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(21.0)
0.0	Income from finance lease	
(57.0)	Other receipts from investing activities	(10.9)
(59.6)	**Net cash outflows/(inflows) from investing activities**	**(12.4)**

31. Cash Flow Statement – Financing Activities

2016/17 £m		2017/18 £m
(55.9)	Billing Authorities - Council Tax and NNDR Adjustments	36.6
(12.0)	Difference between cash collected on behalf of the Mayor of London under the Community Infrastructure Levy and the amount paid to the Greater London Authority	0.0
0.0	Difference between cash collected on behalf of the Mayor of London under Crossrail planning obligations (Section 106 Agreements) and the amount paid to Transport for London	0.0
(67.9)	**Net cash inflows from financing activities**	**36.6**

32. Trading Operations

	2017/18 £m
Spitalfields Market	
Turnover	(7.3)
Expenditure	6.4
Surplus	(0.9)

Spitalfields Market is a horticultural market serving wholesalers, retailers and caterers from London and a wide area in the Home Counties.

33. Agency Services

The City Fund carries out certain work on an agency basis for which it is fully reimbursed. Revenue and capital work costing £1.1m (2016/17: £1.5m) was undertaken on behalf of Transport for London. These sums were fully reimbursed.

34. Members' Allowances

Members do not receive any remuneration from the City of London for undertaking their duties. However, Members may claim travelling expenses in respect of activities outside the City and receive allowances in accordance with a scale when attending a conference or activity on behalf of the City Corporation. These costs, totalling £5246 (2016/17: £3,874) across all of the City's activities, were met from the endowment funds of the City Corporation and not charged to the City Fund.

35. Remuneration of Senior Employees

Tables 1 to 3 set out the information required in accordance with the Accounts and Audit Regulations 2015 for 2017/18 and 2016/17 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. Officers have been classified between those employees charged wholly to the City Fund, including Police officers, and those employees charged partly to the City Fund and partly to other funds of the City Corporation. The numbers include those officers required to be separately disclosed and set out in Tables 2 and 3.

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

Table 1 – Remuneration in bands - Where there are no officers in a band, that band has not been included in the table.

Salary Range	Wholly charged to City Fund				Partially Charged to City Fund	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£	Police Officers		Other		Other	
50 - 54,999	127	146	51	54	99	102
55 - 59,999	55	91	34	32	44	57
60 - 64,999	60	74	18	22	50	58
65 - 69,999	30	37	10	13	25	24
70 - 74,999	7	12	5	12	10	19
75 - 79,999	2	5	6	3	9	13
80 - 84,999	7	7	2	4	7	11
85 - 89,999	2	5	3	2	1	4
90 - 94,999	3	1	1	0	3	4
95 - 99,999	1	1	3	2	1	2
100 - 104,999	0	0	1	2	1	3
105 - 109,999	0	3	1	1	6	3
110 - 114,999	1	0	0	0	3	2
115 - 119,999	0	0	1	0	1	2
120 - 124,999	0	0	0	0	3	3
125 - 129,999	1	0	0	1	1	1
130 - 134,999	0	0	0	0	2	1
135 - 139,999	0	0	0	0	1	1
140 - 144,999	1	0	2	0	0	0
150 - 154,999	0	0	0	1	0	1
155 - 159,999	0	0	0	0	1	1
160 - 164,999	0	0	0	0	0	0
165 - 169,999	0	0	0	0	1	0
185 - 189,999	1	1	0	0	0	0
190 - 194,999	0	0	0	0	0	0
195 - 199,999	0	0	0	0	0	0
200 - 204,999	0	0	1	1	0	1
205 - 209,999	0	0	0	0	1	1
235 - 239,999	0	1	0	0	0	0
255 - 259,999	0	0	0	0	1	0
260 - 264,999	0	0	0	0	0	1
Total	298	385	139	151	271	318

Table 2 - 2017/18 remuneration for those senior employees and relevant police officers required to be disclosed individually

2017/18	Proportion charged to Local or Police Authority Activities where less than 100% (see note i) %	Salary (including fees & allowances) £000	Bonus £000	Expenses £000	Benefits in Kind £000	Compensation for Loss of Office £000	Other Payments (Police Officers only) £000	Total Remuneration excluding pension contributions £000	Pension Contributions £000	Total Remuneration including Pension Contributions £000
Salary is £150,000 or more a year										
Town Clerk & Chief Executive - J. Barradell	55%	137	7	0	60	0	0	204	30	234
Chamberlain - P. Kane	60%	105	0	0	0	0	0	105	22	127
Police Commissioner - I. Dyson		179	0	0	0	0	6	185	0	185
Managing Director Barbican Centre - N. Kenyon		192	7	0	0	0	0	199	42	241
Salary is between £50,000 and £150,000										
Director of Built Environment		148	3	0	0	0	0	151	32	183
Director of Community & Children's Services		103	0	0	0	0	0	103	22	125
Director of Markets & Consumer Protection	55%	65	1	0	0	0	0	66	14	80
Director of Open Spaces	30%	31	0	0	0	0	0	31	6	37
Comptroller & City Solicitor	65%	99	5	0	0	0	0	104	22	126
City Surveyor	40%	59	1	0	0	0	0	60	13	73

2016/17	Proportion charged to Local or Police Authority Activities where less than 100% (see note i)	Salary (including fees & allowances)	Bonus	Expenses	Benefits in Kind	Compensation for Loss of Office	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including Pension Contributions
	%	£000	£000	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year										
Town Clerk & Chief Executive - J. Barradell	55%	134	7	0	0	0	0	141	25	166
Chamberlain - P. Kane	60%	101	0	0	0	0	0	101	18	119
Police Commissioner - I. Dyson		179	0	0	0	0	8	187	0	187
Managing Director Barbican Centre - N. Kenyon		189	7	0	0	0	0	196	34	230
Salary is between £50,000 and £150,000										
Director of Built Environment		144	0	0	0	0	0	144	25	169
Director of Community & Children's Services (Left 30th Nov 2016)		92	6	0	0	0	0	98	16	114
Director of Community & Children's Services (Acting up from 1st Dec 2016)		35	0	0	0	0	0	35	6	41
Director of Culture, Heritage & Libraries (Retired 31st Jan 2017)	65%	61	1	0	0	15	0	77	11	88
Deputy Town Clerk (Retired 30th Sep 2016)	55%	38	0	0	0	38	0	76	6	82
Director of Markets & Consumer Protection	55%	63	0	0	0	0	0	63	11	74
Director of Open Spaces (Retired 28th Feb 2017)	30%	27	1	0	0	0	0	28	5	33
Director of Open Spaces (Started 1st March 2017)	30%	3	0	0	0	0	0	3	0	3
Comptroller & City Solicitor	65%	98	5	0	0	0	0	103	18	121
City Surveyor (Retired 31st Oct 2016)	0.4	20	0	0	0	0	0	20	0	20
City Surveyor (Started 3rd Oct 2016)	40%	29	0	0	0	0	0	29	5	34

Table 3 - 2016/17 remuneration for those senior employees and relevant police officers required to be disclosed individually

Notes to Senior Officers and Relevant Police Officers Remuneration Disclosures

(i) These officers provide services for the City Corporation's local authority and non-local authority activities. The remuneration included in tables 2 and 3 relates to the proportion charged to local authority and police activities. The total salary for each of these officers is as follows:

2016/17 Total Salary £000		2017/18 Total Salary £000
244	Town Clerk and Chief Executive	249
168	Chamberlain	177
94	Director of Culture, Heritage & Libraries (Retired 31 Jan 2017)	Post Deleted
69	Deputy Town Clerk (Retired 30 Sep 2016)	Post Deleted
115	Director of Markets & Consumer Protection	119
90	Director of Open Spaces (Retired 28 Feb 2017)	N/A
10	Director of Open Spaces (Started 01 March 2017)	103
151	Comptroller & City Solicitor	153
50	City Surveyor (Retired 31 Oct 2016)	N/A
73	City Surveyor (Started 03 Oct 2016)	149

36. Exit Packages

2017/18	Exit Package Cost Band							
	£0 - £20,000	£20,001 - £40,000	£40,001 - £60,000	£60,001 - £80,000	£80,001 - £100,000	£100,001 - £150,000	£150,001 - £200,000	Total
Number of compulsory redundancies (FTE No.)	0.0	0.0	2.0	0.0	1.0	1.0	1.0	**5.0**
Number of Other Departures Agreed (FTE No.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Total Number of Exit Packages by Cost Band (FTE No.)	**0.0**	**0.0**	**2.0**	**0.0**	**1.0**	**1.0**	**1.0**	**5.0**
Total Cost of Exit Packages in Each Band (£'000)	**0.0**	**0.0**	**108.0**	**0.0**	**83.6**	**102.2**	**165.6**	**459.4**

2016/17	Exit Package Cost Band							
	£0 - £20,000	£20,001 - £40,000	£40,001 - £60,000	£60,001 - £80,000	£80,001 - £100,000	£100,001 - £150,000	£150,001 - £200,000	Total
Number of compulsory redundancies (FTE No.)	6.0	2.0	2.0	0.0	0.0	1.0	0.0	**11.0**
Number of Other Departures Agreed (FTE No.)	1.0	0.0	0.0	0.0	0.0	0.0	1.0	**2.0**
Total Number of Exit Packages by Cost Band (FTE No.)	**7.0**	**2.0**	**2.0**	**0.0**	**0.0**	**1.0**	**1.0**	**13.0**
Total Cost of Exit Packages in Each Band (£'000)	**96.4**	**47.4**	**110.0**	**0.0**	**0.0**	**100.6**	**175.6**	**530.0**

37. Audit Fees

Costs incurred in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the City Fund's external auditor, BDO LLP are set out below. Audit Fees of £21,000 (2016/17: £21,000) in respect of the City of London Pension Fund are met by the Pension Fund and are not included in the table.

2016/17 £'000		2017/18 £'000
86.4	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.	86.4
11.2	Certification of grant claims and returns by the appointed auditor	11.4
11.3	Non-audit fees - other grant and certification fees	11.3
108.9		**109.1**

38. Dedicated Schools Grant

In 2017/18, the City Fund received a specific grant from the Department for Education, the Dedicated Schools Grant (DSG), of £2.75m (2016/17: £2.41m). 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 2011. 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 2017/18 are as follows:

2017/18	**Schools Budget Funded by DSG**		
	Central Expenditure £m	**Individual School Budget £m**	**Total £m**
Final DSG for 2017/18 before Academy recoupment	0.91	1.84	2.75
Academy Figure recouped for 2017/18	0.00	0.00	0.00
Total DSG after Academy recoupment for 2017/18	0.91	1.84	2.75
Plus:Brought forward from 2016/17	0.39	0.00	0.39
Less: Carry forward to 2018/19 agreed in advance	0.00	0.00	0.00
Agreed initial budgeted distribution in 2017/18	1.30	1.84	3.14
In year adjustments	0.00	0.00	0.00
Final budgeted distribution for 2017/18	1.30	1.84	3.14
Less: Actual central expenditure	(0.79)	0.00	(0.79)
Less: Actual ISB deployed to schools	0.00	(1.84)	(1.84)
Plus:Local authority contribution for 2017/18	0.00	0.00	0.00
Carry forward to 2018/19	**0.51**	**0.00**	**0.51**

Details of the deployment of DSG receivable for 2016/17 are as follows:

2016/17	Schools Budget Funded by DSG		
	Central Expenditure £m	Individual School Budget £m	Total £m
Final DSG for 2016/17 before Academy recoupment	0.71	1.70	2.41
Academy Figure recouped for 2016/17	0.00	0.00	0.00
Total DSG after Academy recoupment for 2016/17	0.71	1.70	2.41
Plus:Brought forward from 2015/16	0.73	0.00	0.73
Less: Carry forward to 2017/18 agreed in advance	0.00	0.00	0.00
Agreed initial budgeted distribution in 2016/17	1.44	1.70	3.14
In year adjustments	0.00	0.00	0.00
Final budgeted distribution for 2016/17	1.44	1.70	3.14
Less: Actual central expenditure	(1.05)	0.00	(1.05)
Less: Actual ISB deployed to schools	0.00	(1.70)	(1.70)
Plus:Local authority contribution for 2016/17	0.00	0.00	0.00
Carry forward to 2017/18	**0.39**	**0.00**	**0.39**

39. Grant Income credited to the Comprehensive Income and Expenditure Statement

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

Grant Income Credited to Taxation and Non-Specific Grant Income

2016/17 £m		2017/18 £m
	Credited to Taxation and Non Specific Grant Income	
	Revenue Grants	
(11.0)	City Fund Offset	(11.3)
(10.6)	Revenue Support Grant	(8.8)
(52.1)	Police Grant	(51.4)
(2.3)	Other Non-Specific Grants	(4.6)
	Capital Grants and contributions	
(1.2)	Home Office	(0.4)
(1.3)	Transport for London	(0.1)
(1.0)	Ministry of Justice	(1.1)
(7.9)	Section 106/278 Contributions	(12.1)
(18.6)	Community Infrastructure Levy	(4.8)
(0.4)	Bridge House Estates	(0.1)
(0.5)	Other capital grants and contributions	(0.3)
(106.9)	**Total**	**(95.0)**

Grant Income Credited to Services

2016/17 £m		2017/18 £m
	Credited to Services	
	Revenue Grants (Government)	
	Home Office	
(19.0)	Police Pensions	(18.5)
(5.1)	Counter Terrorism	(4.8)
(3.2)	National Cyber Security Programme	(4.2)
0.0	National Enabling Programme	(1.9)
(4.5)	National and International Capital City Grant	(4.5)
(7.4)	National Fraud Intelligence Bureau	(8.0)
(2.6)	National Lead Force for Fraud	(2.5)
	Regional Capability on Economic Crime	0.0
(0.2)	Innovation Fund	0.0
(1.1)	Other	(1.5)
(0.3)	Ministry of Justice	
	Department for Work and Pensions	
(5.5)	Housing and Council Tax Benefit	(5.2)
(5.0)	HM Courts and Tribunals Service	(5.7)
	Department for Education	
(2.7)	Dedicated Schools Grant	(2.6)
(0.2)	Other	(0.2)
	Department for Communities and Local Government	
(1.7)	Cost of Collection Allowance	(2.0)
	Top up and tariff reconciliation	(3.0)
(0.8)	Other	(0.4)

2016/17 £m		2017/18 £m
	Credited to Services continued	
	Department for Health	
(1.7)	Public Health	(1.7)
(0.4)	Other	(0.2)
(3.8)	Transport for London	(3.3)
(1.5)	Intellectual Property Office	(1.4)
(0.9)	Greater London Authority	(0.3)
(0.4)	Department for International Development	(0.2)
(1.5)	Arts Council England	(0.5)
(1.6)	Other revenue grants (Government)	(1.9)
	Non Government revenue grants and contributions	
(3.3)	S106/S278 and other developer contributions	(2.6)
(2.5)	UK Payments Adminstration Ltd	(2.3)
(4.0)	Association of British Insurers	(3.9)
(0.1)	European Commission	(1.3)
(7.3)	Other	(8.2)
	Capital Grants and contributions (funding revenue expenditure under statute)	
(1.8)	Section 106 contributions	(0.6)
(1.9)	Other	0.0
(92.0)	**Total**	**(93.4)**

40. 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:

Long Term

31 March 2017 £m		31 March 2018 £m
	Capital Grants and Contributions Receipts in Advance	
108.2	S106/S278 Capital Contributions	102.8
2.8	Department for Education	0.0
0.3	Other	0.0
111.3	**Total**	**102.8**

41. Deferred Credits

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.

31 March 2017 £m		31 March 2018 £m
	Deferred Credits	
(152.4)	Rents Received in Advance	(167.3)
(152.4)	**Total**	**(167.3)**

42. 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 www.cityoflondon.gov.uk.

Members and Chief Officers have been requested to disclose related party transactions of £10,000 or more in 2017/18 including instances where their close family has made transactions with the City of London.

- During 2017/18 the following transactions have been disclosed to date. Due to delays in the process not all submissions have been received so further information will be disclosed in the final set of accounts. the City Corporation nominates six Members to the various committees of London Councils and another Member declared that he has an independent place on a number of Committees. London Councils was paid £328,000 for various subscriptions and services;
- the City Corporation nominates a Member to the Local Government Association which was paid £23,676 for subscriptions, conference fees and services;
- five Members and one Chief Officer are Directors of the 'Lord Mayors Show Ltd'. The company paid the City Fund £11,400 for the provision of services. The City Fund paid the company £15,000 for artwork and participation fees;

During 2016/17 the following transactions were disclosed;

- the City Corporation nominates six Members to the various committees of London Councils and another Member declared that he has an independent place on a number of Committees. London Councils was paid £218,000 for various subscriptions and services;
- the City Corporation nominates a Member to the Local Government Association which was paid £20,000 for subscriptions, conference fees and services;
- five Members and one Chief Officer are Directors of the 'Lord Mayors Show Ltd'. The company paid the City Fund £12,000 for the provision of services. The City Fund paid the company £16,000 for artwork and participation fees;
- two Members declared interests in PwC LLP which was paid £933,000 for consultancy services. £33,000 was received from the company for the hire of an event space;
- a Member is a Director/Shareholder of Keepmoat Regeneration Ltd which provided services to the City Fund at a cost of £4,352,000;
- a Member is a Board Member of London and Partners which was paid £80,000 for participation in exhibitions and partnership fees;
- a Member declared that a member of their family worked for Knight Frank which was paid £81,000 for services;
- two Members are Trustees of Guildhall School Trust which paid £13,000 to the City Fund for catering services;
- a Member is a Trustee of East London NHS Foundation Trust which received £58,000 from the City Fund for mental health reablement and Looked After Children services;
- a Member is a Governor of Prior Western Primary School which was paid £21,000 for children's centre and administration services and received £42,000 for unused childcare places;
- a Member is a Board Member of the International Dispute Resolution Centre Ltd which paid £343,000 in lease charges to the City Fund;
- a Member is a trustee of the Museum of London which received a grant of £5,292,000 and which paid £1,318,000 to the City Fund in finance lease and loan payments;
- a Member is CEO of AON UK Ltd which made a £30,000 contribution to Sculpture in the City;
- a Member declared that a member of their family is a partner in Simmons & Simmons LLP which paid £24,000 for a Barbican Corporate Membership

All transactions complied with the City of London's procedures and there were no outstanding balances at year end.

<u>Related Party Transactions with the Museum of London</u>

The Museum of London is financed by the City of London and the Greater London Authority with the latter being the major funder and is subject to common control by central government. The City of London's contribution in 2017/18 was £5.3m (2016/17: £5.3m). Half of the appointments to the Board are made by the City of London. However, the City of London does not exercise control of the Museum. Amounts due from the Museum of London at 31 March 2018 are shown in notes 21 and 22.

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

During 2017/18 & 2016/17 there were no significant transactions between the City Fund and the other main funds of the City Corporation.

There were no outstanding balances at year end.

Entities Controlled or Significantly Influenced

Barbican Theatre Productions Limited is a company limited by guarantee engaged with the production of theatre events on behalf of the Barbican Centre. All directors of the company are officers of the City Corporation based at the Barbican Centre. The company falls within the group boundary of the City Fund on the grounds of control and significant influence. However, group accounts are not necessary as, due to the elimination of group transactions on consolidation, the interest is not deemed sufficiently material.

Related Party Transactions Disclosed Elsewhere in the Accounts

The UK government has significant influence over the general operations of the City Fund. It is responsible for providing the statutory framework within which the City Fund operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the City Fund has with other parties (e.g. council tax bills, housing benefits). Grants from government departments are shown in Note 39. Amounts due to and from central government departments at 31 March 2017 are shown in notes 22 and 24 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

43. Leases

<u>Finance Leases</u>

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 2017 £m		31 March 2018 £m
	Property, Plant and Equipment	
2.5	Other Land and Buildings	2.5
0.4	Vehicles, Plant and Equipment	0.3
48.7	Investment Properties	48.7
51.6		**51.5**

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

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

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

31 March 2017 £m		31 March 2018 £m
3.2	Investment Property	3.1
0.9	Cleansing Vehicles	0.9
4.1	Long Term Liabilities	4.0

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

Total Future Minimum Lease Payments	Present Value of Future Lease Payments		Total Future Minimum Lease Payments	Present Value of Future Lease Payments
31 March 2017 £m	**31 March 2017 £m**		**31 March 2018 £m**	**31 March 2018 £m**
0.1	0.0	Not later than one year	0.1	0.0
0.5	0.0	Later than one year and not later than five years	0.5	0.0
13.9	3.7	Later than five years	13.4	3.7
14.5	**3.7**		**14.0**	**3.7**

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

City Fund as Lessor

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

31 March 2017 £m		31 March 2018 £m
	Finance lease debtor (net present value of minimum lease payments)	
0.6	current	0.7
13.7	non-current	13.1
31.3	Unearned finance income	30.8
0.0	Unguaranteed residual value of property	**0.0**
45.6	**Gross investment in the lease**	**44.6**

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 2017 £m	31 March 2017 £m		31 March 2018 £m	31 March 2018 £m
1.0	0.6	Not later than one year	1.0	0.6
3.4	1.9	Later than one year and not later than five years	3.0	2.0
41.2	11.8	Later than five years	40.5	11.8
45.6	**14.3**		**44.5**	**14.4**

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

Operating Leases

City Fund as Lessee

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

31 March 2017 £m		31 March 2018 £m
2.3	Not later than one year	2.3
8.0	Later than one year and not later than five years	6.4
11.3	Later than five years	11.0
21.6		**19.7**

City Fund as Lessor

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

31 March 2017 £m		31 March 2018 £m
53	Not later than one year	49
183	Later than one year and not later than five years	183
3,026	Later than five years	2,886
3,262		**3,118**

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.

44. 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 45 to 48 provide further information on each of the above schemes.

45. City of London Corporation 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 the Pension Fund Regulations. It is a funded defined benefit scheme, meaning that the employers and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets. Prior to 1 April 2014, LGPS pension benefits were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme.

The City Corporation administers the Scheme on behalf of its participating employers. The City Corporation's Establishment Committee is responsible for personnel and administration matters, whilst its Financial Investment Board is responsible for appointing fund managers and monitoring performance. The principal risks to the authority of the scheme are the mortality rate assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

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

Disclosures in relation to City Corporation and the City Fund's share of the overall scheme which satisfy the requirements of a defined benefit pension scheme are set out in this note. This information is not used to determine the employer's pension contribution rate. This is calculated at the triennial valuation and updated by any subsequent interim valuations. The most recent triennial valuation was as at 31 March 2016 and informed consideration of the level of employer's pension contribution to be charged from 1 April 2017 to 31 March 2020.

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 2017 £m	**31 March 2017 £m**		**31 March 2018 £m**	**31 March 2018 £m**
(1,211.2)	(605.6)	1 April	(1,476.8)	(753.1)
(28.3)	(14.4)	Current Service Cost	(43.9)	(22.4)
(43.2)	(22.0)	Interest Cost	(39.6)	(20.2)
		Remeasurement gains/losses:		0.0
33.8	17.2	Actuarials Gains/losses arising from demographic assumptions	0.0	0.0
(276.0)	(140.8)	Actuarials gains/losses arising from changes in financial assumptions	42.6	21.7
24.3	12.4	Other Actuarial Gains/Losses	0.0	0.0
0.0	(12.1)	Change in proportion allocated to City Fund	0.0	0.0
(0.8)	(0.4)	Past Service Cost, including curtailments	(0.5)	(0.3)
0.0	0.0	Liabilities extinguished on settlements	0.8	0.4
33.0	16.8	Benefits paid	33.1	16.9
(8.9)	(4.5)	Contributions from scheme participants	(9.6)	(4.9)
0.5	0.3	Unfunded Pension Payments	0.5	0.3
(1,476.8)	**(753.1)**	**31 March**	**(1,493.3)**	**(761.6)**

Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (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 31 March 2017 £m	CITY FUND SHARE 51% 31 March 2017 £m		CITY OF LONDON CORPORATION 31 March 2018 £m	CITY FUND SHARE 51% 31 March 2018 £m
730.2	365.0	1 April	878.9	448.2
26.2	13.4	Interest on Assets	23.8	12.1
		Remeasurement gains/losses:		
122.3	62.4	Return on Assets less interest	(4.3)	(2.2)
5.1	2.6	Other actuarial gains/losses	0.0	0.0
0.0	7.3	Change in proportion allocated to City Fund	0.0	0.0
(0.5)	(0.3)	Administration expenses	(0.7)	(0.4)
20.3	10.4	Contributions by Employer	27.5	14.0
8.9	4.5	Contributions by Scheme Participants	9.6	4.9
(33.6)	(17.1)	Benefits Paid	(33.6)	(17.2)
0.0	0.0	Settlement Prices Received/(Paid)	(0.5)	(0.2)
878.9	**448.2**	**31 March**	**900.7**	**459.2**

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

31 March 2017 %		31 March 2018 %
65	Equity Investments	65
0	Cash	1
5	Infrastructure	6
30	Absolute return portfolio	28
100		**100**

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

c. Overall net deficit

CITY OF LONDON CORPORATION	CITY FUND SHARE 51%		CITY OF LONDON CORPORATION	CITY FUND SHARE 51%
31 March 2017 £m	**31 March 2017 £m**		**31 March 2018 £m**	**31 March 2018 £m**
(481.0)	(240.6)	1 April	(597.9)	(304.9)
(265.6)	(147.5)	change in liabilities	(16.5)	(8.5)
148.7	83.2	change in assets	21.8	11.0
(597.9)	**(304.9)**	**31 March**	**(592.6)**	**(302.4)**

Basis for Estimating Assets and Liabilities

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham) using the projected unit method, based upon the latest full valuation of the scheme as at 31 March 2016 and updated to the balance sheet date. The main assumptions used in the calculations are as follows:

2016/17		2017/18
	Mortality assumptions:	
	Life expectancy in years from age 65	
	Retiring today	
23.8	Men	23.9
25.2	Women	25.2
	Retiring in 20 years	
25.2	Men	25.3
26.7	Women	26.7
3.6%	Rate of Inflation - RPI	3.3%
2.6%	Rate of Inflation - CPI	2.3%
4.1%	Salary Increases	3.8%
2.6%	Pension Increases	2.3%
2.7%	Discount Rate	2.6%
50.0%	Take-up of option to convert annual pension into retirement lump sum	50.0%

Impact on defined benefit obligation from changes to actuarial assumptions

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

Change in assumptions at 31 March 2018

	CITY OF LONDON		CITY FUND	
	Increase £m	**Decrease £m**	**Increase £m**	**Decrease £m**
0.1% change in rate for discounting scheme liabilities	(26.9)	27.4	(13.7)	14.0
0.1% change in rate of increase in salaries	2.8	(2.8)	1.5	(1.4)
0.1% change in rate of increase in pensions	24.6	(24.2)	12.6	(12.3)
One year change in rate of mortality assumption	56.3	(54.2)	28.7	(27.6)

Impact on the City Fund's Cash Flows

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

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £302.4m has a substantial impact on the net worth of the City Fund as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the City Fund remains sound. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total employer contributions expected to be made to the scheme for the City of London Corporation across all its funds in the year to 31 March 2019 are £26.7m (estimated City Fund Share £13.6m).

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

46. 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 in to the Pension Fund, the Home Office will pay an equivalent top-up grant to the City Fund. Where the City Fund receives a transfer from the Pension Fund, the City Fund must pay the amount to the Home Office. The Police Pension Scheme 2015 came into effect from 1 April 2015 and any benefits accrued from that date will be based on career average revalued salaries, with exceptions for those members that have transitional protection in their existing scheme. The last full valuation of the Police Pension Scheme was at 31 March 2012 by the Government Actuary's Department and set contributions for the period 1 April 2015 to 31 March 2019. A combined actuarial valuation as at 31 March 2016 is currently being undertaken.

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 2017 £m		31 March 2018 £m
(776.3)	1April	(912.9)
(13.3)	Current Service Cost	(15.9)
(27.5)	Interest Cost	(24.3)
	Remeasurement gains/losses:	
40.4	Actuarials Gains/losses arising from demographic assumptions	(17.9)
(162.8)	Actuarials gains/losses arising from changes in financial assumptions	25.3
0.0	Other Actuarial Gains/Losses	(35.1)
29.9	Benefits paid	28.1
(3.8)	Contributions from scheme participants	(3.8)
0.5	Injury Benefits Paid	0.6
(912.9)	**31 March**	**(955.9)**

Basis for Estimating Liabilities

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham) 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:

2016/17	Mortality assumptions:	2017/18
	Life expectancy in years from age 65	
	Retiring today	
21.7	Men	21.7
24.0	Women	24.0
	Retiring in 20 years	
23.1	Men	23.2
25.5	Women	25.6
3.6%	Rate of Inflation - RPI	3.3%
2.6%	Rate of Inflation - CPI	2.3%
4.1%	Salary Increases	3.8%
2.6%	Pension Increases	2.3%
2.7%	Discount Rate	2.6%

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 2018

Impact on the Defined Benefit Obligation in the Scheme

	Increase £m	Decrease £m
0.1% change in rate for discounting scheme liabilities	(18.0)	18.3
0.1% change in rate of increase in salaries	1.1	(1.1)
0.1% change in rate of increase in pensions	17.2	(16.9)
One year change in rate of mortality assumption	38.2	(36.7)

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 £955.9m 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 2018 are expected to be £5.9m and the expected top up grant from the Government is £18.3m.

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

47. 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 2017 £m		31 March 2018 £m
(2.0)	1 April	(2.5)
(0.2)	Current Service Cost	(0.2)
(0.1)	Interest Cost	(0.1)
	Actuarials Gains/losses arising from demographic assumptions	
	Remeasurement gains/losses:	
(0.3)	Actuarials gains/losses arising from changes in financial assumptions	0.1
0.1	Benefits paid	0.1
(2.5)	**31 March**	**(2.6)**

Basis for Estimating Liabilities

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham) 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:

2016/17	Mortality assumptions:	2017/18
	Life expectancy in years from age 65	
	Retiring today	
23.8	Men	23.9
25.2	Women	25.2
	Retiring in 20 years	
25.2	Men	25.3
26.7	Women	26.7
3.3%	Rate of Inflation - RPI	3.4%
2.3%	Rate of Inflation - CPI	2.4%
3.8%	Salary Increases	3.9%
2.3%	Pension Increases	2.4%
2.3%	Discount Rate	2.5%

Impact on defined benefit obligation from changes to actuarial assumptions

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

Change in Assumptions at 31 March 2018

Impact on the Defined Benefit Obligation in the Scheme

	Increase £m	Decrease £m
0.1% change in rate for discounting scheme liabilities	(0.03)	0.03
0.1% change in rate of increase in salaries	0.00	(0.00)
0.1% change in rate of increase in pensions	0.03	(0.03)
One year change in rate of mortality assumption	0.11	(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 £2.6m has an impact on the net worth of the City Fund as recorded in the Balance Sheet. However, the City Fund has set aside funds in an earmarked reserve to assist with meeting its share of liabilities.

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

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

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

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

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2018 a loss of £8m and at 31 March 2017 was a loss of £173.7m.

The tables on the following pages summarise the entries in the financial statements for the City of London, Police and Judges Schemes.

2017/18 Transactions

	Police £m	Judges £m	City of London City Fund £m	Total £m
Comprehensive Income & Expenditure Statement (CIES)				
Cost of Services:				
Current service cost	15.9	0.2	22.4	38.5
Past service costs	0.0	0.0	0.3	0.3
Other Operating Income				
adminstration expenses	0.0	0.0	0.4	0.4
Financing & Investment Income & Expenditure				
Interest cost	24.3	0.1	8.1	32.5
Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services	40.2	0.3	31.0	71.5
Other Comprehensive Income & Expenditure				
Remeasurement of the net defined benefit liability:				
Return on plan assets	0.0	0.0	2.2	2.2
Actuarial (gains) & losses - changes in demographic assumptions	17.9	0.0	0.0	17.9
Actuarial (gains) & losses - changes in financial assumptions	(25.3)	(0.1)	(21.7)	(47.1)
Actuarial (gains) & losses - Other	35.1	0.0	0.0	35.1
Change in proportion allocated to City Fund	0.0	0.0	0.0	0.0
Total Other Comprehensive Income & Expenditure	27.6	(0.1)	(19.5)	8.1
Total Retirement Benefit Charged/(Credited) to the CIES	67.8	0.2	11.5	79.6
Movement in Reserves Statement				
Reversal of net charges/credits for retirement benefits in accordance with the Code	(67.8)	(0.2)	(11.5)	(79.6)
Actual amount charged against the City Fund and HRA Balances	24.9	0.1	14.0	39.0

2016/17 Transactions

	Police £m	Judges £m	City of London City Fund £m	Total £m
Comprehensive Income & Expenditure Statement (CIES)				
Cost of Services:				
Current service cost	13.3	0.2	14.4	27.9
Past service costs	0.0	0.0	0.4	0.4
(gain)/loss from settlements	0.0	0.0	0.0	0.0
Other Operating Income				
adminstration expenses	0.0	0.0	0.3	0.3
Financing & Investment Income & Expenditure				
Interest cost	27.5	0.1	8.6	36.2
Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services	40.8	0.3	23.7	64.8
Other Comprehensive Income & Expenditure				
Remeasurement of the net defined benefit liability:				
Return on plan assets	0.0	0.0	(62.4)	(62.4)
Actuarial (gains) & losses - changes in demographic assumptions	(40.4)	0.0	(17.2)	(57.6)
Actuarial (gains) & losses - changes in financial assumptions	162.8	0.3	140.8	303.9
Actuarial (gains) & losses - Other	0.0	0.0	(15.0)	(15.0)
Change in proportion allocated to City Fund	0.0	0.0	4.8	4.8
Total Other Comprehensive Income & Expenditure	122.4	0.3	51.0	173.7
Total Retirement Benefit Charged/(Credited) to the CIES	163.2	0.6	74.7	238.5
Movement in Reserves Statement				
Reversal of net charges/credits for retirement benefits in accordance with the Code	(163.2)	(0.6)	(74.7)	(238.5)
Actual amount charged against the City Fund and HRA Balances	26.6	0.1	10.4	37.1

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 2017 £m		31 March 2018 £m
	Present Value of the defined benefit obligation	
(750.0)	City of London Pension Scheme - City Fund	(758.7)
(909.5)	Police Pension Schemes	(944.1)
(2.5)	Judges Pension Scheme	(2.6)
	Fair Value of plan assets	
448.2	City of London Pension Scheme - City Fund	459.2
	Present value of unfunded obligation	
(3.1)	City of London Pension Scheme - City Fund	(2.9)
(3.4)	Police Pension Schemes	(11.8)
(1,220.3)	Net liability on balance sheet	(1,260.9)

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

49. Trust Funds

In its capacity as a local authority, the City of London acts as a custodian trustee for two trust funds; the City of London Corporation Combined Education Charity and Keats House. In neither case do the funds represent assets to the City Fund and therefore they have not been included in the Balance Sheet.

Keats House (charity registration number 1053381)

Established in 1996, the objective of the Trust is "to preserve and maintain and restore for the education and benefit of the public Keats House as a museum and live memorial to John Keats and as a literary meeting place and centre". As at 31 March 2017 the Trust's net assets were £0.3m (2017: £0.2m).

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

Established in 2011 through the amalgamation of the Higher Education Research and Special Expenses Fund, the Archibald Dawnay Scholarships, the Robert Blair Fellowship and the Alan Partridge Smith Bequest, the objective of the Trust is to further the education of persons attending or proposing to attend secondary, further or higher educational institutions by the provision of grants or financial assistance. Also to provide grants for staff at maintained schools & Academies in the boroughs of London to undertake studies to further their development as teachers. As at 31 March 2018 the Trust's net assets were £1.2m (2017: £1.1m).

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

2016/17 £m		Notes	2017/18 £m	2017/18 £m
	Expenditure			
5.3	Repairs and maintenance		5.9	
7.1	Supervision and management		8.9	
3.0	Depreciation of non-current assets		4.2	
3.3	Revaluation (gain)/loss on HRA dwellings		2.9	
0.0	Movement in the allowance for bad debts	1	0.1	
18.7	**Total Expenditure**			22.0
	Income			
(10.5)	Dwelling rents		(10.6)	
(1.5)	Non-dwelling rents		(1.7)	
(2.6)	Charges for services and facilities		(3.2)	
(0.5)	Contributions towards expenditure		(0.3)	
(15.1)	**Total Income**			(15.8)
3.6	**Net Expenditure/(Income) of HRA Services as included in the City Fund CIES cost of services**			**6.2**
	HRA share of other income and expenditure included in the City Fund CIES			
(2.3)	Net Gain on Disposal of Fixed Assets			(1.0)
(0.1)	Interest and investment income			(0.1)
(0.4)	Investment property gain on revaluation			(0.9)
0.8	**(Surplus)/deficit for the year on HRA Services**			**4.2**

Movement on the HRA Statement

2016/17 £m		Notes	2017/18 £m	2017/18 £m
(10.1)	Balance on the HRA at the end of the previous year			(8.1)
0.8	(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		4.2	
1.2	Adjustments between accounting basis and funding basis under statute	2	(0.5)	
2.0	(Increase)/decrease in year on the HRA			3.7
(8.1)	**Balance on the HRA at the end of the current year**			**(4.5)**

1. Provision for Bad and Doubtful Debts

2016/17 £m		2017/18 £m
0.31	Provision at 1 April	0.21
(0.01)	Bad Debts written off	(0.03)
(0.09)	Decrease in Provision	0.05
0.21	Provision at 31 March	0.24

2. Adjustments between Accounting Basis and Funding Basis under Statute

Note 9 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 2018 the City Corporation's HRA rental stock was 1,930 dwellings. The HRA also includes costs and service charge income relating to properties sold on long leases of which there were 917 as at 31 March 2018 (2017: 910).

31 March 2017 No.		31 March 2018 No.
27	Houses and Bungalows	27
1,910	Flats	1,903
1,937	Total	1,930

31 March 2017 No.		31 March 2018 No.
1,930	Stock at 1 April	1,937
(1)	Demolished Property	0
(10)	Sales	(7)
0	Buy Back	0
18	New Build	0
1,937	Stock at 31 March	1,930

4. Arrears of Rent, Service and Other Charges

As at 31 March 2018 the total arrears for rent, service charges and other charges were £3.7m (31 March 2017: £3.2m) as follows:

31 March 2017 £m		31 March 2018 £m
0.1	Former residential tenants	0.1
0.2	Current residential tenants	0.2
0.3	Commercial tenants	0.4
2.5	Service charges	2.9
0.1	Other charges	0.1
3.2	Total arrears	3.7

5. HRA Property, Plant and Equipment

Movements on Balances 2017/18	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Assets under construction £m	Total £m
Cost or valuation					
at 1 April 2017	253.6	39.9	0.2	4.7	**298.4**
Additions	0.3	0.0	0.0	5.1	**5.5**
Transfers	0.6	0.0	0.0	(0.6)	**0.0**
Revaluation increases recognised in the Revaluation Reserve	(13.4)	0.9	0.0	0.0	**(12.5)**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(3.6)	(0.0)	0.0	0.0	**(3.6)**
Derecognition - disposals	(0.8)	0.0	0.0	0.0	**(0.8)**
at 31 March 2018	**236.7**	**40.8**	**0.2**	**9.2**	**287.0**
Accumulated Depreciation and Impairment					
at 1 April 2017	(0.1)	(0.1)	0.2	0.0	**(0.0)**
Depreciation Charge	3.9	0.3	0.0	0.0	**4.2**
Depreciation written out to the Revaluation Reserve	(3.2)	(0.3)	0.0	0.0	**(3.5)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.7	0.0	0.0	0.0	**0.7**
Derecognition - disposals	(0.0)	0.0	0.0	0.0	**(0.0)**
at 31 March 2018	**1.3**	**(0.1)**	**0.2**	**0.0**	**1.3**
Net Book Value					
at 1 April 2017	**253.5**	**39.8**	**0.4**	**4.7**	**298.4**
at 31 March 2018	**238.0**	**40.7**	**0.4**	**9.2**	**288.3**

The value of council dwellings within the HRA does not include all council dwellings owned by the City Fund (see note 15) as some council dwellings are held outside of the HRA.

HRA Property, Plant and Equipment – continued

Movements on Balances 2016/17	**Council Dwellings £m**	**Other Land & Buildings £m**	**Vehicles, Plant & Equipment £m**	**Assets under construction £m**	**Total £m**
Cost or valuation					
at 1 April 2016	242.6	37.6	0.2	9.5	**289.9**
Additions	3.9	0.0	0.0	2.9	**6.8**
Transfers	7.0	0.7	0.0	(7.7)	
Revaluation increases recognised in the Revaluation Reserve	4.7	1.6	0.0	0.0	**6.3**
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	(3.4)	0.0	0.0	0.0	**(3.4)**
Derecognition - disposals	(1.2)	0.0	0.0	0.0	**(1.2)**
at 31 March 2017	**253.6**	**39.9**	**0.2**	**4.7**	**298.4**
Accumulated Depreciation and Impairment					
at 1 April 2016	(0.1)	(0.1)	0.2	0.0	**(0.0)**
Depreciation Charge	(2.7)	(0.3)	0.0	0.0	**(3.0)**
Depreciation written out to the Revaluation Reserve	2.6	0.3	0.0	0.0	**2.9**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.1	0.0	0.0	0.0	**0.1**
at 31 March 2017	**(0.1)**	**(0.1)**	**0.6**	**0.0**	**(0.0)**
Net Book Value					
at 1 April 2016	**242.5**	**37.5**	**0.4**	**9.5**	**289.9**
at 31 March 2017	**253.5**	**39.8**	**0.8**	**4.7**	**298.4**

6. Housing Asset Valuation

Dwellings are valued at their 'existing use with vacant possession' and then reduced to reflect 'existing use for social housing'. The reduction is a measure of the economic cost of providing council housing at less than open market rents. Under Government guidance issued in 2010/11, the applicable social housing 'adjustment factor' is 75% +/- 5%. The estimated vacant possession value of HRA dwellings is £788.8m (prior year: £845m) which has been reduced by 70% to £238m (prior year: £253.5m) to reflect social housing use. Other land and buildings are assessed at existing use value.

7. Investment Property

2016/17 £m		2017/18 £m
5.2	Balance at start of the year	5.6
	Revaluations:	
0.4	Net gains from fair value adjustments	(0.9)
5.6	**Balance at end of the year**	**4.7**

8. Major Repairs Reserve

2016/17 £m		2017/18 £m
(6.2)	Balance 1 April	(6.5)
	Transfer from HRA equal to depreciation	
(2.7)	dwellings	(3.9)
(0.3)	non dwellings	(0.3)
(2.0)	Additional contribution from HRA	(0.8)
4.7	Capital expenditure (dwellings)	3.0
(6.5)	Balance 31 March	(8.5)

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

9. HRA Capital Expenditure

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

2016/17 £m		2017/18 £m
	Expenditure in year	
	Fixed assets	
2.9	Assets under construction	5.2
3.9	Dwellings	0.3
1.9	Revenue expenditure funded from capital under statute	1.5
8.7		7.0
	Methods of financing	
1.1	Capital Receipts	0.5
4.7	Major Repairs Reserve	3.0
2.9	Reimbursements and Donations	3.5
8.7		7.0

REVENUE ACCOUNT

2016/17					2017/18		
Council Tax Restated £m	Business Rates £m	Total £m		Notes	Council Tax £m	Business Rates £m	Total £m
			INCOME				
(6.9)		(6.9)	Council Tax Receivable		(7.0)		(7.0)
(0.2)		(0.2)	Transfer from City Fund (Reliefs)		(0.2)		(0.2)
	(902.8)	(902.8)	National Business Rates	1		(1,067.6)	(1,067.6)
	(33.2)	(33.2)	GLA Business Rate Supplement			(40.8)	(40.8)
	(9.1)	(9.1)	City Fund Business Rate Premium			(11.3)	(11.3)
(7.1)	(945.1)	(952.2)	**TOTAL INCOME**		(7.2)	(1,119.7)	(1,126.9)
			EXPENDITURE				
			Council Tax Precepts and Demands				
6.0		6.0	City Fund	2	6.1		6.1
0.5		0.5	GLA		0.5		0.5
			National Business Rates Precepts and Demands				
	235.9	235.9	City Fund			318.1	318.1
	157.2	157.2	GLA			392.3	392.3
	393.1	393.1	Central Government			349.9	349.9
	0.0	0.0	National Business Rates transitional protection payments				0.0
	33.1	33.1	Business Rate Supplement collected on behalf of GLA			40.7	40.7

Continued on next page

REVENUE ACCOUNT CONTINUED

2016/17					2017/18		
Council Tax Restated £m	Business Rates £m	Total £m	Expenditure Continued	Notes	Council Tax £m	Business Rates £m	Total £m
	8.0	8.0	City Fund Business Rate Premium			12.0	12.0
	11.0	11.0	City Fund Offset	4		11.3	11.3
			Impairment of debts for Business Rates				
	0.4	0.4	National			0.8	0.8
	0.0	0.0	GLA			0.1	0.1
			Impairment of appeals for Business Rates				
	117.1	117.1	National			(79.2)	(79.2)
	1.1	1.1	Premium			(0.8)	(0.8)
			Cost of Collection Allowance				
	1.7	1.7	National Business Rates			2.0	2.0
	0.0	0.0	GLA Business Rate Supplement			0.0	0.0
			Contributions towards previous year's estimated Collection Fund Surplus				
1.4	20.2	21.6	City Fund		0.6	15.9	16.4
0.2	13.5	13.7	GLA		0.0	10.6	10.6
	33.7	33.7	Central Government			26.5	26.5
8.1	1,026.0	1,034.1	Total Expenditure		7.2	1,100.2	1,107.4
1.0	80.9	81.9	(Surplus)/Deficit for Year	5	0.0	(19.5)	(19.5)
(1.9)	(80.4)	(82.3)	Balance 1 April		(0.9)	0.5	(0.4)
(0.9)	0.5	(0.4)	Balance 31 March		(0.9)	(19.0)	(19.9)

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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 2017/18 the City of London set a non-domestic rating multiplier of 0.484(48.9p in the £) and a small business non-domestic rating multiplier of 0.471 (47.1p in the £). This comprises the NNDR and SBNDR multipliers of 0.479 and 0.466 respectively, plus a premium of 0.5p 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 2017/18 financial year to finance the Crossrail project. The City Corporation collects the BRS on an agency basis on behalf of the GLA.

2016/17 £m		2017/18 £m
(960.7)	National Business Rates	(1,134.7)
0.0	Government transition scheme	0.0
(960.7)	Non-domestic rates income after transition scheme	(1,134.7)
42.8	Less: Voids	43.4
13.4	Mandatory and discretionary relief	22.4
1.7	Partly occupied allowance	1.2
(902.8)	**Net income from national business rates**	**(1,067.6)**

2. Calculation of Council Tax

The Local Government Finance Act 1992 introduced the Council Tax from 1 April 1993, replacing the Community Charge. The Act prescribes the detailed calculations that the City of London, as a billing authority, has to make to determine the Council Tax amounts. The City of London set a basic amount of £857.31 for a Band D property.

To this £857.31 is added £73.89 in respect of the precept from the Greater London Authority to arrive at the total Council Tax of £931.20 for a Band D property in 2016/17. 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	620.80
B	7/9	724.27
C	8/9	827.73
D	9/9	73.89
E	11/9	1,138.13
F	13/9	1,345.07
G	15/9	1,552.00
H	18/9	1,862.40

3. Tax Bases 2017/18

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". These amounts, multiplied by the collection rate of 95%, produce the tax base for each of the areas shown.

BAND	MIDDLE TEMPLE	INNER TEMPLE	CITY AREA EXCLUDING TEMPLES	TOTAL CITY AREA
A	0.00	0.00	1.88	1.88
B	0.00	0.00	126.68	126.68
C	0.00	0.00	398.03	398.03
D	0.00	0.00	735.02	735.02
E	8.25	1.22	2,769.85	2,779.32
F	38.28	25.28	1,403.94	1,467.50
G	25.83	58.75	1,536.48	1,621.06
H	0.00	4.00	298.50	302.50
AGGREGATE RELEVANT AMOUNTS	72.36	89.25	7,270.38	7,431.99
COLLECTION RATE	95%	95%	95%	95%
TAX BASES	68.74	84.79	6,906.86	7,060.39

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.

5. Surplus for the Year

The surplus for the year on Business Rates of £19.5m (2016/17: deficit of £80.9m) relates solely to National Business Rates.

Police Pension Fund Account for the year ended 31 March 2018

2016/17		2017/18	
£m		£m	£m
	Contributions receivable		
	- from employer		
(5.9)	normal	(5.9)	
(0.1)	early retirements	(0.1)	
(3.8)	- from members	(3.8)	
(9.8)			(9.8)
(0.2)	Transfers in from other Police Authorities		(0.2)
	Benefits payable		
23.2	- pensions	23.2	
6.6	- commutations and lump sums	6.6	
29.8			29.8
	Payments to and on account of leavers		
0.0	- Transfers out to other Police Authorities		0.0
19.8	Sub-total: Net amount payable for the year before transfer from Police Authority		19.8
(19.8)	Additional contribution from Police Authority		(19.8)
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 16 to 29. 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 44 to 48).

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.

Fund Account for the year ended 31 March 2018

2016/17 £m		Notes	2017/18 £m
	Contributions and benefits		
(32.3)	Contributions receivable	7	(39.2)
(8.7)	Transfers in		(8.7)
(0.9)	Pension Strain		(0.3)
(41.9)			(48.2)
40.2	Benefits Payable	8	40.9
1.8	Payments to and on account of leavers	9	2.1
6.8	Management Expenses	10	8.5
48.8			51.5
6.9	Net (additions)/deductions		3.3
	Returns on investments		
(0.6)	Income from Investments	11	(2.8)
(170.8)	Change in market value of investment (realised and unrealised)	13	(22.1)
(171.4)	Net (Gain)/Loss on Investment		(24.9)
(164.5)	**Net (increase)/decrease in the fund during the year**		(21.6)
(802.2)	Opening net assets of the scheme		(966.7)
(966.7)	**Closing net assets of the scheme**		**(988.3)**

Net Assets Statement as at 31 March 2018

2016/17 £m		Notes	2017/18 £m
(965.0)	Investment assets	12-17	(982.3)
(0.2)	Long Term Investments		(0.2)
	Current Assets	19	
(0.3)	Debtors		(0.1)
(2.3)	Cash and cash equivalents		(6.7)
	Current liabilities	20	
1.1	Creditors		1.0
(966.7)	**Net assets**		**(988.3)**

1. Description of the City of London Pension Fund

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.

2. 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 local authorities and similar bodies whose staff 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:

	2017/18				2016/17
	Current Contributors No.	Beneficiaries In Receipt of Pension No.	Deferred Benefits No.	Total No.	Total No.
CITY OF LONDON	4,252	3,709	3,948	11,909	11,500
SCHEDULED BODIES:					
Museum of London	249	239	595	1,083	1,034
Magistrates Court	-	20	16	36	37
Multi Academy Trust*	3	-	-	3	0
	252	259	611	1,122	1,071
ADMITTED BODIES:					
Irish Society	4	11	2	17	17
City Arts Trust	-	1	-	1	1
Parking Committee for London	-	5	7	12	12
Guildhall Club	-	4	5	9	10
City Academy - Southwark	82	5	105	192	182
Sir John Cass (Brookwood)	-	-	2	2	2
AMEY (Enterprise)	6	5	3	14	14
Eville and Jones	-	-	1	1	1
London CIV	11	-	6	17	11
Westminster Drugs Project	2	-	1	3	3
Agilysis	12	1	12	25	25
Agilysis (police)	-	1	2	3	3
Bouygues (EDTE)	-	-	2	2	2
Cook & Butler	2	-	-	2	2
1SC Guarding Limited	-	-	1	1	1
	119	33	149	301	286
GRAND TOTAL	**4,623**	**4,001**	**4,708**	**13,332**	**12,857**

3. Accounting Policies

i. The pension fund statements have been prepared in accordance with the following Regulations: the LGPS Regulations 2013 (as amended), the LGPS (Transactional Provisions, Savings and Amendments) Regulations 2014 (as amended), the LGPS (Management and Investment of Funds) Regulations 2016; and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 having regard to the Statement of Recommended Practice, Financial Reports of Pension Schemes (2015).

ii. 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.

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

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

v. 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 12). 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).

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

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

viii. The cost of administration is charged directly to the fund.

ix. 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.

x. 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.

xi. 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.

xii. 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.

xiii. 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.

xiv. Administration and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT.

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

4. Critical Judgements in applying Accounting Policies

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

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

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

5. Assumptions made about the future and other major sources of Estimation Uncertainty

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

The items in the net assets statement at 31 March 2018 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	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 £30m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £3m • a one-year increase in assumed life expectancy would increase the liability by approximately £61m.
Private equity investments (Note 13)	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012). These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £29m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by £7m.
Infrastructure investments (Note 13)	Infrastructure investments are valued using assumptions about the Fund's underlying equity and debt instruments cash flow forecasts and discount rates.	Infrastructure investments are valued at £58m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by £9m.

6. Events after the reporting date

There are no major post balance sheet events.

7. Contributions Receivable

2016/17 £m			2017/18 £m
	Employers:		
(20.8)	Administering Authority	City of London	(26.9)
(1.1)	Scheduled bodies	Museum of London	(1.2)
(0.1)	Admitted bodies	Agilysis	(0.1)
(0.3)		City Academy - Southwark	(0.3)
(0.2)		Other	(0.3)
(22.5)			(28.8)
	Employees of:		
(9.0)	Administering Authority	City of London	(9.5)
(0.5)	Scheduled bodies	Museum of London	(0.6)
(0.1)	Admitted bodies	Agilysis	(0.1)
(0.1)		City Academy - Southwark	(0.1)
(0.1)		Other	(0.1)
(9.8)			(10.4)
(32.3)	**Total Contributions**		**(39.2)**

8. Benefits Payable

2016/17 £m	Total Benefits Paid	2017/18 £m
	Retired Employees	
30.6	Pensions	31.6
5.6	lump sums	4.9
0.8	Lump sum on death	1.1
3.1	Widows’ or Widowers’ pensions	3.2
0.1	Children’s pensions	0.1
40.2		**40.9**

2016/17 £m		2017/18 £m
	Benefits Paid Comprises	
37.9	Administering Authority	38.1
2.0	Scheduled Bodies	2.5
0.3	Admitted Bodies	0.3
40.2		**40.9**

9. Payments to and on account of leavers

2016/17 £m		2017/18 £m
1.8	Individual Transfers Out	**2.1**

10. Management expenses

2016/17 £m		2017/18 £m
0.7	Administration expenses	0.7
0.1	Oversight and Governance*	0.2
6.0	Investment Management Expenses	7.6
6.8		**8.5**

*Includes audit fees of £18,000 that have been charged to the Pension Fund (2016/17: £21,000).

a. Investment Management Expenses

2016/17 £m		2017/18 £m
5.5	Management fees	6.1
0.5	Performance related fees	1.5
-	Custody fees	-
-	Transaction costs	-
6.0		**7.6**

11. Income from investments

2016/17 £m		2017/18 £m
(0.3)	Global Equities	-
(0.1)	Private Equity	(0.1)
(0.2)	Infrastructure	(2.7)
(0.6)		**(2.8)**

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

12. Investment Assets

a. Reconciliation of movements in Investments

The table below shows the movement in Market Values by asset type between 1 April 2017 and 31 March 2018.

	Market Value at 01/04/2017 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Market Value at 31/03/2018 £m
Managed Investments					
Pooled Units					
UK	(168.3)	-	1.0	(7.5)	(174.8)
Global	(726.9)	-	13.3	(6.8)	(720.4)
Long Term Investments	(0.2)	-	-	-	(0.2)
Private Equity	(20.9)	(9.7)	4.2	(2.8)	(29.2)
Infrastructure	(48.4)	(10.0)	5.5	(5.0)	(57.9)
Total Managed Investments	**(964.7)**	**(19.7)**	**24.0**	**(22.1)**	**(982.5)**
Accrued Income	(0.5)				(0.1)
Investment Receivable	-				-
Investment Liability	-				-
Total Investment assets	**(965.2)**				**(982.6)**

A comparison is provided in the table below for the Market Values between 1 April 2016 and 31 March 2017.

	Market Value at 01/04/2016 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Market Value at 31/03/2017 £m
Managed Investments					
Pooled Units					
UK	(146.6)	(64.3)	70.2	(27.6)	(168.3)
Global	(605.3)	-	7.8	(129.4)	(726.9)
Long Term Investments	(0.2)	-	-	-	(0.2)
Private Equity	(15.3)	(5.2)	4.5	(4.9)	(20.9)
Infrastructure	(32.6)	(8.3)	1.4	(8.9)	(48.4)
Total Managed Investments	**(800.0)**	**(77.8)**	**83.9**	**(170.8)**	**(964.7)**
Accrued Income	(1.2)				(0.5)
Investment Receivable	(0.2)				-
Investment Liability	0.2				-
Total Investment assets	**(801.2)**				**(965.2)**

	Value at 01/04/2017 £m	Purchases at Cost £m	Sales Proceeds £m	Net (gain)/loss £m	Value at 31/03/2018 £m
Managed Investments					
Equity Pooled Vehicles :					
Artemis	(87.8)	-	0.7	(4.7)	(91.8)
C Worldwide	(116.5)	-	2.6	(5.2)	(119.1)
Harris	(97.7)	-	0.8	(3.2)	(100.1)
Lindsell Train	(39.4)	-	0.3	(3.6)	(42.7)
Majedie	(41.1)	-	-	0.7	(40.4)
Veritas	(119.9)	-	3.3	1.4	(115.2)
Wellington	(108.1)	-	0.6	(1.2)	(108.7)
Multi-Asset Pooled Vehicles :					
Pyrford	(131.5)	-	5.5	2.3	(123.7)
Ruffer	(86.0)	-	0.5	0.3	(85.2)
Standard Life	(67.2)	-	0.0	(1.1)	(68.3)
Long Term Investments					
London CIV	(0.2)	-	-	-	(0.2)
Private Equity Funds :					
Ares	(1.0)	(1.3)	0.1	0.2	(2.0)
Coller	(0.6)	(1.7)	0.1	(0.3)	(2.5)
Crestview	(1.4)	(0.3)	-	(0.1)	(1.8)
Environmental Technologies	(0.5)	-	-	0.1	(0.4)
Exponent	(1.8)	(1.3)	0.1	(0.7)	(3.7)
Frontier	(2.0)	(1.8)	0.1	(0.1)	(3.8)
New Mountain	(3.6)	(1.2)	0.8	(0.3)	(4.3)
Standard Life	(7.1)	(0.3)	2.7	(1.3)	(6.0)
Warburg Pincus	(1.5)	(1.7)	0.1	0.0	(3.1)
Yorkshire Fund Managers	(1.4)	(0.1)	0.1	(0.2)	(1.6)
Infrastructure Funds:					
DIF	(10.9)	(10.0)	0.7	(2.4)	(22.6)
IFM	(37.5)	-	4.9	(2.7)	(35.3)
Total Investments	**(964.7)**	**(19.7)**	**24.0**	**(22.1)**	**(982.5)**

	Value at 01/04/2017	Purchases at Cost	Sales Proceeds	Net (gain)/loss	Value at 31/03/2018
Accrued Income	(0.5)				(0.1)
Investment Receivable	-				-
Investment Liability	-				-
Closing Balance	**(965.2)**				**(982.6)**

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
Private equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity Valuation Guidelines.	EBITDA multiple Revenue multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Item	Valuation Hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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.	Cash flow forecasts Discount rates	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

a. Fair Value Hierarchy

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

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

Level 2

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

Level 3

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

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

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are typically undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

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

Values as at 31March 2018

	Quoted Market Price Level 1 £m	**Using Observable Inputs Level 2 £m**	**With Significant Unobservable Inputs Level 3 £m**	**Total £m**
Financial Assets				
Fair value through profit and loss	-	(895.2)	(87.3)	(982.5)
Loans and receivables	(0.1)	-	-	(0.1)
Net Financial Assets	**(0.1)**	**(895.2)**	**(87.3)**	**(982.6)**

Values as at 31 March 2017

	Quoted Market Price Level 1 £m	Using Observable Inputs Level 2 £m	With Significant Unobservable Inputs Level 3 £m	Total £m
Financial Assets				
Fair value through profit and loss	-	(895.2)	(69.5)	(964.7)
Loans and receivables	(0.5)	-	-	(0.5)
Net Financial Assets	**(0.5)**	**(895.4)**	**(69.3)**	**(965.2)**

14. Financial Instruments

a. Classification of Financial Instruments

31 March 2017 £m				31 March 2018 £m		
Fair Value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair Value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
			Financial Assets			
			Managed Investments			
(895.2)	-	-	Pooled Investments	(895.2)	-	-
-	(0.2)	-	Long Term Investments	-	(0.2)	-
(20.9)	-	-	Private Equity	(29.2)	-	-
(48.4)	-	-	Infrastructure	(57.9)	-	-
-	(2.3)	-	Cash	-	(6.7)	-
-	(0.5)	-	Other Investment Balances	-	(0.1)	-
-	(0.3)	-	Debtors	-	-	-
(964.5)	(3.3)	-		(982.3)	(7.0)	0.0
			Financial Liabilities			
-	-	-	Other Investment Balances	-	-	-
-	-	1.1	Creditors	-	-	1.0
0.0	0.0	1.1		0.0	0.0	1.0
(964.5)	**(3.3)**	**1.1**	Total	**(982.3)**	**(7.0)**	**1.0**
(966.7)			**Grand Total**	**(988.3)**		

b. Net (Gains) and Losses on Financial Instruments

31 March 2017 £m		31 March 2018 £m
	Financial Assets	
(170.8)	Fair value through profit and loss	(22.1)
-	Loans and receivables	-
(170.8)		**(22.1)**

15. Risk and Risk Management

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

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

Concentration risk is also controlled and monitored with a maximum proportion cap over the levels held in individual stocks as a set percentage of each manager's overall portfolio of stocks.
As part of each of the external fund managers' investing there is also a strict adherence to the principles of liquidity risk management in order to ensure cash flow requirements are met as and when they fall due.

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

16. Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, Mercer Ltd, the City of London Corporation has determined that the movements in market price risk set out in the table below are reasonably possible for the 2017/18 reporting period. The potential price changes disclosed below is consistent with a multi-year one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Potential Market Movements (% Change)

Asset Type	31 March 2017	31 March 2018
Developed market global equities	17.05%	16.70%
Emerging market global equities	29.00%	28.50%
Hedge funds (proxy for Multi-asset funds)	7.60%	7.50%
Private Equity	24.30%	24.20%
Unlisted infrastructure	15.00%	14.80%

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Price Risk (as at 31 March 2018)

Asset Type	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Developed market global equities	603.1	16.70%	703.8	502.4
Emerging market global equities	15.1	28.50%	19.4	10.8
Hedge funds (proxy for Multi-asset funds)	277.2	7.50%	298.0	256.4
Private Equity	29.2	24.20%	36.3	22.1
Unlisted infrastructure	57.9	14.80%	66.5	49.3
Total Assets	**982.5**		**1,124.0**	**841.0**

Price Risk (as at 31 March 2017)

Asset Type	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Developed market global equities	606.5	17.05%	709.9	503.1
Emerging market global equities	4.1	29.00%	5.3	2.9
Hedge funds (proxy for Multi-asset funds)	284.8	7.60%	306.4	263.2
Private equity	20.9	24.30%	26.0	15.8
Unlisted infrastructure	48.4	15.00%	55.7	41.1
Total Assets	**964.7**		**1,103.3**	**826.1**

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). The following table summarises the position as at 31 March 2018. Following analysis of historical data, the fund custodian BNY Mellon have provided the currency exposure and volatility data included in the table below.

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Currency Risk (as at 31 March 2018)

The following analyses show a comparison of the sensitivities as at 31 March 2018.

Currency	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Australian Dollars	7.1	3.50%	7.3	6.9
Brazilian Real	1.7	5.82%	1.8	1.6
Canadian Dollars	1.1	2.82%	1.1	1.1
Columbian Peso	0.4	4.78%	0.4	0.4
Czech Koruna	0.3	2.62%	0.3	0.3
Danish Krona	6.1	2.78%	6.3	5.9
Euros	98.1	2.78%	100.8	95.4
Hong Kong Dollars	14.8	2.80%	15.2	14.4

Indian Rupees	13.6	3.03%	14.0	13.2
Israeli Shekels	0.6	2.61%	0.6	0.6
Japanese Yen	36.0	4.71%	37.7	34.3
Malaysian Ringgits	3.4	3.88%	3.5	3.3
Mexican Peso	4.2	3.86%	4.4	4.0
Norwegian Krona	0.8	3.31%	0.8	0.8
Polish Zloty	1.2	3.17%	1.2	1.2
Russian Ruble	0.4	6.80%	0.4	0.4
Singapore Dollars	2.9	2.83%	3.0	2.8
South African Rand	2.2	5.10%	2.3	2.1
South Korean Won	-5.5	3.18%	-5.7	-5.3
Swedish Krona	13.9	2.74%	14.3	13.5
Swiss Francs	15.7	3.86%	16.3	15.1
Taiwanese Dollars	7.0	2.77%	7.2	6.8
Thai Baht	0.4	3.06%	0.4	0.4
United States Dollars	322.7	2.80%	331.7	313.7
Overseas Sub-Total	**549.1**		**565.3**	**532.9**
Other Overseas	1.7			
Overseas Total	**550.8**			
UK Investments & Cash	431.7			
Overall	**982.5**			

Currency Risk (as at 31 March 2017)

Currency	**Value £m**	**Change %**	**Value on Increase £m**	**Value on Decrease £m**
Australian Dollars	12.1	3.34	12.5	11.7
Canadian Dollars	7.3	2.74	7.5	7.1
Danish Krona	0.1	2.66	0.1	0.1
Euros	35.1	2.65	36.0	34.2

Currency	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Hong Kong Dollars	2.4	2.66	2.5	2.3
Israeli Shekels	0.4	2.49	0.4	0.4
Japanese Yen	6.7	4.46	7.0	6.4
Malaysian Ringgits	1.3	3.74	1.3	1.3
Norwegian Krona	1.2	3.17	1.2	1.2
Singapore Dollars	2.6	2.69	2.7	2.5
South Korean Won	1.2	3.18	1.2	1.2
Swedish Krona	3.0	2.62	3.1	2.9
Swiss Francs	16.1	3.60	16.7	15.5
Taiwanese Dollars	1.2	2.63	1.2	1.2
United States Dollars	220.3	2.67	226.2	214.4
Overseas Total	**311.0**		**319.6**	**302.4**
UK Investments & Cash	653.7			
Overall	**964.7**			

<u>Liquidity Risk</u>

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

Liquid assets are those that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2018, liquid assets were £895.2m representing 91% of total fund assets (£895.2m at 31 March 2017 representing 93% of the Fund at that date). These investments can in fact be liquidated within a matter of days.

17. Funding Arrangements

In accordance with statutory regulations a triennial valuation of the Pension Fund was completed by the City's independent consulting actuaries, Barnett Waddingham LLP, as at 31 March 2016 using the projected unit method and the resulting employers' contribution were implemented for the three financial years commencing 1 April 2017.

The main funding assumptions which follow were incorporated into the funding model used in the 2013 and 2016 valuations (Consumer Price Inflation has been used as basis to reflect the actuarial assumption in real terms):

	March 2013 % p.a.	Real % p.a.	March 2016 % p.a.	Real % p.a.
Financial Assumptions				
Discount Rate	6.0	3.3	5.7	3.3
Retail Price Inflation	3.5	0.8	3.3	0.9
Consumer Price Inflation	2.7	-	2.4	-
Pension Increases	2.7	-	2.4	-
Pay Increases (Short Term)	1.0	(1.7)	*	
Pay Increases (Long Term)	4.2	1.5	3.9	1.5

* CPI for the period 31/03/2016 to 31/03/2020.The discount rate reflects the asset allocation embedded in fund's long-term strategy, the below table outlines how these assumptions translate into an overall discount rate assumption.

Future assumed returns at 2016	Percentage of Fund %	Return Assumption %	Real (relative to CPI) %
Gilts	-	2.4	-
Cash	-	1.8	(0.6)
Bonds	-	3.3	0.9
Equities	55	7.4	5.0
Property	10	5.9	3.5
Absolute return fund – inflation plus 3.7%	15	6.1	3.7
Absolute return fund – LIBOR plus 4.5%	20	6.3	3.9
Expenses (deduction)		(0.2)	

Neutral estimate of discount rate based on long-term investment strategy		**6.7**	**4.3**
Prudence Allowance		(1.0)	(1.0)
Discount Rate		**5.7**	**3.3**

Demographic assumptions

The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016, hence they are different from those used for the 2015/16 statement of accounts. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 80%, for males and 85% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.

Life expectancy from age 65		**31 March 2016**	**31 March 2013**
Retiring today	Males	24.3	23.0
	Females	25.8	25.4
Retiring in 20 years	Males	26.5	24.8
	Females	28.1	27.3

Commutation assumption

As part of the 2016 valuation the actuary performed an analysis of retirement patterns using the new universal data extract. This analysis revealed that members on average exchanged pension to get approximately 50% of the maximum available cash on retirement.

50:50 membership

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

Funding Position at Valuation date

The valuations at 31 March 2013 and 31 March 2016 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:

Past Service Liabilities	March 2013 £m	March 2016 £m
Active Members	278.8	308.9
Deferred pensioners	158.1	185.1
Pensioners	392.7	451.6
Total	**829.6**	**945.6**
Assets	(701.8)	(796.3)
Deficit	**127.8**	**149.3**
Funding Level	**85%**	**84%**

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

	March 2013 Contribution rate %	March 2016 Contribution rate %
Future service funding rate	11.5	12.8
Past service adjustment	5.5	8.2
Total contribution rate	**17.0**	**21.0**

The past service adjustment assumes that the deficit is recovered over a 20 year period in the March 2013 valuation and a 17 year period in the March 2016 valuation.

Having considered the basic rate of employer's contributions above, the City of London Corporation set contribution rates applicable to its employees of 21.0% for each of the financial years 2017/18 to 2019/20. Exceptions are City Academy who pay 17.1% p.a. and Museum of London which has certified stepped contributions of 15.1% in 2017/18, 15.6% in 2018/19 and 16.1% in 2019/20.

Of the employers' contributions receivable in 2017/18, amounting to £8.82m, the amounts attributable to "deficit funding" are as follows:

	Future Funding £m	Past-service Deficit Funding £m	Total Contributions £m
Administering Authority			
City of London	16.35	10.49	26.84
Scheduled Bodies			
Museum of London	0.73	0.47	1.20
Multi-Academy Trust	0.02	-	0.02
Admitted Bodies			
Irish Society	0.02	0.01	0.03
Agilisys	0.09	0.05	0.14
City Academy -Southwark	0.20	0.12	0.32
Other	0.16	0.11	0.27
	17.57	**11.25**	**28.82**

18. Funded Obligation of the Overall Pension Fund

31 March 2017 £m		31 March 2018 £m
1,606.0	Present Value of the defined benefit obligation*	1,627.0
(963.5)	Fair Value of Fund Assets (bid value)	(988.2)
642.5	Net Liability	638.8

*The present value of the funded obligation consists of £1,572.8m in respect of vested obligations and £54.2m in respect of non-vested obligations (2016/17: £1,546.2m and £59.8m respectively).

The above figures show the total net liability of the Fund as at 31 March 2018 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 2016 have been rolled forward, using financial assumptions that comply with IAS19.

at 31 March 2017		Assumptions	at 31 March 2018	
% pa	*Real % pa		% pa	*Real % pa
3.6	1.0	RPI increase	3.3	1.0
2.6	-	CPI increase	2.3	-
4.1	1.5	Salary increase	3.8	1.5
2.6	-	Pension increase	2.3	-
2.7	0.1	Discount Rate	2.6	0.3

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

19. Current assets

Current assets include cash balances of £6.7m at 31 March 2018 (£2.3m at 31 March 2017).

20. Current liabilities

Current liabilities represent accruals for investment management expenses, custodian fees and pension payroll transactions.

21. Additional Voluntary Contributions

Market Value 31 March 2017 £m		Market Value 31 March 2018 £m
1.4	Prudential	1.6
0.5	Standard Life Investments	0.5
0.3	Equitable Life	0.3
2.2		**2.4**

AVC's are Additional Voluntary Contributions and 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 Equitable Life. AVC's of £0.43m were paid in 2017/18 (2016/17: £0.54m).

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

22. Related Party Transactions

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

During the reporting period, administration expenses which were charged to the fund amounted to £0.7m (2016/17: £0.7m). This includes £0.5m (2016/17: £0.5m) of City of London Corporation staff salaries.

The Corporation is also the single largest employer of members of the pension fund and the employer contributions paid by it was £26.9m in 2016-17 (2016/17: £20.8m).

23. Key Management Personnel

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

31 March 2017 £m		31 March 2018 £m
0.1	Short-term benefits	0.2
0.1		**0.2**

24. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2018 totalled £8.8m (31 March 2017: £27.1m). 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.

To be completed on completion of the audit.

Scope of Responsibility

1. The City of London Corporation is a diverse organisation with three main aims: to support and promote the City as the world leader in international finance and business services; to provide modern, efficient and high quality local services, including policing, within the Square Mile for workers, residents and visitors; and to provide valued services, such as education, employment, culture and leisure to London and the nation. Its unique franchise arrangements support the achievement of these aims.

2. Although this statement has been prepared to reflect the City of London Corporation in its capacity as a local authority and a police authority, the governance arrangements are applied equally to its other funds – City's Cash and Bridge House Estates.

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

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

5. The City Corporation has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE [13]Framework *Delivering Good Governance in Local Government.* A copy of the code is on the City Corporation's website at www.cityoflondon.gov.uk. This statement explains how the City Corporation has complied with the code and also meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

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

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

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

8. The governance framework has been in place at the City Corporation for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

Key Elements of the Governance Framework

Code of Corporate Governance

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

- Standing Orders, which govern the conduct of the City Corporation's affairs, particularly the operation of Committees and the relationship between Members and officers;
- Financial Regulations, which lay down rules that aim to ensure the proper management and safeguarding of the City Corporation's financial and other resources;
- Terms of reference for each Committee;
- A Scheme of Delegations, which defines the responsibility for decision-making and the exercise of authority;
- A Members' Code of Conduct, which defines standards of personal behaviour;
- A Standards Committee whose role is to promote high standards of member behaviour and to deal with complaints made against Members, and register of interests, gifts and hospitality;
- A Code of Conduct for employees;
- The Corporate Plan 2015-19;
- A corporate complaints procedure, operated through the Town Clerk's Department, with a separate procedure in the Department of Community and Children's Services to comply with the relevant regulations, and a separate complaints process in respect of complaints about the City of London Police;
- A corporate Project Toolkit and other detailed guidance for officers, including procedures and manuals for business-critical systems;
- An anti-fraud and corruption strategy, including: anti-bribery arrangements; a social housing tenancy fraud, anti-fraud and prosecution policy; and a whistleblowing policy;
- A Risk Management Strategy;
- Job and person specifications for senior elected Members and the Court of Aldermen; and
- A protocol for Member/officer relations.

10. The City Corporation's main decision-making body is the Court of Common Council, which brings together all of its elected members. Members sit on a variety of committees which manage the organisation's different functions, and report to the Court of Common Council on progress and issues as appropriate. The Town Clerk and Chief Executive is the City Corporation's statutory head of paid service, and chairs the Chief Officers Group, and the Summit Group, which is the primary officer decision-making body. In 2015/16 a new officer governance framework was introduced, comprising four Chief Officer Strategic Steering Groups, reporting to the Summit Group, although, following the substantive development of the new Corporate Plan 2018-23, three of these groups have ceased to meet. The Comptroller and City Solicitor discharges the role of monitoring officer under the Local Government and Housing Act 1989.

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

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

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

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

14. The City Corporation has appropriate arrangements in place under which written allegations of a breach of the Member Code of Conduct can be investigated and decisions on those allegations taken. A Complaints Procedure is in place and following a review a revised model will come into force in the 2018/19 municipal year. A Dispensations Sub Committee exists for the purposes of considering requests from Members for a dispensation to speak or vote on certain matters (where they have a disclosable pecuniary interest and are otherwise prevented from participation) being considered at Committee meetings. Elected and co-opted Members are invited to review and update their Member Declarations on an annual basis (although there is no statutory requirement to do so).

15. Under Section 28 of the Localism Act, the City Corporation is required to appoint at least one Independent Person to support the standards arrangements. The Court of Common Council has made three appointments to the position of Independent Person.

16. The Localism Act also requires the City Corporation to prepare and publish a Pay Policy Statement each year, setting out its approach to pay for the most senior and junior members of staff. The Pay Policy Statement for 2017/18 was agreed by the Court of Common Council in March 2017 and published on the City Corporation's website.

17. To assist in meeting the City Corporation's obligations under the Bribery Act 2010, officers with decision-making powers in relation to higher risk activities are required to make an annual declaration to confirm that they have met the requirements relating to potential conflicts of interest, as set out in the Employee Code of Conduct, and to confirm that they have not engaged in any conduct which might give rise to an offence under the Act.

18. As a result of the Protection of Freedoms Act 2011-12, revisions were agreed to the City Corporation's policy and procedures in respect of the Regulation of Investigatory Powers Act 2000 (RIPA), which regulates surveillance carried out by public authorities in the conduct of their business. A report was made in September 2017 to the Policy and Resources Committee on the City Corporation's use of RIPA powers. In September 2015, the Office of the Surveillance Commissioners conducted an inspection of the City Corporation's arrangements. The inspector concluded that the City Corporation is keen to set and maintain standards and has a sound RIPA structure, with good policies and procedures.

<u>Standards Committee</u>

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

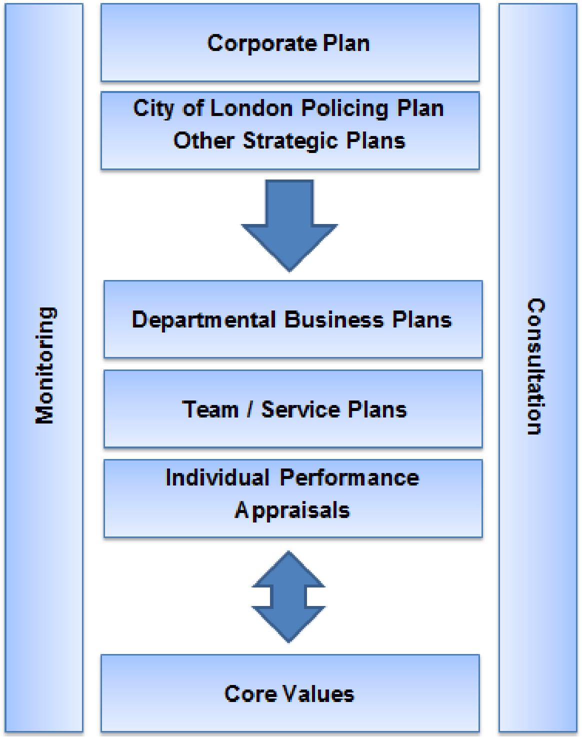
20. Its functions include:
- monitoring and regularly reviewing the operation of the Code of Conduct for Members and related procedures;
- considering any alleged breaches of the Code;
- monitoring Members' declarations to ensure compliance with both the statutory and local registration requirements;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

21. During 2016/17, the Standards Committee commissioned an independent, broadly-based review of the arrangements in place for addressing matters connected with the conduct of Members (including co-opted Members) under the Localism Act 2011, with particular focus on the Complaints Procedure (relating to alleged breaches of the Members' Code of Conduct). A Member Working Party was formed to review the resulting report and how the recommendations in the report might be progressed and implemented. The Working Party's recommendations were considered and adopted by the Court of Common Council, with changes due to be implemented during the 2018/19 municipal year. The Committee undertakes an annual review of the Protocol on Member/Officer Relations. Five allegations of breaches of the Members' Code of Conduct were made to the Committee during 2017/18.

22. Following the March 2017 Ward elections, 26 new Members were elected to the Court of Common Council. A comprehensive package of learning and development was offered to all new and returning Members and included briefing sessions on corporate planning, the Member Code of Conduct and the Member/Officer Protocol, as well as other aspects of the governance framework i.e. how decisions are taken, Standing Orders and financial regulations.

23. Four by-elections were held in 2017/18 and returned a total of three Aldermen and one new Member of the Court of Common Council. Two further Aldermen were returned in 2017/18 following uncontested elections.

Business Strategy and Planning Process



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

- The Corporate Plan, 2015-19, shows how the City Corporation will fulfil its role as a provider of services both inside and outside of the City boundaries. The Corporate Plan 2015-19 includes a statement of the City's Vision, Strategic Aims, Key Policy Priorities, Core Values and Behaviours. It has since been replaced by a new Corporate Plan covering the period 2018-23, which was approved by Court of Common Council on 8th March 2018 and introduced on 1st April 2018.

- The City of London Policing Plan details the policing priorities and shows how these will be delivered over the coming year. It also contains all the measures and targets against which the Police Committee hold the City of London Police to account.
- Other corporate plans and strategies are mentioned elsewhere in this document.

25. Plans and strategies are informed by a range of consultation arrangements, such as City-wide residents' meetings, representative user groups and surveys of stakeholders. The City Corporation has a unique franchise, giving businesses (our key constituency) a direct say in the running of the City, and a range of engagement activities, including through the Lord Mayor, Chairman of Policy and Resources Committee and the Economic Development Office. An annual consultation meeting is held for business rates and council tax payers.
26. The Health and Social Care Act 2012 transferred responsibility for health improvement of local populations to local authorities in England, with effect from 1st April 2013. The new duties included the establishment of a Health and Wellbeing Board, which provides collective leadership to improve health and wellbeing for the local area.

<u>Information Management Strategy</u>

27. The Information Management Strategy (approved October 2009) sets out the headline approach to information management in the City Corporation. It summarises the current position, gives a vision of where we want to be and proposes a set of actions to start us on the path to that vision. The Strategy defines our approach to the other key elements for information management, in particular data security and data sharing. The Information Management Strategy is being updated and refreshed with a new Information Management Strategy to be published in 2018 alongside recommendations for a new Information Management Operating Model.
28. Overall responsibility for Information Management Governance and cyber-security is vested in the Information Technology (IT) Sub Committee. The Information Management Governance Steering Group reports to the Strategic Resources Group and the IT Steering Group, both chaired by the Chamberlain. Both groups report to the Summit Group and the IT Sub Committee. The Comptroller and City Solicitor is now the Senior Information Risk Owner (SIRO) and work continues to identify Information Asset Owners (IAO) within departments and build an information asset register.
29. The Corporation has undertaken a thorough review and update of its policies and procedures in preparation for the coming into force of the General Data Protection Regulation (GDPR) on 25th May 2018, together with a programme of training for officers and members.

<u>Financial Management Arrangements</u>

30. The Chamberlain of London is the officer with statutory responsibility for the proper administration of the City's financial affairs. In 2010 CIPFA issued a "*Statement on the Role of the Chief Financial Officer in Local Government*"[14] which defines the key responsibilities of this role and sets out how the

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[14] Updated in 2016

requirements of legislation and professional standards should be met. The City's financial management arrangements conform to the governance requirements of the Statement. The Chamberlain also fulfils the role of Treasurer of the Police Authority.

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

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

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

33. The Efficiency and Performance Sub Committee also has responsibility for monitoring and oversight of the delivery of the service based review savings and increased income, and the cross-cutting efficiency reviews, and continues to challenge the achievement of value for money, helping to embed further a value for money culture within the City Corporation's business and planning processes.

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

degree of certainty over central government funding for the period from 2016/17 to 2019/20. It also establishes a framework for continuous efficiency improvement beyond 2017/18 when the current service based review programme will be substantially complete, including a 2% per annum budget reduction target that will deliver sufficient efficiencies across the City Corporation's funds from 2018/19 to sustain these budgets over the medium term and allow for planned investment in services through the Priorities Investment Pot.

35. In anticipation of the completion of the service based review programme, a new methodology for identifying cross-cutting efficiencies was piloted in 2017. The pilot for the Chief Officer Peer Review was completed in July 2017 and the methodology was refined for the wider roll out made up of 3 additional groups. Sessions began in October 2017 and the final meetings were completed in March 2018. The focus of these sessions was to discuss how each Chief Officer can make their departments more innovative, collaborative and agile whilst delivering the required 2% per annual budget reductions. These sessions aimed to help Chief Officers develop their business plans to make efficiency savings or generate income to help meet the requirements of the Efficiency and Sustainability Plan and achieve better alignment of activities to the outcomes in the Corporate Plan.

36. Chief Officers have been presenting the outputs of their Peer Reviews, in the form of plans, to Summit Group and then, if recommended by Summit Group, to Efficiency and Performance Sub-Committee. A summary of the Chief Officer Peer Review outputs will be reported to Efficiency and Performance Sub-Committee in quarter 1 of the 2018/19 financial year.

37. For non-Police services, the local government settlement in autumn 2017 was challenging but fell within the prudent assumptions included with the City's financial forecast. Subject to there being no significant adverse changes in financial planning assumptions across the period, forecasts indicate a surplus across the period to 2021/22, although from 2019/20, the inclusion of funding for the Museum of London and Combined Courts relocation projects will move the fund into a deficit position.

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

39. The City Corporation is participating in a pilot scheme for business rate devolution during 2018/19 with all 32 London Boroughs and the Greater London Authority, involving the establishment of a business rates pool. The proposal was approved in December 2017. The scheme has a financially neutral starting point but enables any year-on-year growth in rates revenue to be retained within London. Some of this will be used to establish a strategic investment fund and the rest will be shared among participating authorities.

40. The City of London Police manages its budget on a ring-fenced basis. The Court of Common Council agreed to increase the Business Rates Premium from April 2016 with the additional income, estimated at £1.6m a year, being allocated to the Police to cover emerging cost pressures relating to security. Nevertheless, the underlying financial position remains challenging with deficits forecast across the period and reserves exhausted during 2018/19.

41. The Force has a forecast deficit in subsequent years arising from increasing demand and the changing nature of policing. The Force is in the process of implementing recommendations following the Deloitte Demand and VfM review which was commissioned by the Commissioner and Chamberlain during 2017/18 to address the underlying budget deficit. Additional support is being provided by the City Corporation for capital investment priorities over the

period between 2017/18 and 2022/23 totalling £17.5m plus some further IT and pension costs. The Force and the City Corporation are also investigating areas for greater collaboration, including the development of a Joint Contact and Control Room as part of the Secure City programme.

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

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

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

- Financial Strategy - This provides a common base for guiding the City Corporation's approach to managing financial resources and includes the pursuit of budget policies that seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives;
- Budget policy - The key policy is to balance current expenditure and current income over the medium term. Both blanket pressure and targeted reviews are applied to encourage Chief Officers to continuously seek improved efficiency;
- Annual resource allocation process - This is the framework within which the City Corporation makes judgements on adjustments to resource levels and ensures that these are properly implemented;
- Corporate Property Asset Management Strategy - This aims to ensure that the City Corporation's operational assets are managed effectively, efficiently and sustainably, in support of the organisation's strategic priorities and business needs;
- Capital project evaluation, management and monitoring - The City Corporation has a comprehensive system of controls covering the entire life cycle of capital and major revenue projects; and
- Treasury Management and Investment Strategies - Setting out the arrangements for the management of the City Corporation's investments, cash flows, banking and money market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

45. Consideration is given to efficiency during the development and approval stages of all major projects, with expected efficiency gains quantified within reports to Members.

46. The performance of the City Corporation's financial and property investments is monitored and benchmarked regularly, both in-house and independently, through experts in the field.

47. The City Corporation's project management and procurement arrangements provide a consistent approach to project management and co-ordination of the portfolio of projects across the organisation. The Projects Sub Committee meets monthly to ensure that projects align with corporate objectives and strategy, and provide value for money.

Risk Management

48. In May 2014, the Audit and Risk Management Committee approved a new Risk Management Strategy which set out a new policy statement and a revised framework, which aligns with the key principles of ISO 31000: Risk Management Principles and Guidelines, and BS 31100: Risk Management Code of Practice, and defines clearly the roles and responsibilities of officers, senior management and Members. The Strategy emphasises risk management as a key element within the City's systems of corporate governance and establishes a clear system for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level. The Strategy assists in ensuring that risk management continues to be integrated by Chief Officers within their business and service planning and aligned to departmental objectives.

49. The Risk Management Group, consisting of senior managers representing all departments, including the City of London Police, meets twice annually. The group is a considerable driver in promoting the application of consistent, systematic risk management practices across the organisation. Strategic decisions on risk management are made by the Summit Group on a quarterly basis. Oversight of corporate risk is provided by the Chief Officers' Group and the Audit and Risk Management Committee. These arrangements have been strengthened with the establishment of a Chief Officer Risk Management Group. This meets quarterly to review, in depth, the corporate risk register and report their findings to the Summit Group when they consider the quarterly risk update report. In addition to receiving quarterly risk update reports, the Audit and Risk Management Committee has adopted a cycle of regular departmental risk challenge sessions, with Chief Officers and their respective Committee Chairmen, which take place prior to their meetings. During 2017/18, the Committee has undertaken 14 deep-dive reports, including fire safety in the City Corporation's residential blocks, fire safety in general, information security (including cyber-security), the General Data Protection Regulation, police funding and road safety.

50. The Committee has also introduced the regular reporting of top departmental risks to every Service Committee.

51. The corporate risk register contains thirteen risks, including two new risks which have been added during the last year.

52. During 2016/17 an external review was undertaken of the City's risk management arrangements. An improvement plan was developed and is currently being implemented:

- Mandatory risk management training was delivered, during the second half of 2017, to the City Corporation's top 120 managers. In addition, there were several departmentally focussed risk management training sessions for other managers and staff. The regular monthly manager and staff business risk management training sessions have been run as part of the corporate training programme.
- Using the services of an external risk consultancy practice, the City Corporation has developed an understanding of its organisational risk appetite. Work is now in hand to assess its most significant risks against the appetite levels.
- To improve the sharing of risk information and encourage co-operation between the various risk disciplines within the City Corporation (Resilience, H&S, IT, City Procurement, Internal Audit. Anti-Fraud, Corporate Performance), a new Risk Specialism group now meets on a quarterly basis.

- Further, the corporate risk register will be reviewed following the adoption of the new Corporate Plan 2018-23.

<u>Health & Safety and Wellbeing</u>

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

54. Corporate Risk 09 concerns the City's Health and Safety Management System and its application. Effective health and safety management enables innovation, growth and enhances productivity, as well as helping the City Corporation to achieve its strategic objectives.

55. Driving is the one of the most hazardous work activities, contributing to far more accidental deaths and serious injuries than all other work-related tasks. The City Corporation introduced a *Corporate Transport Policy* along with associated procedures and guidance to manage occupational road risk. Embedding of the policy continues, with a focus during 2017 on assuring compliance across the organisation.

56. There is an established annual inspection and audit programme for property and people health and safety - for example audit, inspections and compliance checks have focused on water hygiene (legionella), fire safety, asbestos management, workplace transport and lone working/preventing violence. These are currently considered to be the City Corporation's areas of higher risk profile.

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

58. The City Corporation has reviewed its processes and procedures relating to fire safety in its residential blocks, with particular emphasis on:

- Fire Risk Assessments (FRAs);
- Communication with residents;
- Fire safety maintenance and improvement works; and
- Potential future improvement works.

59. As a result, a number of steps have been taken to further enhance the safety of the City Corporation's residential portfolio and its residents, including:

- Commissioning and completing new, more detailed and intrusive, Type 3 FRAs for all residential blocks to provide a greater level of assurance in relation to fire safety. An action plan has been implemented to deal with the recommendations arising from the Type 3 FRAs;
- Developing and implementing a Fire Safety Communications Plan;

- A detailed assessment of the various fire safety maintenance and improvement works that could help further enhance the safety of residents; and
- Implementing a door replacement programme to ensure that the front entrance doors and frames to all City Corporation social housing flats provide up to 60 minutes fire resistance.

60. The City Corporation will also, subject to any planning restrictions, retro-fit automatic water fire suppression systems (sprinklers) to the five social housing high-rise tower blocks in its portfolio. It has also commenced a programme of one-hour visits to all tenanted properties, which will include a risk assessment on the dwelling, the provision of fire safety advice to householders and identification of any support needs.

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

62. The City Corporation has established key performance indicators for health and safety including accident/incident reporting and investigation. The health and safety professionals have supported departments with their more challenging and/or significant health and safety investigations. This has helped to ensure that lessons are learned and are fed back into the development of the health and safety management system.

<u>Business Continuity</u>

63. The Civil Contingencies Act 2004 requires the City Corporation, as a Category 1 responder, to maintain plans to ensure that it can continue to exercise its functions in the event of an emergency. The City Corporation is required to train its staff responsible for business continuity, to exercise and test its plans, and to review these plans on a regular basis. Business Continuity Leads retraining is planned for roll-out in 2018/19.

64. The City Corporation has an overarching Business Continuity Strategy and Framework and each department has their own business continuity arrangements. Both corporate and departmental arrangements are regularly reviewed to ensure they align with the relevant risk registers and business objectives. Officers from the different departments share best practice and validate their arrangements through the Emergency Planning and Business Continuity Steering Group, which sits on a quarterly basis. New arrangements that seek to increase the resilience of the City Corporation's technology infrastructure have been introduced and technical tests are being carried out to ensure their robustness. These arrangements seek to ensure that the Guildhall can no longer be a potential single point of failure for the City Corporation's IT provision. The move to a more resilient backbone should enhance the continuity of service for remote workers, and at other sites, even if the Guildhall is affected.

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

66. Programme management of the City Corporation's business continuity management system (BCMS) lies with the Resilience Planning Team, and all departments play a role in it. In 2014, the City Corporation's resilience arrangements (including its BCMS) were reviewed by peers from other Central London

local authorities. This review was part of a regular assurance process linked to the Minimum Standards for London (which set out London's core resilience capabilities). The Team continues its on-going work with the IT service provider Agilisys to ensure robust business continuity plans dovetail between IT functions and critical services.

67. The City continues to experience an array of protests and demonstrations, as it is a desirable location for protest groups to maximise publicity both nationally and globally. However, by working with business and emergency service partners to ensure robust Business Continuity and emergency response plans are in place, the City Corporation maintains 'business as usual', and thus its reputation of working with and supporting business and local communities.

Role of Internal Audit

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

69. The internal audit process is supported, monitored and managed by the Audit and Risk Management Committee in accordance with the Public Sector Internal Audit Standards. An Audit Charter established in 2013 was updated and agreed by the Audit and Risk Management Committee in May 2017 and again in March 2018. This defines the role of internal audit, and sets out accountability, reporting lines and relationships that internal audit has with the Audit and Risk Management Committee, Town Clerk and Chief Executive, Chamberlain and Chief Officers.

70. The Internal Audit Section operates under the requirements of the Public Sector Internal Audit Standards (PSIAS). The City of London's internal audit function was subject to an External Quality Assessment by Mazars LLP in February 2017 and assessed as "generally conforms" to the new standard. A number of recommendations identified during the review are currently being addressed to ensure that the Internal Audit Section fully conforms to the new standards.

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

Performance Management

72. The corporate business planning framework sets out the planning cycle with clear linkages between the different levels of policy, strategy, target setting, planning and action (the "Golden Thread").

- All departments are required to produce annual departmental business plans for approval by the relevant service committee(s). These are all clearly linked to the overall Corporate Plan and show key objectives aligned with financial and staffing resources.
- All departmental business plans are reviewed for compliance with the corporate business planning framework, and regular meetings are held between the Corporate Strategy and Performance Team and business planners.
- All departments are required to report regularly to their service committees with progress against their business plan objectives and with financial monitoring information.

- Performance and Development Appraisals are carried out for all staff, using a standard set of core behaviours. The appraisals are used to set individual objectives and targets and to identify learning and development needs that are linked to business needs. Pay progression is linked to performance assessments under the appraisal process.

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

74. In tandem with the development of the new Corporate Plan 2018-23, approved by the Court of Common Council in March 2018, a new corporate performance management framework has been developed, to be rolled out across the City Corporation during 2018/19. These will shortly be supported by a new appraisals process and set of corporate behaviours.

<u>Audit and Risk Management Committee</u>

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

76. During 2017/18, the Committee continued its schedule of departmental risk challenge sessions. The Committee reviews the risks and risk management process for each department, on a rota basis, with one or two departments being invited to each meeting. These reviews are attended by the relevant Chairman and Chief Officer, with support and challenge applied so that risks are fully understood, and clear mitigation plans are in place. The Committee has also actively promoted a process for the regular reporting of top departmental risks to Service Committees, to encourage all Members to engage with the management of risk.

77. The Committee has strongly supported the internal audit function by setting clear performance expectations for Chief Officers in the timely implementation of audit recommendations, as well as ensuring internal audit's independence is fully recognised. It has reviewed the outcome of the Service Based Review of the internal audit function and is overseeing the adoption of a more efficient approach to the targeting of internal audit resources.

78. The Committee has a link to the Police Performance and Resource Management Sub Committee through the appointment of two of its members to this Sub Committee.

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

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

Review of Effectiveness

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

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

83. This review of the main elements of the City Corporation's governance framework has not identified any significant issues for reporting to senior management.

Head of Internal Audit's Opinion

84. The Public Sector Internal Audit Standards require the Head of Internal Audit to deliver an annual internal audit opinion and report that can be used by the City Corporation to inform its Annual Governance Statement. The Head of Internal Audit is satisfied that sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow him to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes. In his opinion, the City Corporation has adequate and effective systems of internal control in place to manage the achievement of its objectives. In giving this opinion he has noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.

85. Notwithstanding this overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures, which are documented in each individual audit report. Four areas reviewed in 2017/18 resulted in 'red' (limited) assurance opinions. These relate to internal audit reviews undertaken of: Members and Officers Declarations of Interests; Open Spaces Repairs and Maintenance; Barbican Centre Retail and Bars and Guildhall School of Music and Drama Catering. All reports and recommendations have been accepted by management and implementation of the recommendations will be verified by internal audit follow up.

Future Work Programme

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

- Review the City Corporation's governance arrangements against the requirements of the CIPFA/Solace framework *Delivering Good Governance in Local Government 2016.*
- Roll out the refreshed Corporate Plan, for the period 2018-23, and both develop and begin collecting data against a set of outcome-based measures for the whole City Corporation, that demonstrate impact and progress towards delivering the Plan.

- Undertake an annual update for the registration and publication of declarations of interest by the City Corporation's Members and Co-opted Members.
- Deliver the benefits from the programme of cross-cutting efficiency and effectiveness reviews resulting from the service based review, the 2% budget efficiency target and the Chief Officer Peer Reviews.
- Publish a new Information Management (IM) Strategy with recommendations for an Information Management Operating Model, which will require:
    - the set-up of an IM organisation with additional job roles.
    - a change to the method of information management in the City Corporation.
    - specific projects and "units of work" to be delivered in 2018/19.
- Implement the new risk appetite framework for the City Corporation, which reflects its capacity to manage risk and willingness to take risk in order to meet the strategic objectives.
- Review the corporate risk register following the adoption of the City Corporation's new Corporate Plan.
- Review project and programme governance arrangements, to improve the handling of corporate and departmental projects, including reviewing the terms of reference of relevant governance groups and a process for escalating risks to the appropriate levels.
- Investigate ISO22301 accreditation for our business continuity services.
- Extend the remit of the Audit & Risk Management Committee to undertake periodic reviews of the risk management procedures, financial capabilities, controls, and safeguarding procedures of the City of London School, the City of London School for Girls, the City of London Freemen's School, the City of London Academies Trust (including its embedded academies) and the City Academies that are free-standing entities.

This annual governance statement was approved by the City Corporation's Audit and Risk Management Committee on 29 May 2018.

John Barradell
Town Clerk and Chief Executive

Date: XXX

Catherine McGuinness
Chairman, Policy and Resources Committee

Date: XXX

The City Fund Accounts and Pension Fund Accounts were considered and approved by the Finance Committee on the XXXX.

Jeremy Paul Mayhew MA, MBA
Chairman of the Finance Committee

Jamie Ingham-Clarke Deputy
Deputy Chairman of the Finance Committee

Accruals	The accounting treatment, where income and expenditure is recorded when it is earned or incurred, not when money is paid or received.
Actuarial gains and losses	For a defined benefit pension, changes in actuarial deficits or surpluses that arise because: • events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or • the actuarial assumptions have changed.
Actuary	A person who assesses risks and costs, in particular those relating to life assurance and investment policies, using a combination of statistical and mathematical techniques.
Bid Price	The price a buyer is willing to pay.
Bridge House Estates	A charitable trust relating to the maintenance and support of five City of London owned bridges and the making of grants for the benefit of Greater London, particularly for the provision of transport, and access to it, for the elderly and disabled. The trust is accounted for separately and does not form part of the City Fund statements although references are made to Bridge House Estates in certain parts of the statements.
Capital adjustment account	Records the resources set aside to finance capital expenditure partly offset by the consumption of long-term assets based on historic costs (e.g. historic cost depreciation, historic cost impairment losses caused by consumption of economic benefits and revenue expenditure funded from capital under statute over the period that the City benefits from the expenditure).
Capital charge	A charge to service revenue accounts to reflect the cost of property, plant and equipment used in the provision of services.
Capital expenditure	Expenditure on the acquisition of a long-term asset or expenditure that adds to and not merely maintains the value of an existing long-term asset.
Capital receipts	The proceeds from the sale of a long-term asset such as land or council houses. Capital receipts can only be used for capital purposes e.g. funding capital expenditure or repaying debt.

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

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

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

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

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

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

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

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

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

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

Deferred capital receipts	These result mainly from loans to the Museum of London plus outstanding loans in respect of past sales of council dwellings to tenants who were unable to obtain a building society loan or other external means of financing. Their indebtedness is reflected in the balance sheet under long term debtors. This account shows the amount to be paid on deferred terms and is reduced each year by repayments made.
Defined benefit scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.
Defined contribution scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and has no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Depreciation	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
Direct revenue financing	Expenditure on the provision or improvement of capital assets met directly from revenue account.
Donated assets	Assets transferred at nil value or acquired at less than fair value.
Expected rate of return on pensions assets	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
Experience gains or losses	In pensions accounting, the element of actuarial gains and losses that relates to differences between the actual events as they have turned out and the assumptions that were made as at the date of the earlier actuarial valuation.
Fair value	Fair value is generally defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.
Heritage assets	A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
Impairment	A reduction in the value of an asset below its carrying amount on the balance sheet.
Infrastructure assets	Long-term assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways, footpaths, bridges and sewers.

Intangible assets	A non-physical item where access to future economic benefits is controlled by the local authority. An example is computer software.
Pensions interest cost	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Investment properties	Interest in land or buildings that are held for investment potential.
Levies	These are charges incurred by the City of London to meet London-wide services. They include payments to the London Boroughs Grants Committee, the Environment Agency and the London Planning Advisory Committee.
National Non-Domestic Rate (NNDR)	A flat rate in the pound set by the Government and levied on businesses who occupy offices and buildings within the City. The income is collected by the City of London and is passed on to Central Government.
Net current replacement cost	The cost of replacing a particular asset in its existing condition and in its existing use.
Net realisable value	The open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.
Non-operational assets	Long-term assets held but not directly occupied, used or consumed in the delivery of service. Examples are investment properties.
Past service cost (pensions)	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Projected unit method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Provision

An amount set aside in the accounts for liabilities of uncertain timing or amount that have been incurred. Provisions are made when:

- the City of London has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Reserves

Reserves are reported in two categories in the Balance Sheet of local authorities:

- Usable reserves - surpluses of income over expenditure and amounts set aside outside the definition of a provision and which can be applied to the provision of services. Certain reserves are allocated for specific purposes and are described as earmarked reserves.
- Unusable reserves - those that cannot be used to provide services. This category of reserves include adjustment accounts which deal with situations where statutory requirements result in income and expenditure being recognised against the City Fund or HRA balance on a different basis from that expected by accounting standards.

Revaluation Reserve

Represents increases in valuations of assets since 1 April less amounts written off due to the 'additional depreciation' (including impairment due to consumption of economic benefit) arising because property, plant and equipment are carried at a revalued amount rather than historic cost. It can also include reductions in values to investment properties where the reductions are not considered to be permanent.

Revenue expenditure

The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, repairs, maintenance and supplies.

Revenue expenditure funded from capital under statute

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

Scheme liabilities

The liabilities of a defined benefits pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

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

NOTES TO THE CITY FUND CORE FINANCIAL STATEMENTS

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTES TO THE COLLECTION FUND

NOTES TO THE CITY OF LONDON PENSION FUND

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CITY OF LONDON CORPORATION
CITY FUND

AUDIT COMPLETION REPORT

Audit for the year ended 31 March 2018

16 July 2018

CONTENTS

WELCOME

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

It summarises the results of completing the planned audit approach for the year ended 31 March 2018, specific audit findings and areas requiring further discussion and/or the attention of the Audit and Risk Management Committee. At the completion stage of the audit it is essential that we engage with the Audit and Risk Management Committee on the results of audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit and Risk Management Committee meeting on 17 July 2018, and to receiving your input.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Audit and Risk Management Committee and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

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

OVERVIEW

This summary provides an overview of the audit matters that we believe are important to the Audit and Risk Management Committee in reviewing the results of the audit of the financial statements and use of resources of the Corporation's City Fund for the year ended 31 March 2018.

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

AUDIT SCOPE AND OBJECTIVES	
Audit status	We have substantially completed our audit procedures in accordance with the planned scope and our objectives have been achieved.
Audit risks update	No additional significant audit risks were identified during the course of our audit procedures subsequent to our Audit Plan to you dated 15 February 2018.
Materiality	Our final materiality is £24.4 million with specific materiality for items which impact on the Comprehensive Income and Expenditure statement of £6.3 million. We have increased our materiality from £23.4 million to £24.4 million as a result of an increase in the valuation of assets and increased our specific materiality from £5.8 million to £6.3 million as a result of an increase in gross expenditure.
Changes to audit approach	There were no significant changes to our planned audit approach nor were any restrictions placed on our audit.
KEY AUDIT AND ACCOUNTING MATTERS	
Material misstatements	Our audit identified no material misstatements.
Unadjusted audit differences	We are required to bring to your attention audit differences that we have identified, but you are not proposing to adjust. These include: • Two errors in the calculation of the provision for NDR appeals including an error in the formula that reduces the provision by £4.1 million and re-categorisation of appeal type for a number of appeals that increases the provision by £1.4 million. The net error is an overstatement of the appeals provision and understatement of the surplus for the year of £2.7 million in the collection fund and the City Fund's share included in the CIES of £0.81 million based on the 30% share of business rates. • We believe that management has been overly prudent in providing for 100% of 2017 rating list appeals and that the provision amount, while not material, may be overstated by a non-trivial amount. We estimate that the potential impact on the Corporation's CIES where the amount provided is beyond a reasonable range could be up to £0.35 million. • Error in the deprecation rate used resulting in £0.16 million overstatement of deprecation cost (and understatement of assets) and overstatement of the charge to the CIES for the year. If corrected, these would increase the surplus on the provision of services for the year by £1.32 million but would not impact on the General Fund balance this year as these are reversed to other reserves.
Control environment	Our audit identified no significant deficiencies in internal controls.
Other financial reporting issues	Our audit identified that one personnel file for a police pensioner could not be found. Therefore we are unable to confirm the existence of this pensioner and whether the pension has been paid correctly.

OVERVIEW

KEY MATTERS FROM OUR AUDIT OF USE OF RESOURCES	
Sustainable finances (City Police)	City Police has produced an MTFS showing a surplus for 2018/19 and then moving into deficit over the following three years. Our review of the processes around the production of the MTFS and budget monitoring by the police finance team has identified a number of weaknesses including overly optimistic financial estimates and assumptions, incorrect treatment of slippage of projects and high turnover of senior finance staff. We consider that there are deficiencies in the robustness and accuracy of the information being provided by the City Police Finance team to the Corporation of London's Chamberlain's department. The Chamberlain's Department is providing assistance to strengthen financial management arrangements in the City Police Finance team and to provide additional financial resources in the short term to address funding gaps.
Sustainable finances (City Fund)	The City Fund MTFS shows a surplus for 2018/19 but then forecasts a budgeted deficit over the following three years through planned withdrawal from reserves of £103 million to fund the Museum of London and Combined Courts Relocation projects. The City Fund may choose to make use of capital borrowing rather than revenue funding for some of these costs as they crystallise should the need arise. The City Fund currently holds reserves of £122 million. We consider that there are appropriate arrangements in place with regard to sustainable finances for City Fund.
AUDIT OPINION	
Financial statements	Subject to the successful resolution of outstanding matters set out on the attached document, we anticipate issuing an unmodified opinion on the financial statements for the year ended 31 March 2018.
Governance Statement	We have no exceptions to report in relation to the consistency of the Annual Governance Statement with the financial statements or our knowledge.
Use of resources	We anticipate issuing an unmodified opinion on the arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.
OTHER MATTERS FOR THE ATTENTION OF THE AUDIT COMMITTEE	
Whole of Government Accounts (WGA)	We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the financial statements. We plan to issue our opinion on the consistency of the DCT return with the audited financial statements before the 31 August 2018 deadline.
Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix IV.
Management letter of representation	The draft management letter of representation, to be approved and signed, is set out in Appendix VI.

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT RISKS

We assessed the following matters as audit risks, as identified in our Audit Plan to the Audit and Risk Management Committee. We have set out below how these risks have been addressed and the outcomes of our procedures.

Key: ■ Significant risk ■ Normal risk ■ Other key issues

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1	Management override of controls	Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual. By its nature, there are no controls in place to mitigate the risk of management override.	We have: • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud • Obtained an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.	Our work testing journal entries is in progress although no issues have been identified to date. We have found no bias in accounting estimates. We have commented on the reasonableness of significant accounting estimates later in the report. We found no significant transactions that were outside the normal course of business or otherwise appear unusual.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
2	**Revenue recognitions**	Under Auditing Standards there is a presumption that income recognition presents a fraud risk. In particular, we consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance and / or conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES). We also consider there to be a significant risk in relation to the existence of fees and charges and investment rental income recorded in the CIES with a particular focus on year-end cut off.	We tested a sample of grants subject to performance and / or conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES. We tested a sample of fees and charges to ensure income has been recorded in the correct period and that all income that has been recorded should have been recorded.	Our work testing a sample of grants and performance conditions is almost complete (one item of supporting evidence outstanding) and no issues have been identified to date. Our testing confirmed that income has been recorded in the correct period and that income that should have been recorded has been recorded.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	Land, buildings, dwellings and investment property valuations	Management use external valuation data to assess whether there has been a material change in the value of classes of assets. Investment properties are revalued annually according to market conditions at year-end. Higher value operational properties (other land and buildings and dwellings) are revalued annually to provide assurance that carrying values are materially stated, with the remainder of non-material value assets revalued periodically (minimum of every five years). Operational asset valuations are undertaken by both external and internal valuers. We consider there to be a significant risk over the valuation of land buildings, dwellings and investment properties where valuations are based on market assumptions or where updated valuations have not be provided for a class of assets at the year-end. This is a significant risk due to the higher estimation uncertainty arising from the range of assumptions available to value land and property assets.	We reviewed the instructions and the detailed information provided by the City Fund to the valuers and performed procedures to confirm the accuracy and completeness of the information. We confirmed that the basis of valuation for assets valued in year is appropriate based on their usage. We reviewed valuation movements against indices of price movements for similar classes of assets and followed up valuation movements that appear unusual against indices.	From our review of the instructions provided to the valuers and assessment of the expertise of the valuers, we are satisfied that we can rely on this work. Our audit work to agree the accuracy and completeness of information provided to the valuers to support the underlying asset data (such as floor areas and rent agreements) is still on going. Our audit work on valuation basis applied for the use of the asset for a sample of assets is still on going. Overall the valuation movements were in line with our expectations based on indices for similar classes of transactions. Our review of the reasonableness of valuation assumptions applied is noted on the following page.

KEY AUDIT AND ACCOUNTING MATTERS

Page 279

SIGNIFICANT ACCOUNTING ESTIMATES

Land, buildings, dwellings and investment property valuations

ESTIMATE

Land and buildings are valued by reference to existing use market values

Dwellings are valued by reference to open market value less a social housing discount

Investment properties are valued by reference to highest and best use market value

Some specialist buildings are valued at depreciated replacement cost by reference to building indices

HOW RISK WAS ADDRESSED BY OUR AUDIT

We have benchmarked the valuation movements to land and building price indices for the year produced by Gerald Eve LLP and reviewed the information and assumptions used by the valuers.

Dwellings

Council dwellings decreased in value by £10.9 million (-3.17%) in 2017/18.

Dwellings were subject to valuation based on allocation of properties into relevant Beacons (for similar types of properties) and valued by reference to recent sales data for similar properties. Our benchmark report for house prices suggests an overall reduction in value of London properties 0.7% and the City Surveyor has provided City of London price data suggesting an overall market reduction for house sales of 0.45% based on the Nationwide Index London Regional House Sales.

We have requested details of the sales data used to ensure that these are similar in nature and location to the Beacon properties and that adjustments applied to the Beacon property are reasonable such as location, size and date of sale. We will review the data for a sample of Beacon values where the fall in value exceeds the general index movement.

Based on our work to date, we are satisfied that the valuations of dwellings are reasonable.

We note that the useful economic lives (UEL) of council dwellings has been set at 125 years based on the usual term for leases granted and is significantly longer than the UELs used by other local authorities. The Corporation's City Surveyor has stated that this is due to the robust structure and ongoing repairs, maintenance and cyclical replacement works programmes in place for these properties. We are satisfied that the remaining UELs, used to calculate council dwelling depreciation, are reasonable.

Other land and buildings

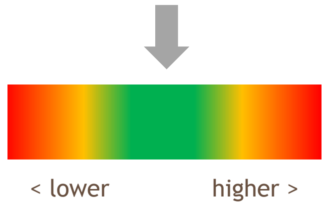
Other land and buildings increased in value by £34.8 million (+7.98%) in 2017/18.

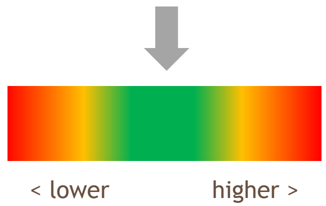
Land and buildings have been valued using an appropriate basis of valuation (such as existing use, depreciated replacement cost or market value) depending on the use of the asset.

Our benchmark report for rebuild costs from the national BCIS Tender Price Index suggests an increase in value for depreciated replacement cost (DRC) valuations of +6.7%, although this is subject to a higher degree of volatility and estimation from regional costs and other factors. Our testing is in progress to agree a sample of these assets to Gross Internal Floor areas to data held by the Corporation.

Based on our work to date, we are satisfied that the valuations of other land and buildings are reasonable.

IMPACT



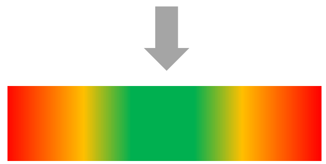


KEY AUDIT AND ACCOUNTING MATTERS

Page 280

SIGNIFICANT ACCOUNTING ESTIMATES

Land, buildings, dwellings and investment property valuations

ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT	IMPACT
Land and buildings are valued by reference to existing use market values Dwellings are valued by reference to open market value less a social housing discount Investment properties are valued by reference to highest and best use market value Some specialist buildings are valued at depreciated replacement cost by reference to building indices	**Investment properties** Investment properties increased in value by £69.2 million (+4.79%) in 2017/18. Our benchmark report for City office space suggests an increase in value of 4.0% (MSCI capital index) and +4.3% for City / Mid Town retail space. Our testing is in progress to agree a sample of investment properties to rent agreements and review the data for a sample of properties where the movement in value appears unusual compared to the general index movement. Based on our work to date, we are satisfied that the valuations of investment properties are reasonable. We note that this year, following a change of valuer for investment properties, the basis of valuation disclosure is now a mixture of Level 2 (based on recent sales for similar properties with significant observable inputs) and Level 3 (using modelling techniques) depending on the type of property. All investment properties were classified as Level 2 last year. We noted that in prior year the European Public Real Estate Association (EPRA) suggested that in the majority of cases investments property valuations are likely to be Level 3 valuations due to the extent that unobservable inputs or individual assumptions for each property. **Assets not revalued in year** The majority of land and property assets are subject to annual valuation although some lower value other land and buildings are subject to a rolling five-year, with a desktop review of the assets not revalued undertaken to assess whether, as a class of assets, these should be subject to valuation adjustment if the current value is materially different to their carrying value. No adjustments have been made for these assets not subject to revaluation in year. Based on our review, we are satisfied that classes of assets that have not been revalued are not materially different to their current value.	 < lower higher >

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
4	LGPS pension and police pension liabilities assumptions	The LGPS pension liability comprises the City Fund's share of the market value of assets held in the City of London Pension Fund and the estimated future liability to pay pensions. The unfunded police pension liability includes the future liability to pay police pensions. An actuarial estimate of the pension funds' liabilities is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on a roll-forward of membership data from the most recent full valuation (2016 for LGPS and 2012 for police), updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability at 31 March 2018. There is a risk the membership data and cash flows provided to the actuary at 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.	We compared the assumptions used by the scheme actuary with assumptions used by other local government actuaries (provided by PwC consulting actuaries) to assess the reasonableness of the assumptions and impact on the calculation of the present value of estimated future pension payments. We checked that the disclosure in the financial statements were consistent with the information provided by the actuary. We reviewed the data provided to the actuary to ensure that is complete and accurate.	We are satisfied that the assumptions used to calculate the present value of future pension obligations are reasonable. Further information on the assumptions used is included in the following page. All disclosures were agreed to the actuary's report. We note that the allocation of the overall LGPS net liability is allocated across the Corporation's funds based on the proportion of pensionable payroll for each fund, and City Fund's share is 51% in the current and previous year. We have obtained assurance over the membership data, data provided at the last full valuations and the cash flows used by the actuary to update liabilities and share of assets for the year.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES

Pension liability assumptions - LGPS

ESTIMATE

The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows

HOW RISK WAS ADDRESSED BY OUR AUDIT

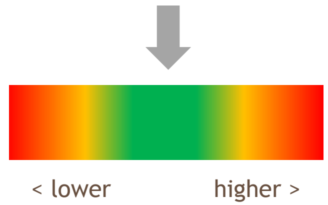
The City Fund's share of the LGPS net pension liability reduced by £2.5 million to £302.4 million in the year. This includes an increase in scheme assets of £11 million from interest and gains on investments and an increase in liabilities £8.5 million where current service costs and interest on liabilities exceeds contributions.

We have compared the assumptions used to an acceptable range and those used across the local government actuaries. The PwC consulting actuary review of the relative strength of the main assumptions on the liability assumptions suggests that Barnett Waddingham tends to place a higher value on the LGPS liabilities than other actuaries where standard assumptions are applied and that the overall assumptions are reasonable.

	Actual	Acceptable range	Comment
RPI increase	3.3%	3.30-3.35%	Reasonable
CPI increase	2.3%	2.30-2.35%	Reasonable
Salary increase	3.8%	CPI +1.5% to 2.2%	(based on 2016 valuation) Reasonable in context of CPI / RPI
Pension increase	2.3%	2.30-2.35%	Reasonable
Discount rate	2.55%	2.50-2.60%	Reasonable
Mortality - LGPS:			
- Male current	25.3 years	23.7-26.8	Reasonable
- Female current	26.7 years	26.6-28.4	Reasonable
- Male retired	23.9 years	21.5-24.5	Reasonable
- Female retired	25.2 years	24.3-26.10	Reasonable
Commutation	50%	50%	Reasonable

The assumptions used fall within the reasonable range for the actuary as per the PwC report.

IMPACT



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KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES

Pension liability assumptions - Police

ESTIMATE

The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows

HOW RISK WAS ADDRESSED BY OUR AUDIT

The police pension liability increased by £43 million to £955.9 million in the year. A full valuation update was undertaken using membership data at 31 March 2017 and, along with other changes in assumptions at 31 March 2018, has resulted in demographic and other experience losses in 2017/18 of £53 million and gains from changes to financial assumptions of £25 million.

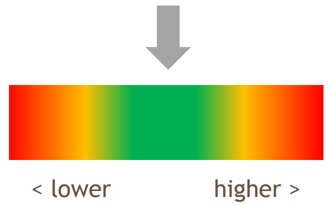
We have compared the assumptions used to an acceptable range and those used across the police actuaries. The PwC consulting actuary review of the relative strength of the main assumptions on the police liability assumptions suggests that Barnett Waddingham tends to place a medium strength value on the liability compared to other actuaries where standard assumptions are applied and that the overall assumptions are reasonable.

	Actual	Acceptable range	Comments
RPI increase	3.3%	3.30-3.35%	Reasonable
CPI increase	2.3%	2.30-2.35%	Reasonable
Salary increase	3.8%	CPI +1.5% to 2.2%	(based on 2016 valuation) Reasonable in context of CPI / RPI
Pension increase	2.3%	2.30-2.35%	Reasonable
Discount rate	2.55%	2.50-2.60%	Reasonable
Mortality - LGPS:			
- Male current	23.2 years	-	As per full valuation mortality assessment
- Female current	25.6 years	-	As per full valuation mortality assessment
- Male retired	21.7 years	-	As per full valuation mortality assessment
- Female retired	24.0 years	-	As per full valuation mortality assessment

Mortality ranges are not provided within the PwC report for police but has stated that the approach taken by the actuary to estimate mortality rates is reasonable

The assumptions used fall within the reasonable range for the actuary as per the PwC report.

IMPACT



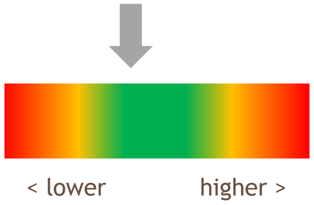
KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
5	Lease premiums	The City Fund is party to a significant number of lease arrangements as lessor. The premiums and rents are apportioned between the land element, which will ordinarily be an operating lease recognised as revenue, and the building element which is likely to be a finance lease and recorded as a capital disposal. The element of the premium relating to the land is treated as deferred income and released to revenue over the term of the lease. The apportionment between the land and building elements is a complex accounting estimate and there is a risk that the value of the spilt applied may not be appropriate.	We reviewed the process applied for apportioning lease premiums between land (deferred revenue) and buildings (capital disposal) including reviewing the work of external valuer to confirm if this is appropriate. We selected a sample of leases and confirm that the allocations have been accurately calculated.	Our audit work to test a sample lease premium allocations is still on going.
6	Consideration of related party transactions	We consider if the disclosures in the financial statements concerning related party transactions are complete and accurate, and in line with the requirements of the accounting standards. There is a risk that related party transactions disclosures are omitted from the financial statements, or do not accurately reflect the underlying related party transaction.	We reviewed relevant information concerning any such identified transactions. We have discussed with management and review member's and Senior Management declarations to ensure there are no potential related party transactions which have not been disclosed.	Audit work is still ongoing in this area as the disclosure in the financial statements was late being provided to us.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
7	**Non-domestic rates appeals provision**	Billing authorities are required to estimate the value of potential refund of business rates arising from rate appeals, including backdated appeals. The Valuation Office Agency (VOA) provides information regarding the appeals currently being assessed and settled. Management use this information to calculate a success rate for specific business types for settled appeals, and applies an appropriate rate to each type of business appeal still outstanding at year end. We consider there to be a risk in relation to the estimation of the provision due to potential incomplete data and assumptions used in calculating the likely success rate of appeals.	We reviewed the accuracy of the appeals data to confirm that it is complete based on the VOA list, and that settled appeals are removed.	Our audit work found that the methodology for calculation of the appeals provision was satisfactory and was based on accurate information provided by the VOA. However, we found two errors in calculations. Firstly, an error in formula used to calculate the provision resulted in an overstatement of the appeals provision by £4.1 million. Secondly, the re-categorisation of appeal type for a number of appeals that increases the provision by £1.4 million. The net error is an overstatement of the appeals provision and understatement of the surplus for the year of £2.7 million in the collection fund and the City Fund's share included in the CIES of £0.80 million based on the 30% share of business rates.
			We reviewed the assumptions used in the preparation of the estimate including the historic success rates to confirm that appeal success rates and amounts expected to refunded are appropriate.	Our review of the reasonableness of assumptions used to estimate the likely success of appeals and expected refunds is noted on the following page.

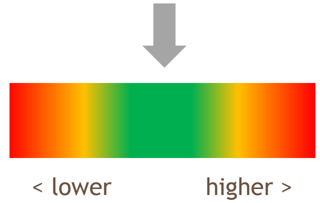
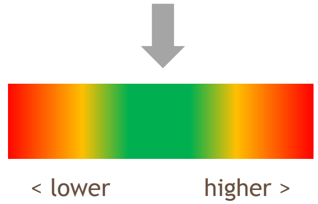
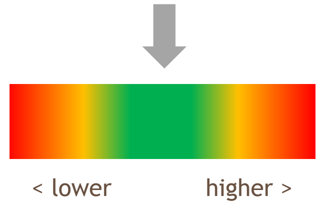
KEY AUDIT AND ACCOUNTING MATTERS

ACCOUNTING ESTIMATES		
Provision for NDR appeals		
ESTIMATE	**HOW RISK WAS ADDRESSED BY OUR AUDIT**	**IMPACT**
The key assumption is the future expected rate of successful appeals and amount to be refunded to rate payers	Management applied different success rates to different types of appeals based on the amounts repaid on appeal on recent years against the amount appealed. This takes into account both the success of a rateable value reduction appeal and for the number of years the appeal is backdated. **2010 rating list** Success rates for the 2010 valuations range from 0.2% for appeals with multiple assessments to 11% for appeals where there have been material changes in circumstances. Higher success rates have been used for properties that have been demolished or no longer exist (22.3%). These assumptions are reasonable based on historic settlements and refunds for the 2010 rating list appeals for estimating the provision for the future refunds from successful appeal. **2017 rating list** The Corporation has received appeals totalling £1.5 million on the 2017 rating list. As there are no settled appeals for the 2017 rating list for the Corporation, management has applied a success rate of 100% to the appeals received to date due to a lack of reliable data. The Corporation's share of this provision at 30% is £0.450 million. We are aware that MHCLG has informed local authorities that they may wish to apply a rate at 4.7% of appealed bills based on a national review of data. Our view is that management has been overly prudent in providing for 100% of appeals and that the provision amount, while not material, may be overstated by a non-trivial amount. We estimate that the potential impact on the Corporation's CIES where the amount provided is beyond a reasonable range could be up to £0.35 million.	

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
8	Allowances for non-collection of receivables	The City Fund includes a material amount in respect of provisions for non-collection of NDR arrears, private residential rent arrears (current tenants) and arrears in relation to the Barbican Centre and City Police. There is a risk that the provisions may not accurately reflect collection rates based on age or debt recovery rates.	We reviewed the provision model for significant income streams and debtor balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears.	Our audit work to agreed provision rates to aged debt based on collection rates in recent years is still on going.

KEY AUDIT AND ACCOUNTING MATTERS

ACCOUNTING ESTIMATES		
Allowances for non-collection of receivables		
ESTIMATE	**HOW RISK WAS ADDRESSED BY OUR AUDIT**	**IMPACT**
The key assumption is the estimate of future write off for uncollectable debt across material debtors	**Non-domestic rate arrears and cost provision** The City Fund's share of debts and provision at the 31 March 2018 was £11 million and £3 million respectively. The majority of the provision has been calculated using the best information available at the year-end, for example, current collection rates. We note that £0.291 million of the provision has been calculated using generic CIPFA guidelines that may not accurately reflect the aging profile or current collection of debt within the City. Management has explained that costs are likely to outweigh the benefits of collating current collection rates for these debts. We are satisfied that the provision for non-collection of arrears assumptions are reasonable.	
	Rent arrears and cost provision Arrears and provision as at 31 March 2018 were £11.9 million and £0.7 million respectively. The majority of arrears relate to current tenants and the management surveyor reviews all individual arrears over £15,000 to determine the likely rent to be recovered. We are satisfied that the provision for non-collection of rent arrears assumptions are reasonable.	
	Sundry debt arrears and cost provision Arrears and provision as at 31 March 2017 were £28.4 million and £4.9 million respectively. The vast majority of the sundry arrears relate to the Barbican Centre and Police. All significant debts are now reviewed on a case-by-case basis rather than using standard provision percentages that cannot be supported but appropriate audit evidence, as reported by us in the prior year. Audit work is still ongoing in this area although we are satisfied that amounts are not materially misstated.	

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KEY AUDIT AND ACCOUNTING MATTERS

OTHER ISSUES

We comment below on other issues identified in the course of our audit, of which we believe you should be aware:

	AUDIT AREA	AUDIT FINDINGS
9	Completeness of expenditure	Our testing of the completeness of HRA expenditure identified one invoice which related to a software license for 2018/19 but was incorrectly recorded as expenditure in 2017/18. We have extended our testing of expenditure cut-off to ascertain whether this is an isolate error or indicative of a wider potential misstatement. Our additional testing is in progress.
10	Police Pensioner	Management has been unable to locate the personnel file for one police pensioner continuing to receive pension benefits. We are unable to confirm whether this person exists or whether there have been any life certificate letters returned confirming that they are still alive and therefore entitled to pension payments. Management is investigating this case and has advised us that the file has now been located although we have not had sight of it yet.
11	Presentation and disclosures	Our initial review of the financial statements noted a number of presentational issues which are due to be amended in the revised set of accounts. In the course of our work we noted: • Multiple errors within the senior office remuneration and banding note • Omissions in the exit packages note (7 employees) • Omissions in the related parties note (2 related parties) • LGPS current service cost incorrectly included in Net cost of service for Spitalfields as this is included as a traded service and should be included below the Net cost of services line • Collection fund disclosure omitted the total rateable value disclosure • Fixed asset register revaluation figure does not agree to the figure in the accounts • Capital commitments disclosure was understated • Finance lease disclosure not updated from the prior year • Additions to intangible assets incorrectly classified as Vehicles, Plant and Equipment.

KEY AUDIT AND ACCOUNTING MATTERS

MATTERS REQUIRING ADDITIONAL CONSIDERATION		
We comment below on other matters requiring additional consideration:		
	AUDIT AREA	**AUDIT FINDINGS**
12	Fraud	Whilst management has ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from those charged with governance on whether you are aware of any known, suspected or alleged frauds.

OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

	MATTER	COMMENT
1	We are required to report on whether the financial and non-financial information in the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	Our audit identified one inconsistency between the other information in the Statement of Accounts and the financial statements: • Budgeted forecast surplus for police is shown as £0 in the narrative report and £4.2 million in the MTFS. The MTFS figure is the correct one. This issue is due to be corrected in the revised Statement of Accounts.
2	We are required to report by exception if the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit.	Our work has not identified any issues.

CONTROL ENVIRONMENT

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit and Risk Management Committee.

As the purpose of the audit is for us to express an opinion on the Corporation's City Fund financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We note that the Corporation's internal audit function has issued a number of observations and recommendations on the control environment during 2017/18. We have not repeated these recommendations in this report unless we consider them to highlight significant deficiencies in control which we are required to report to you.

We have identified one significant weakness in internal controls relating to the budget setting and monitoring process for the City of London Police Force. Further details are provided within the Use of Resources section below.

We have also identified other deficiencies in controls which have been discussed with management and included in the action plan at Appendix II.

WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

	MATTER	COMMENT
1	For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Corporation for use by Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.	Our review of the Corporation's WGA Data Collection Tool (DCT) is in progress. We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the Corporation's City Fund financial statements. We will issue our opinion on the consistency of the DCT return with the audited financial statements before the 31 August 2018 statutory deadline.

USE OF RESOURCES

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

AUDIT RISKS

We assessed the following matters as audit risks, as identified in our Audit Plan to the Audit and Risk Management Committee. We have set out below how these risks have been addressed and the outcomes of our work.

Key: ■ Significant risk ■ Normal risk

USE OF RESOURCES

RISK AREA		RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
1	Financial planning and informed decision making (City Police)	City Police had forecast an overspend of £1.6 million at Month 6 and at Month 9 reforecast that it was on course to balance the budget. This favourable movement was due to the continued and widespread vacancies across the Force and eleven deleted Police Staff posts in December 2017 which has created significant underspending within pay budgets. The police budget for 2018/19 has been brought into balance, through a combination of efficiency savings, additional government grant in the provisional settlement and draw down on reserves. This intends to provide time to implement Force transformation plans following the Deloitte Review. This should help to address the forecast budget deficit of £4 to 5 million per annum in subsequent years, when it is anticipated reserves will be exhausted, and pressures arising from increased demand and the changing nature of police services. Identifying the required level of savings in the medium term will be a challenge and is likely to require difficult decisions around service provision and possible increases in business rate premium. We reviewed the Medium Term Financial Strategy and assess the reasonableness of the assumptions used for cost pressures and the amount of grant reductions applied. We also reviewed the findings of the Internal Audit review of the MTFS process. We also reviewed the delivery of the budgeted savings in 2017/18 and the strategies to close the budget gap in the medium term.	City Police reported an outturn surplus of £3.5 million for 2017/18 and reported that this has been achieved through underspends and savings. We believe that this does not reflect underlying performance since the surplus is a result of slippage on costs that have been carried forward into future years that were funded from additional resources provided from the City Fund budget. Currently this is not reflected in their Budget for 2018/19 and City Police has submitted a balanced budget for 2018/19. We consider that there are deficiencies in the robustness and accuracy of the information being provided by the City Police Finance team to the Corporation of London's Chamberlain's department. As a result of the unbudgeted slippage the breakeven position in 2018/19, which was thought to be providing breathing space for the Force transformation plans to be progressed following the Deloitte review, is no longer available at the level first thought. In addition, the Chamberlain's Department and Internal Audit have raised a number of concerns regarding the development of the Police MTFS and subsequent budget monitoring which we concur with. Late and incomplete budget monitoring returns are regularly provided to the Chamberlain's Department from Police. This may be a result of high levels of staff turnover and lack of continuity at a senior level within the Police finance team due to staff illness and resignation. The Chamberlain's Department have raised concerns about the assumptions used in the Police MTFS and are planning to revisit the MTFS to address these issues and to ensure that the financial position is sustainable over the medium term. We consider that there are deficiencies in the robustness and accuracy of the information being provided by the City Police Finance team to the Corporation of London's Chamberlain's department. However, as the Chamberlain's Department is providing assistance to strengthen financial management arrangements in the City Police Finance team and the Corporation has allocated additional financial support from the City Fund in the short term to address funding gaps, we are content that this does not materially impact on the overall arrangements of the Corporation's City Fund to secure economy, efficiency and effectiveness in its use of resources.

USE OF RESOURCES

RISK AREA		RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
2	Sustainable finances (City Fund)	The City Fund is currently forecasting a better than budget position of £1.5 million in 2017/18 which is mainly due to additional income from positive box office performances at the Barbican. Extra business rates income, combined with an increase in anticipated rents from the fund's investment properties and additional interest on cash balances, has allowed cost pressures to be accommodated and the inclusion of additional funding to meet Member priorities and initiatives, whilst still leaving the fund in surplus for 2017/18 and 2018/19. The fund moves into deficit from 2019/20 onwards due to the inclusion of costs for the Museum of London and the Combined Courts relocation projects. This assumes that the preference will be to utilise City Fund reserves prior to borrowing to fund these projects, though this is subject to the overall funding strategies for the projects, which are yet to be agreed. The MTFS is based on key income and expenditure assumptions as well as significant savings/ income generation proposals within service budgets. If key assumptions and savings plans have not been based on reliable data or have been overly optimistic the financial position could deteriorate over the medium term.	We have reviewed the assumptions used in preparing the MTFS for the City Fund and are content that cost pressures and income growth assumptions are reasonable. We note that Internal audit carried out a review of the MFTS in spring 2018 and gave a substantial assurance rating. The City Fund MTFS shows a surplus for 2018/19 but then forecasts a budgeted deficit over the following three years through planned withdrawal from reserves of £103 million to fund the Museum of London and Combined Courts Relocation projects. The City Fund may choose to make use of capital borrowing rather than revenue funding for some of these costs as they crystallise should the need arise. The City Fund currently holds reserves of £122 million. We consider that there are appropriate arrangements in place with regard to sustainable finances for City Fund.

APPENDICES

APPENDIX I: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit and Risk Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, and in aggregate, on the financial statements.

ADJUSTED AUDIT DIFFERENCES

Our audit has not identified any material misstatements.

UNADJUSTED AUDIT DIFFERENCES

There are three unadjusted audit differences identified by our audit work which would increase the surplus on provision of services by £1.32 million if corrected.

You consider these identified misstatements to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement however we also request that you correct them even though not material.

We are required to bring to your attention audit differences that we have identified, but you are not proposing to adjust. These include:

- Two errors in the calculation of the provision for NDR appeals including an error in the formula that reduces the provision by £4.1 million and re-categorisation of appeal type for a number of appeals that increases the provision by £1.4 million. The net error is an overstatement of the appeals provision and understatement of the surplus for the year of £2.7 million in the collection fund and the City Fund's share included in the CIES of £0.80 million based on the 30% share of business rates.
- We believe that management has been overly prudent in providing for 100% of 2017 rating list appeals and that the provision amount, while not material, may be overstated by a non-trivial amount. We estimate that the potential impact on the Corporation's CIES where the amount provided is beyond a reasonable range could be up to £0.35 million.
- Error in the deprecation rate used resulting in £0.16 million overstatement of deprecation cost (and understatement of assets) and overstatement of the charge to the CIES for the year.

If corrected, these would increase the surplus on the provision of services for the year by £1.32 million but would not impact on the General Fund balance this year as these are reversed to other reserves.

APPENDIX I: AUDIT DIFFERENCES

		INCOME AND EXPENDITURE		STATEMEMENT OF FINANCIAL POSITION	
		DR	CR	DR	CR
	£m	£m	£m	£m	£m
Surplus on the provision of services for the year before adjustments	70.0				
DR NDR appeals provision				0.81	
CR Taxation and non-specific Grant income			0.81		
Impact of incorrect provision calculation					
DR Property, plant and equipment (deprecation)				0.16	
CR Deprecation charged to Net Cost of service			0.16		
Impact of incorrect deprecation rate being used					
DR NDR appeals provision				0.35	
CR Taxation and non-specific Grant income			0.35		
Impact of excessive NDR appeals provision on 2017 rating list					
TOTAL UNADJUSTED AUDIT DIFFERENCES	1.3				
Surplus on the provision of services if adjustments accounted for	71.3				

APPENDIX I: AUDIT DIFFERENCES

IMPACT ON GENERAL FUND AND HRA BALANCES	GENERAL FUND BALANCE £000s	HRA BALANCE £000s
Balances before adjustments	122.3	4.5
Adjustments to CIES above	1.3	0
Adjustments via movement in Reserves Statement:		
- Collection Fund Adjustment Account	(1.1)	
- Capital Financing Reserve	(0.2)	
BALANCES AFTER ADJUSTMENTS	122.3	4.5

UNADJUSTED DISCLOSURE MATTERS
No remaining uncorrected disclosures.

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

Key: ■ Significant risk ■ Other deficiency in internal control ■ Other observations

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
STATEMENT OF ACCOUNTS AND FINANCIAL STATEMENTS					
NNDR Appeals provision 2017 valuation	The provision on the 2017 valuation appeals received to date has been made at 100% due to the Authority not having any settled claims on the 2017 valuation.	The Corporation should review any settlement data available to ensure that the provision is based on expected settlements rather than a worse-case scenario.	The Check, Challenge, Appeal process for NNDR appeals means appeals received are more likely to be settled than in previous years. This will be kept under review.	Head of Revenues	Mar 2019
USE OF RESOURCES					
City Police financial planning	Internal audit and the Chamberlain's Department have identified weaknesses in the Budget setting and monitoring process in relation to City of London Police	Management should ensure that they carry out the proposed review of the Police MTFS and budget setting and monitoring process as soon as possible so that a confirmed position is available to enable plans to be drawn up to assist the force in moving forward on a solid financial footing.	A review of the MTFS assumptions will be completed in Autumn 2018. The Deputy Chamberlain and Assistant Commissioner have discussed the expected timetable. Budget monitoring will be submitted on time.	Deputy Chamberlain Assistant Commissioner	Dec 2018 Throughout 2018/19

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

We have followed up on the recommendations that we raised in the prior year:

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Changes in presentation of the financial statements	The financial statements includes an analysis of income by its nature (i.e fees & charges, grant income, interest and investment income, business rate income etc), in note 5. However, there is not an analysis of how this income is split between committees as required by the CIPFA Code.	We recommend that this analysis is disclosed in the financial statements.	This note has been included in the 2017/18 financial statements as we are confident this is Code compliant in conjunction with the expenditure and funding analysis in note 4.	Deputy Director Financial Services	September 2017
Creditors police seized funds	The City fund has recognised £35 million (£3.1 million in 2015/16), of creditors in respect of police seized funds as it is considered that the City Fund has a right to the assets (cash seized), until instructed otherwise by the Court. We identified that there were 104 police seized funds (classified as creditors) balances amounting to £1.6 million relating to pre 1 April 2015 seizures and only three of these account balances had moved in the two years to 31 March 2017. During 2016/17 a further 46 seizures had occurred amounting to £13.1 million, the largest of which, £10.9 million was repaid after 31 March 2017.	We recommend that a review of police funds over two years old is carried out to determine if these funds are still held by the City Fund and/or whether the Police can apply to the Court to release these funds. We also recommend that given the value of the seized funds further details of why the City Fund has the right to the asset should be included in the management's judgements disclosure and further detail of the types of funds held should be disclosed within the creditors note.	This work is in progress and is subject to a further review by Internal Audit. Appropriate text has been included in the 2017/18 financial statements.	Commissioner Deputy Director Financial Services	January 2018 January 2018

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Barbican journals	Our testing identified the following: • Posting of Barbican entries in to Oracle (main accounting system) seems to be overly complicated with multiple journal entries being created, reversed, recreated, re-reversed repeatedly many on the same day or within a few days of the entry being made. • We identified that income from events is often not posted to revenue codes for several months after the event has closed. • We also noted that the Barbican finance team have limited access to reporting functions on the ENTA & Revel systems, which meant there was difficulty running reports to support our sample testing. We understand that the City are currently tendering for a new ticketing system which should address these issues.	We recommend that the process and timing of Barbican journal entries are reviewed to ensure that unnecessary journal posting are reduced and journals are posted on a timely basis. We also recommend that the reporting functions set up is reviewed for the Barbican finance team to ensure that they have the correct level of access in order to perform required day-to-day activities.	Agreed	Head of Finance Barbican and Deputy Director Financial Services	January 2018

APPENDIX III: MATERIALITY

MATERIALITY - FINAL AND PLANNING

	FINAL	PLANNING
City Fund overall Materiality	24,400,000	23,400,000
Specific materiality for other financial statement areas:		
- Impact on revenue resources through the Comprehensive income and expenditure statement (CIES) and Movement in reserves statement (MiRS)	6,375,000	5,800,000
Clearly trivial threshold:		
- Overall materiality	488,000	468,000
- Specific materiality	127,500	116,000

Materiality for the City Fund overall materiality was based on 1% of the aggregate balance of property, plant and equipment and investment properties. This is because the City Fund has custody of significant public assets through its ownership of property assets and investments that are used to generate income to support the local authority services provided by the Corporation. These capital and investment balances form the largest part of the balance sheet. We consider that the balance sheet is of primary interest to the reader of the financial statements (Members of the City of London Corporation) and therefore we use the total value of property, plant and equipment, investment properties and investments as a suitable value for materiality.

Specific materiality was set using a lower level of materiality at 1.5% of gross expenditure to income and expenditure transactions in the Comprehensive income and expenditure statement (CIES) and Movement in reserves statement (MiRS) that impact on revenue resources to reduce the risk of material misstatements. While the balance sheet is of primary interest to the reader of the financial statements, we consider that a misstatement at a lower level through revenue expenditure would be material where this may impact on setting future council tax or HRA rent levels.

We had no reason to revise our final materiality percentage levels. We have, however, applied these levels to balances and transactions as at 31 March 2018 reported in the draft financial statements which has resulted in a change to the materiality amounts.

APPENDIX IV: INDEPENDENCE

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement leads are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2018.

Details of services, other than audit, provided by us to the Corporation during the period and up to the date of this report were provided in our Audit Plan. These services have been approved by the Chamberlain.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Plan.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Corporation.

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

APPENDIX V: FEES SCHEDULE

	2017/18 FINAL £	2017/18 PLANNED £	2016//17 FINAL £	EXPLANATION FOR VARIANCES
Code audit fee	86,383	86,383	86,383	As per PSAA Scale Fee
Fee for reporting on the housing benefits subsidy claim	11,396	11,396	11,205	As per PSAA Scale Fee
TOTAL AUDIT AND CERTIFICATION FEES	97,779	97,779	97,588	
Fees for reporting on other government grants:				
• Pooling of housing capital receipts return	2,340	2,340	2,340	
• Teachers' Pension (local education authority)	4,500	4,500	4,500	
• Teachers' Pension (Centre for Young Musicians (City's Cash))	4,500	4,500	4,500	
Fees for other non-audit services	Nil	Nil	Nil	
NON-AUDIT ASSURANCE SERVICES	11,340	11,340	11,340	
TOTAL ASSURANCE SERVICES	109,119	109,119	108,928	

APPENDIX VI: DRAFT LETTER OF REPRESENTATION

TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP
55 Baker Street
London
WIU 7EU

[XX] July 2018

Dear Sirs

Financial statements of City of London Corporation City Fund for the year ended 31 March 2018

We confirm that the following representations given to you in connection with your audit of the Corporation's City Fund financial statements for the year ended 31 March 2018 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Corporation.

The Chamberlain has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of Responsibilities of Auditors and Audited Bodies within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015, and in particular that the financial statements give a true and fair view of the financial position of the Corporation as of 31 March 2018 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Corporation, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Corporation's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Corporation's City Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Corporation's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) and Police pension scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of inflation (CPI): 2.3%
- Rate of increase in salaries: 3.8%
- Rate of increase in pensions: 2.3%
- Rate of discounting scheme liabilities: 2.55%
- LGPS commutation take up option: 50%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

b) Valuation of housing stock, other land and buildings and investment properties

We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to corporation dwellings and other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

We are satisfied that investment properties have been appropriately assessed as Level 2 or Level 3 on the fair value hierarchy for valuation purposes and valued at fair value, based on highest and best use.

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for non-domestic rates, housing rent and sundry debt arrears are reasonable, based on collection rate data.

d) Non domestic rates appeals provision

We are satisfied that the provision recognised for non-domestic rates appeals is materially correct, and the calculation of historical appeals are consistent with those advised to me by the Valuation Office Agency. We confirm that the successful rates applied to outstanding appeals as at 31 March 2018 are consistent with our knowledge of the business.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. The Chamberlain and each member has taken all the steps that they ought to have taken as a director or member to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Dr Peter Kane

Chamberlain of London

APPENDIX VII: DRAFT AUDIT REPORT

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

UNMODIFIED STANDARD FINANCIAL STATEMENTS OPINION AND USE OF RESOURCES CONCLUSION

APPENDIX VIII: AUDIT QUALITY

BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing all necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

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Manager

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

www.bdo.co.uk

CITY OF LONDON PENSION FUND

AUDIT COMPLETION REPORT

Audit for the year ended 31 March 2018

10 July 2018

CONTENTS

WELCOME

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

It summarises the results of completing the planned audit approach for the year ended 31 March 2018, specific audit findings and areas requiring further discussion and/or the attention of the Audit and Risk Management Committee. At the completion stage of the audit it is essential that we engage with the Audit and Risk Management Committee on the results of audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit and Risk Management Committee meeting on 17 July 2018, and to receiving your input.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Audit and Risk Management Committee and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

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

OVERVIEW

This summary provides an overview of the audit matters that we believe are important to the Audit and Risk Management Committee in reviewing the results of the audit of the financial statements.

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

AUDIT SCOPE AND OBJECTIVES	
Audit status	We have substantially completed our audit procedures in accordance with the planned scope and our objectives have been achieved.
Audit risks update	No additional significant audit risks were identified during the course of our audit procedures subsequent to our Audit Plan to you dated 12 February 2018.
Materiality	Our final materiality is £9.88million for the net asset statement and £1.95 million for the fund account. We have increased our materiality from £9.67 million to £9.88 million for the net asset statement as a result of the increase in valuation of investment asset at year end.
Changes to audit approach	There were no significant changes to our planned audit approach nor were any restrictions placed on our audit.
KEY AUDIT AND ACCOUNTING MATTERS	
Material misstatements	Our audit identified no material misstatements.
Unadjusted audit differences	There are two unadjusted audit differences identified by our audit that would increase the value of private equity fund valuations by £0.495 million following revised valuations received from Warburg and New Mountain fund managers after the initial valuations provided based on the December 2017 valuations. We also found that pension strain costs income from employers for unreduced pension benefits for early retirement employees are accounted for on a cash basis where we believe that the full actuarial cost of this benefit should be accounted for in full by the pension fund with a corresponding debtor for the deferred payments profile. Our work to date has identified potential understatement of income of £0.1 million.
Control environment	Our audit identified no significant deficiencies in internal control.

OVERVIEW

AUDIT OPINION	
Financial statements	We propose issuing an unmodified opinion on the financial statements for the year ended 31 March 2018.
Pension fund annual report	Our review of the separate pension fund annual report is in progress and we will provide an oral update on the findings to the Audit and Risk Management Committee.
OTHER MATTERS FOR THE ATTENTION OF THE AUDIT COMMITTEE	
Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix III.
Management letter of representation	The draft management letter of representation, to be approved and signed, is set out in Appendix V.

OUTSTANDING MATTERS

The following matters are outstanding at the date of issuing our Audit Completion Report. We will update you on their status at the Audit Committee meeting at which this report is considered:

1. Quality assurance review of the audit file by the engagement lead
2. Review of the final financial statements
3. Subsequent events review
4. Management letter of representation, as attached in Appendix V to be approved and signed

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT RISKS

We assessed the following matters as audit risks, as identified in our earlier Audit Plan to the Audit and Risk Management Committee. We have set out below how these risks have been addressed and the outcomes of our procedures.

Key: Significant risk, Normal risk, Other key issues

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1	Management override of controls	Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual. By its nature, there are no controls in place to mitigate the risk of management override.	We have: • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements	Our work on the appropriateness of journals including adjustments made in preparation of the financial statements did not identify any issues.
			• Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud	We have found no bias in accounting estimates.
			• Tested a sample of significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.	No unusual transactions outside of the normal course of business were identified.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
2	Pension liability assumptions	An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on a roll-forward of data from the 2016 triennial valuation, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability at 31 March 2018. There is a risk that the membership data and cash flows provided to the actuary as at 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.	We compared the assumptions used by the scheme actuary with assumptions used by other local government actuaries (provided by PwC consulting actuaries) to assess the reasonableness of the assumptions and impact on the calculation of the present value of estimated future pension payments.	We are satisfied that the assumptions used to calculate the present value of future pension obligations are reasonable. Further information on the assumptions used is included in the following page.
			We checked that the disclosures in the financial statements were consistent with the information provided by the actuary.	The disclosures in the financial statements agreed to the actuary's report except for 2018/19 Museum of London contribution rate that should have been reported as 15.7% (draft recorded 15.6%).We also identified that the discount rate disclosed in the financial assumptions note in the financial statements was 2.6% instead of £2.55% per the actuary's IAS19 report. Management has agreed to correct these disclosure errors.
			We reviewed the data provided to the actuary to ensure that it is complete and accurate.	We have obtained assurance over the membership data, data provided at the last triennial valuation and the cash flows used by the actuary to update liabilities and share of assets for the year.

KEY AUDIT AND ACCOUNTING MATTERS

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SIGNIFICANT ACCOUNTING ESTIMATES

Pension liability assumptions

ESTIMATE

The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows

HOW RISK WAS ADDRESSED BY OUR AUDIT

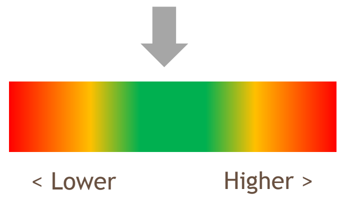
The actuary has used the following assumptions at 31 March 2018 to value to future pension liability. We have compared the assumptions used to an acceptable range and those used across the local government actuaries.

The PwC consulting actuary review of the relative strength of the main assumptions on the liability assumptions suggests that Barnett Waddingham tends to place a higher value on the liability than other actuaries where standard assumptions are applied and that the overall assumptions are reasonable.

	Actual used	Acceptable range	Comments
RPI increase	3.3%	3.30-3.35%	Reasonable
CPI increase	2.3%	2.30-2.35%	Reasonable
Salary increase	3.8%	CPI +1.5% to 2.2%	(based on 2016 valuation) Reasonable in context of CPI / RPI
Pension increase	2.3%	2.30-2.35%	Reasonable
Discount rate	2.55%	2.50-2.60%	Reasonable
Mortality - LGPS:			
- Male current	25.3 years	23.7-26.8	Reasonable
- Female current	26.7 years	26.6-28.4	Reasonable
- Male retired	23.9 years	21.5-24.5	Reasonable
- Female retired	25.2 years	24.3-26.10	Reasonable
Commutation	50%	50%	Reasonable

All of the assumptions used fall within the reasonable range for the actuary as per the PwC report.

AUDIT CONCLUSION



KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	Fair value of investments (infrastructure and private equity)	The investment portfolio includes unquoted infrastructure and private equity holdings valued by the General Partner or fund manager using valuations obtained from the underlying partnerships and investments. Valuations are provided at dates that are not coterminous with the pension fund's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) up to 31 March. There is a risk that investments valuations may not be appropriately adjusted to include additional contributions or distributions at the year end.	We have obtained direct confirmation of investment valuations from the General Partner or fund managers including copies of the audited financial statements of the partnership (and member allocations) from the fund. Where applicable we have recomputed the pension fund's share of the audited net asset value of the partnerships financial statements and agreed to year-end market values confirmation obtained directly from the fund managers to ascertain the reasonableness of the year end confirmations. Where the financial statement date supporting the valuation is not conterminous with the pension fund's year-end, we have confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds.	We agreed all valuations to fund manager reports except for two funds that would increase the value of private equity fund valuations by £0.495 million following revised valuations received from Warburg (£0.215 million) and New Mountain (£0.280 million) fund managers after the initial valuations provided based on the December 2017 valuations. This has not been corrected by management.
			We have obtained independent assurance reports over the controls operated by the material fund managers and custodian for valuations and existence of underlying investments in the funds.	No other issues were noted regarding the valuation of investments at year-end or the effectiveness of controls operated by fund managers for valuations and existence of underlying investments in the funds.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
4	Fair value of investments (pooled investments)	The fair value of other funds (pooled investments held through Unit trust) is provided by individual fund managers, reviewed by the fund's Custodian and reported on a monthly basis. There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.	We have obtained direct confirmation of investment valuations from the fund managers and agreed published fund manager valuations, where available, to readily available observable data (such as Bloomberg). We have obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds. We have reviewed the Custodian's performance monitoring reports and followed up valuations provided by the Fund Manager that appear unusual when compared to the Custodian's independent performance monitoring report.	We agreed all valuations to fund manager reports. However, we noted that the valuation of the Carnegie fund manager differed to that provided by the custodian valuation due to differences used for the exchange rate. The Carnegie valuation had applied a £:$ exchange rate of 1.41 whereas the custodian had used 1.40 resulting in the custodian reporting a higher valuation by £0.234 million. The pension fund has used the valuation provided by the custodian. We confirmed the quoted value of the Carnegie funds at year-end on Bloomberg with only a trivial difference between the quoted market value and custodian's valuation. No other issues were noted regarding the valuation of investments at year-end or the effectiveness of controls operated by fund managers for valuations and existence of investments.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
5	Contributions receivable (normal and additional contributions for pension strain)	Employers are required to deduct amounts from employee pay based on tiered pay rates and to make employer contributions in accordance with rates agreed with the actuary. Additional contributions are also required against pension strain for early retirements with unreduced pensions. There is a risk that employers may not be calculating contributions correctly or paying over the full amount due to the pension fund.	We have performed an examination, on a test basis, of evidence relevant to the amounts of normal contributions receivable to the fund including checking to employer payroll records, where relevant.	Our testing has not identified any issues with the calculation of normal contributions receivable from employers or employees. However, we found that pension strain costs income from employers for unreduced pension benefits for early retirement employees are accounted for on a cash basis where we believe that the full actuarial cost of this benefit should be accounted for in full by the pension fund with a corresponding debtor for the deferred payments profile. Our work to date has identified potential understatement of income of £0.1 million.
			We have reviewed contributions receivable and ensure that income is recognised in the correct accounting year.	Our testing has not identified any issues with the timings of contributions receivable to the fund.
6	Membership disclosure	Membership information including the number of current contributors, deferred beneficiaries and pensioners by employer is required to be disclosed. There is a risk that the membership database may not be accurate and up to date to support this disclosure.	We have tested a sample of membership data per the pension system (Altair) and agreed to supporting documentations to confirm the accuracy, existence, and completeness of membership numbers recorded in the financial statements.	Our testing did not identify any issues with membership data.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
7	Investment management expenses	Local Government Pension Fund Accounts are required to disclose investment management expenses. Management expenses included in the pension fund accounts represents the fee for the service provided by and any performance related fees in relation to the fund manager. However, fund managers do not ordinarily provide information on these fees included in investing contributions. These fees are deducted when the investment is made by the fund manager and hence is included in the change in market value of investments. CIPFA has issued guidance on obtaining and separately presenting these additional charges in the fund accounts. This disclosure is a mandatory requirement for the 2017/18 financial statements. Management instructed fund managers to provide this information in the previous year. While most were able to provide this information, management will work with the remaining fund managers to provide this information in the current year. We consider there to be a risk in the presentation of investment management expenses in the fund accounts where these 'hidden' fees are not identified and separately reported.	We discussed with management whether fund managers provided the required information on other fees and the adjustments made to show these costs of fund manager expenses gross in the fund account. We reviewed the accounts to ensure that investment management expenses have been disclosed in accordance with CIPFA's guidance. For a sample of investment management expense we agreed amount to year-end confirmations received from the fund managers by the pension fund. We also recalculated the investment management fees to ensure that it is in line the fund managers' mandate.	Management was able to obtain details of total costs to comply with the CIPFA disclosure requirement. Seven of the ten pooled investment managers have signed up to the LGPS scheme advisory board's fee template for next year which is designed to ensure compliance with the code. Investment management expenses have been disclosed in accordance with CIPFA guidance. Our testing did not identify any issues with accuracy and existence of investment management expenses.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
8	Consideration of related party transactions	We consider if the disclosures in the financial statements concerning related party transactions are complete, accurate and in line with the requirements of the accounting standards.	We reviewed the Financial investment Board declarations to ensure there are no potential related party transactions which have not been disclosed. We performed a company house search to ensure that there are no undeclared related parties by the board members. We reviewed the basis for apportioning costs between the pension fund and the Corporation and ensured that costs relating to the provision of key management personnel services are accurately disclosed.	Our testing has not identified any issues with the disclosure of related parties and related parties transactions. Our testing did not identify any issues regarding the basis of apportioning cost between the pension fund and the Corporation relating to the provision of key management personnel services and the associated disclosure.
9	Benefits payable	Benefits payable may not be correct based on accrued benefits of members or may not be in calculated in accordance with the scheme regulations. Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.	For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, we checked a sample of calculations of pension entitlement to ensure benefits entitlements are accurate. We have checked a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member.	We did not identify any issues regarding the accuracy and existence of pension benefits. Our test did not identify any issues regarding the existence of pensioners.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	AUDIT FINDINGS
10	Membership records	We noted that the funds did not keep evidence from the pension system when membership data was submitted to the actuary for the triennial valuation. We recommend that screenshots or printouts from the system with time stamp be kept as audit trail.
11	Financial statements presentation and disclosures	We have suggested a number of changes to the financial statements, in addition to amendments noted earlier in our report, including £13.7m investment in emerging markets disclosed as investment in developed markets in the price risk sub-note under the sensitivity analysis note

MATTERS REQUIRING ADDITIONAL CONSIDERATION		
We comment below on other matters requiring additional consideration:		
12	Fraud	Whilst the Chamberlain and members have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from those charged with governance on whether you are aware of any known, suspected, or alleged frauds that we should be made aware of.

OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

MATTER	COMMENT
Pension fund annual report	We are required to review the pension fund annual report and report on the consistency of the pension fund financial statements within the annual report with the pension fund financial statements in the statement of accounts. Our review of the separate pension fund annual report is in progress and we will provide an oral update on the findings to the Audit and Risk Management Committee

CONTROL ENVIRONMENT

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit and Risk Committee.

As the purpose of the audit is for us to express an opinion on the Corporation's financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We note that the Corporation internal audit function has issued a number of observations and recommendations on the Corporation control environment during 2017/18. We have not repeated these recommendations in this report unless we consider them to highlight significant deficiencies in control which we are required to report to you.

We are not aware of any significant deficiencies in the Corporation's internal controls for the pension fund in 2017/18.

APPENDICES

APPENDIX I: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit and Risk Committee is required to consider. This includes audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, and in aggregate, on the financial statements.

ADJUSTED AUDIT DIFFERENCES

Our audit has not identified any material misstatements.

UNADJUSTED AUDIT DIFFERENCES

There are two unadjusted audit differences identified by our audit that would increase the value of private equity fund valuations by £0.495 million following revised valuations received from Warburg and New Mountain fund managers after the initial valuations provided based on the December 2017 valuations.

We also found that pension strain costs income from employers for unreduced pension benefits for early retirement employees are accounted for on a cash basis where we believe that the full actuarial cost of this benefit should be accounted for in full by the pension fund with a corresponding debtor for the deferred payments profile. Our work to date has identified potential understatement of income of £0.1 million.

You consider these identified misstatements to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement.

APPENDIX II: MATERIALITY

MATERIALITY - FINAL AND PLANNING		
	FINAL	PLANNING
Pension fund overall materiality	£9,880,000	£9,667,000
Fund account specific materiality	£1,950,000	£1,620,000
Clearly trivial threshold	£198,000	£193,000

Planning materiality for the pension fund financial statements was based on 1% of prior year net assets. Specific materiality was set of 5% of prior year contributions for the fund account.

We revised our materiality to reflect the actual amounts reported in the draft accounts.

APPENDIX III: INDEPENDENCE

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement leads are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity, or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2018.

Details of services, other than audit, provided by us to the Corporation during the period and up to the date of this report were provided in our Audit Plan. We understand that the provision of these services was approved by the Audit and Risk Committee in advance in accordance with the Corporation's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Plan.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Pension Fund.

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

APPENDIX IV: FEES SCHEDULE

	2017/18 FINAL £	2017/18 PLANNED £	2016//17 FINAL £	EXPLANATION FOR VARIANCES
Code audit fee	£21,000	£21,000	£21,000	N/A
TOTAL ASSURANCE SERVICES	£21,000	£21,000	£21,000	

APPENDIX V: DRAFT LETTER OF REPRESENTATION

TO BE TYPED ON CLIENT HEADED NOTEPAPER
BDO LLP
55 Baker Street
London
WIU 7EU

05 May 2018

Dear Sirs

Financial statements of City of London Corporation Pension Fund for the year ended 31 March 2018

We confirm that the following representations given to you in connection with your audit of the pension fund's financial statements for the year ended 31 March 2018 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Corporation.

The Chamberlain has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial transactions of the scheme and the amount and disposition at the end of the year of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Corporation, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the pension fund's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Corporation have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the pension fund's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either requires changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving members of the Corporation, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by members of the Corporation, employees, former employees, analysts, regulators or any other party.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

The value at which investment assets are recorded in the net assets statement is the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuations, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the scheme. Any significant changes in those values since the year end date have been disclosed to you.

None of the assets of the scheme has been assigned, pledged or mortgaged.

We consider the following assumptions applied to calculate the actuarial present value of future pension benefits disclosed in the financial statements to be appropriate: RPI increase 3.3%, CPI increase 2.3%, Salary increase 3.8%, Pension increase 2.3%, Discount rate 2.55%, Mortality: retiring in 20 years - male 23.9 years and female 25.2 years / retiring today - male 25.3 years and female 26.7 years, and Commutation take up 50%.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that as far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each member has taken all the steps that they ought to have taken as a member in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Dr Peter Kane
Chamberlain
[Date]

Ian David Luder
Chairman
Signed on behalf of the Audit and Risk Management Committee
[Date]

APPENDIX VI: AUDIT QUALITY

BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing all necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

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FOR MORE INFORMATION:

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TREASURY MANAGEMENT STRATEGY STATEMENT

AND

ANNUAL INVESTMENT STRATEGY

2018/19

Issue Date: 06/02/2018
Agreed by Court of Common Council 08/03/2018

Treasury Management Strategy Statement and Annual Investment Strategy 2018/19

1. Introduction

1.1. Background

The City of London Corporation (the City) is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the City's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of capital expenditure plans. The City is not anticipating any borrowing at this time.

1.2. The Treasury Management Policy Statement

The City defines its treasury management activities as:

> The management of the organisation's investments and cash flows, its banking, money market and capital market transaction; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The City regards the security of its financial investments through the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The City acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.3. CIPFA Requirements

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by the Court of Common Council (the Court) on 3 March 2010:

The primary requirements of the Code are as follows:

(i) The City of London Corporation will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

(ii) This organisation (i.e. the Court of Common Council) will receive reports on its treasury management policies, practices and activities, including as a minimum an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

(iii) The Court of Common Council delegates responsibility for the implementation and regular monitoring of its treasury management policies to the Finance Committee and the Financial Investment Board; the execution and administration of treasury management decisions is delegated to the Chamberlain, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

(iv) The Court of Common Council nominates the Audit and Risk Management Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

1.4. Treasury Management Strategy for 2018/19

The Local Government Act 2003 (the Act) and supporting regulations require the City to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the City's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Court of Common Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) (included in section 7 of this report); this sets out the City's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The suggested strategy for 2018/19 in respect of the required aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the City's treasury adviser, Link Asset Services, Treasury Solutions.

The strategy covers:

- the current treasury position
- treasury indicators which limit the treasury risk and activities of the City
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers.

These elements cover the requirements of the local Government Act 2003, the CIPFA Prudential Code, the CLG MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

1.5. Balanced Budget Requirement

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the City to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
2. any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the City for the foreseeable future.

2. Treasury Limits for 2017/18 to 2019/20

It is a statutory duty under Section 3 (1) of the Local Government Act and supporting regulations, for the City to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

The City must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'.

Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion in corporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years; details of the Authorised Limit can be found in Appendix 3.

3. Current Portfolio Position

The City's treasury portfolio position at 31 December 2017 comprised:

Table 1		**Principal**		**Ave. rate**
		£m	**£m**	**%**
Fixed rate funding	PWLB	0		
	Market	0	0	-
Variable rate funding	PWLB	0	0	-
	Market	0	0	-
Other long term liabilities			0	
Gross debt			**0**	**-**
Total investments			**873.4**	**0.56**
Net Investments			**873.4**	

4. Treasury Indicators for 2018/19 – 2020/21

Treasury Indicators (as set out in Appendix 3) are relevant for the purposes of setting an integrated treasury management strategy.

The City is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The original 2001 Code was adopted by the Court of Common Council on 9 March 2004 and the revised 2009 Code was adopted on 3 March 2010.

5. Prospects for Interest Rates

The City of London has appointed Link Asset Services (Link) as its treasury advisor and part of their service is to assist the City to formulate a view on interest rates. Appendix 1 draws together a number of forecasts for both short term (Bank Rate) and longer term interest rates and Appendix 2 provides a more detailed economic commentary. The following table and accompanying text below gives the Link central view.

	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)			
		5 year	10 years	25 year	50 year
Dec 2017	0.50	1.50	2.10	2.80	2.50
Mar 2018	0.50	1.60	2.20	2.90	2.60
Jun 2018	0.50	1.60	2.30	3.00	2.70
Sep 2018	0.50	1.70	2.40	3.00	2.80
Dec 2018	0.75	1.80	2.40	3.10	2.90
Mar 2019	0.75	1.80	2.50	3.10	2.90
Jun 2019	0.75	1.90	2.60	3.20	3.00
Sep 2019	0.75	1.90	2.60	3.20	3.00
Dec 2019	1.00	2.00	2.70	3.30	3.10
Mar 2020	1.00	2.10	2.70	3.40	3.20
Jun 2020	1.00	2.10	2.80	3.50	3.30
Sep 2020	1.25	2.20	2.90	3.50	3.30
Dec 2020	1.25	2.30	2.90	3.60	3.40
Mar 2021	1.25	2.30	3.00	3.60	3.40

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed.

has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- The result of the October 2017 Austrian general election has now resulted in a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the

UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Investment and borrowing rates

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.
- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again somewhat. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

6. Borrowing Strategy

It is anticipated that there will be no capital borrowings required during 2018/19.

7. Annual Investment Strategy

7.1. Investment Policy

The City of London's investment policy will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes ("the CIPFA TM Code"). The City's investment priorities are:

(a) security; and

(b) liquidity.

The City will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of the City is low in order to give priority to security of its investments.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and the City will not engage in such activity.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the City applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration, the City will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in Appendix 4 under the ‘specified’ and ‘non-specified’ investments categories.

7.2. **Creditworthiness policy**

The City uses the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from all three rating agencies - Fitch, Moody's and Standard & Poor’s. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries.

The City will not specifically follow the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties, but will have regard to the approach adopted by Link’s creditworthiness service which incorporates ratings from all three agencies and uses a risk weighted scoring system, thereby not giving undue preponderance to just one agency’s ratings.

All credit ratings will be monitored on a daily basis**.** The City is alerted to credit warnings and changes to ratings of all three agencies through its use of the Link creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the City’s minimum criteria, its further use as a possible investment will be withdrawn immediately.
- In addition to the use of Credit Ratings the City will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution and possible removal from the City’s lending list.

Sole reliance will not be placed on the use of this external service. In addition the City will also use market data and market information, information from any external source and credit ratings.

Regular meetings are held involving the Chamberlain, the Deputy Chamberlain, Corporate Treasurer and Members of the Treasury Team, when the suitability of prospective counterparties and the optimum duration for lending is discussed and agreed.

The primary principle governing the City's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the City will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the City's prudential indicators covering the maximum principal sums invested.

The Chamberlain will maintain a counterparty list in compliance with the following criteria and will revise these criteria and submit them to the Financial Investment Board for approval as necessary. These criteria are separate to those which determine which types of investment instruments are classified as either specified or non-specified as it provides an overall pool of counterparties considered high quality which the City may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of a possible longer term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty would result in a temporary suspension, which will be reviewed in light of market conditions.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) are:

- Banks 1 – good credit quality – the City will only use banks which:

  (i) are UK banks; and/or

  (ii) are non-UK and domiciled in a country which has a minimum sovereign long-term rating of AAA (Fitch rating)

  and have, as a minimum the following Fitch, credit rating:

(i) Short-term	F1
(ii) Long-term	A

- Banks 2 – Part Nationalised UK banks –Royal Bank of Scotland. This bank can be included if it continues to be part nationalised, or it meets the ratings in Banks 1 above.
- Banks 3 – The City's own banker (Lloyds Banking Group) for transactional purposes if the bank falls below the above criteria, although in this case, balances will be minimised in both monetary size and duration.
- Bank subsidiary and treasury operation - The City will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above. This criteria is particularly relevant to City Re Limited, the City's

Captive insurance company, which deposits funds with bank subsidiaries in Guernsey.

- Building Societies – The City may use all societies which:
  (i) have assets in excess of £9bn; or
  (ii) meet the ratings for banks outlined above
- Money Market Funds CNAV – with minimum credit ratings of AAA/mmf
- Money Market Funds (MMFs) LVNAV – with minimum credit ratings of AAA/mmf
- Money Market Funds (MMFs) VNAV – with minimum credit ratings of AAA/mmf
- Ultra-Short Dated Bond Funds with a credit rating of at least AAA/f (previously referred to as Enhanced Cash Plus Funds)
- Short Dated Bond Fund – These funds typically do not obtain their own standalone credit rating. The funds will invest in a wide array of investment grade instruments, The City will undertake all necessary due diligence to ensure a minimum credit quality across the funds underlying composition is set out within initial Investment Manager Agreements and actively monitor the on-going credit quality of any fund invested.
- UK Government – including government gilts and the debt management agency deposit facility.
- Local authorities

A limit of £300m will be applied to the use of non-specified investments.

Use of additional information other than credit ratings. Additional requirements under the Code require the City to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties

Time and monetary limits applying to investments. The time and monetary limits for institutions on the City's counterparty list are set out in Appendix 5 as at 31st December 2017. The City may add managers to this list as appropriate.

7.3. **Country limits**

The City has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AAA (Fitch) or equivalent. The counterparty list, as shown in Appendix 6, will be added to or deducted from by officers should individual country ratings change in accordance with this policy. It is proposed that the UK (which is currently rated as AA) will be excluded from this stipulated minimum sovereign rating requirement.

Investment Strategy

7.4. **In-house funds:** The City's in-house managed funds are both cash-flow derived and also represented by core balances which can be made available for investment over a 2-3 year period. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). The City does not currently have any term deposits which span the 2018/19 financial year.

7.5. **Investment returns expectations**: Bank Rate is forecast to stay flat at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are as follows:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

Link consider that the overall balance of risks to these forecasts is currently probably tilted towards the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, upside risk may increase i.e. Bank Rate increases occur earlier and / or at a quicker pace.

The Chamberlain and his Treasury Officers consider that there may be a slow increase in base rate beginning in either late 2018 or early 2019, at the earliest. Currently available interest rates over the longer term (2 to 3 years) are not significantly above 0.75% to 1.0% and are therefore considered insufficient to place funds on 2 or 3 year deposit at present.

For 2017/18 the City has budgeted for an average investment return of 0.50% on investments placed during the financial year. Financial forecasts for the period 2018/19 include interest earnings based on a weighted average investment return of 0.65%.

In managing its cash as effectively as possible, the City aims to benefit from the highest available interest rates for the types of investment vehicles invested in, whilst ensuring that it keeps within its credit criteria as set out in this document. Currently, the City invests in a call account with Lloyds Bank, money market funds, short-dated deposits (three months to one year) and a 95 day notice account. These investments are relatively liquid and therefore as and when interest rates improve balances can be invested for longer periods.

7.6. **Investment Treasury Indicator and Limit**

Total principal funds invested for greater than 365 days are subject to a limit, set with regard to the City's liquidity requirements and to reduce the need for an early sale of an investment, and are based on the availability of funds after each year end.

The Board is asked to approve the treasury indicator and limit:

Maximum principal sums invested for more than 365 days (up to three years)			
	2018/19 £M	**2019/20 £M**	**2020/21 £M**
Principal sums invested >365 days	300	300	300

7.7. **End of year investment report**

At the end of the financial year, the City will report on its investment activity as part of its Annual Treasury Report.

7.8. External fund managers

A proportion of the City's funds, amounting to £206.9m as at 31 December 2017, are externally managed on a discretionary basis by Standard Life Aberdeen plc, Deutsche Asset Wealth Management, Invesco Fund Managers Ltd, Federated UK LLP, CCLA Investment Management Ltd and Payden Global Funds Plc. The City's external fund managers will comply with the Annual Investment Strategy, and the agreements between the City and the fund managers additionally stipulate guidelines and duration and other limits in order to contain and control risk. Investments made by the Fund Managers include a diversified portfolio of very high quality sterling-dominated investments, including gilts, supranationals, bank and corporate bonds, as well as other money market securities. The individual investments held within the Funds are monitored on a regular basis by Treasury staff.

The credit criteria to be used for the selection of the Money Market fund manager(s) is based on Fitch Ratings and is AAA/mmf. The Ultra-Short Dated Bond fund managers (including Payden Sterling Reserve Fund, Federated Sterling Cash Plus Fund and Standard Life Investments Short Duration Managed Liquidity Fund) are all rated by Standard and Poor's as AAA/f.

Any newly appointed Short Dated Bond fund manager will be appointed on a distinct Investment Manager Agreement, under which the City will outline the minimum credit criteria to be maintained across the underlying fund composition. The funds are expected to offer significant diversification by being invested in a wide range of investment grade instruments, rated BBB and above and limiting exposure to any one debt issuer or issuance.

7.9. Policy on the use of external service providers

The City uses Link Asset Services, Treasury Solutions as its external treasury management advisers.

The City recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon its external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The City will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

7.10. Scheme of Delegation

Please see Appendix 7.

7.11. Role of the Section 151 officer

Please see Appendix 8.

7.12. Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. The training needs of members and treasury management officers are periodically reviewed.

APPENDICES

1. Interest Rate Forecasts 2018-2021
2. Link Asset Services view on Economic Background
3. Treasury Indicators 2018/19 – 2020/21 and Minimum Revenue Provision Statement
4. Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management
5. Current Approved Counterparties
6. Approved Countries for Investments
7. Treasury Management Scheme of Delegation
8. The Treasury Management Role of the Section 151 Officer

APPENDIX 1

LINK INTEREST RATE FORECASTS 2018 - 2021

Link Asset Services Interest Rate View	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
3 Month LIBID	0.40%	0.40%	0.40%	0.60%	0.60%	0.60%	0.70%	0.90%	0.90%	1.00%	1.20%	1.20%	1.20%
6 Month LIBID	0.50%	0.50%	0.60%	0.80%	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%
12 Month LIBID	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.10%	1.30%	1.30%	1.40%	1.50%	1.50%	1.60%
5yr PWLB Rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB Rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB Rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate													
Link Asset Services	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
Capital Economics	0.50%	0.75%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.00%	2.25%	2.25%	-
5yr PWLB Rate													
Link Asset Services	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
Capital Economics	1.70%	1.90%	2.10%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.65%	2.65%	2.90%	-
10yr PWLB Rate													
Link Asset Services	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
Capital Economics	2.20%	2.40%	2.60%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	3.05%	3.05%	3.30%	-
25yr PWLB Rate													
Link Asset Services	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.60%	2.90%	3.10%	3.30%	3.30%	3.30%	3.35%	3.35%	3.35%	3.60%	3.60%	3.80%	-
50yr PWLB Rate													
Link Asset Services	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

Note: The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective since 1st November 2012. The Bank of England base rate was increased from 0.25% to 0.50% on 2 November 2017.

LINK ASSET SERVICES VIEW ON ECONOMIC BACKGROUND

GLOBAL OUTLOOK. World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution.**

KEY RISKS - central bank monetary policy measures

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income,** which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift *UP* in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK. After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14**

September 2017 managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.1% in November so that may prove now to be the peak.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25%

in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

EZ. Economic growth in the eurozone (EZ), (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and +0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.3%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and four increases since December 2016; the latest rise was in December 2017 and lifted the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN. has been struggling to stimulate consistent significant growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

<u>Brexit timetable and process</u>

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.

- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.

The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies

APPENDIX 3

TREASURY INDICATORS 2018/19 – 2020/21 AND MINIMUM REVENUE PROVISION STATEMENT

TABLE 1: TREASURY MANAGEMENT INDICATORS	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
	actual	**probable outturn**	**estimate**	**estimate**	**estimate**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Authorised Limit for external debt -					
Borrowing	£0	£0	£0	£0	£0
other long term liabilities	£14,124	£14,006	£13,888	£13,770	£13,653
TOTAL	£14,124	£14,006	£13,888	£13.770	£13,653
Operational Boundary for external debt -					
Borrowing	£0	£0	£0	£0	£0
other long term liabilities	£14,124	£14,006	£13,888	£13,770	£13,653
TOTAL	£14,124	£14,006	£13,888	£13.770	£13,653
Actual external debt	£0	£0	£0	£0	£0
Upper limit for fixed interest rate exposure					
Expressed as either:-					
Net principal re fixed rate borrowing / investments OR:-	100%	100%	100%	100%	100%
Net interest re fixed rate borrowing / investments	100%	100%	100%	100%	100%
Upper limit for variable rate exposure					
Expressed as either:-					
Net principal re variable rate borrowing / investments OR:-	100%	100%	100%	100%	100%
Net interest re variable rate borrowing / investments	100%	100%	100%	100%	100%
Upper limit for total principal sums invested for over 364 days	£200m	£300m	£300m	£300m	£300m
(per maturity date)					

TABLE 2: Maturity structure of fixed rate borrowing during 2017/18	upper limit	lower limit
- under 12 months	0%	0%
- 12 months and within 24 months	0%	0%
- 24 months and within 5 years	0%	0%
- 5 years and within 10 years	0%	0%
- 10 years and above	0%	0%

MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT 2018/19

To ensure that capital expenditure funded by borrowing is ultimately financed, the City Fund is required to make a Minimum Revenue Provision (MRP) when the Capital Financing Requirement (CFR) is positive. A positive CFR is indicative of an underlying need to borrow.

A positive CFR will arise when capital expenditure is funded by 'borrowing', either external (loans from third parties) or internal (use of cash balances held by the City Fund). The 2018/19 City Fund Budget Strategy does not envisage any external borrowing in-year. A formal Capital Strategy will be developed to determine a prudent level of external borrowing to fund the Museum of London relocation and the potential new Combined Court building.

As at 31 March 2017 the City Fund CFR became positive for the first time as a result of internal borrowing. This arose through funding of capital expenditure from cash received from long lease premiums which are deferred in accordance with accounting standards. This deferred income is released to revenue over the life of the leases to which it relates, typically between 125 and 250 years.

The City's MRP policy in respect of internal borrowing is based on a mechanism to ensure that the deferred income used to finance capital expenditure is not then 'used again' when it is released to revenue. The amount of the annual MRP is therefore to be equal to the amount of the deferred income released, resulting in an overall neutral impact on the bottom line.

The MRP liability for 2017/18 is £897k and is estimated at £975k for 2018/19 - assuming no external borrowing.

Future year MRPs will be equal to the deferred income to be released (in respect of internal borrowing) plus a prudent provision to repay external borrowing (yet to be determined).

TREASURY MANAGEMENT PRACTICES (TMP 1) – Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where appropriate.

	Minimum 'High' Credit Criteria	**Use**
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies, including part nationalised banks	Short-term F1, Long-term A,	In-house
Term deposits – banks and building societies, including part nationalised banks	Short-term F1, Long-term A,	Fund Managers
Money Market Funds CNAV (see Note below)	AAA/mmf (or equivalent)	In-house via Fund Managers
Money Market Funds LVNAV (see Note below)	AAA/mmf (or equivalent)	In-house via Fund Managers
Money Market Funds VNAV (see Note below)	AAA/mmf (or equivalent)	In-house via Fund Managers
Ultra-Short Dated Bond Fund	AAA/f (or equivalent)	In-house via Fund Managers
UK Government Gilts	UK Sovereign Rating	In-house & Fund Managers
Treasury Bills	UK Sovereign Rating	Fund Managers
Sovereign Bond issues (other than the UK government)	AAA	Fund Managers

Note:

New European Money Market Fund regulations are due to come into effect from 21 July 2018. There are currently two broad categories of Money Market Funds (MMFs): short-term MMFs and standard MMFs.

Under existing regulations, the standard MMF can only be run as a variable net asset value (VNAV) fund, while the short-term MMF can be run as either a constant net asset value (CNAV) or VNAV fund.

The new regulations introduce a couple of changes to the short-term MMF category. Until now, these have included government style funds and credit style funds. The new regulation provides optionality for investors, allowing for three new successor structures:

- A CNAV fund option, which will be permitted for "public debt" or government style funds.
- A low-volatility NAV (LVNAV) fund, which delivers a stable NAV and is also available for credit-style offerings.
- A VNAV fund option, offering a fluctuating dealing NAV, which could be a government fund or a credit fund.

All existing MMFs have to comply with the new rules by January 2019 whilst new MMF's must be in compliance by 21st July 2018.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the Specified Investment criteria. A maximum of £300m will be held in aggregate in non-specified investment.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the categories set out below.

	Minimum Credit Criteria	**Use**	**Maximum**	**Maximum Maturity Period**
Term deposits - other LAs (with maturities in excess of one year)	-	In-house	£25m per LA	Three years
Term deposits, including callable deposits - banks and building societies (with maturities in excess of one year)	Long-term A, Short-term F1,	In-house and Fund Managers	£300m overall	Three years
Certificates of deposits issued by banks and building societies with maturities in excess of one year	Long-term A, Short-term F1,	In-house on a buy-and-hold basis and fund managers	£50m overall	Three years
UK Government Gilts with maturities in excess of one year	AAA	In-house on a buy-and-hold basis and fund managers	£50m overall	Three years
UK Index Linked Gilts	AAA	In-house on a buy-and-hold basis and fund managers	£50m Overall	Three years
Short Dated Bond Fund	--	In-house via Fund Managers	£100m Principal Overall	n/a*

*Short Dated Bonds Funds are buy and hold investments with no pre-determined maturity at time of funding, liquidity access will be typically T+4.

APPENDIX 5

APPROVED COUNTERPARTIES as at 31 DECEMBER 2017

BANKS AND THEIR WHOLLY OWNED SUBSIDIARIES

FITCH RATINGS	LIMIT OF £100M PER GROUP (£150m for Lloyds TSB Bank)	Duration
AA- F1+	HSBC	Up to 3 years
A F1	BARCLAYS BANK	Up to 3 years
A+ F1	LLOYDS BANK incl. Bank of Scotland	Up to 3 years
BBB+ F2	ROYAL BANK OF SCOTLAND	Up to 3 years
A F1	SANTANDER UK	Up to 3 years
A F1	GOLDMAN SACHS INTERNATIONAL BANK	Up to 3 years

BUILDING SOCIETIES

FITCH RATINGS	GROUP	ASSETS £BN	LIMIT £M	Duration
A+ F1	Nationwide	220	120	Up to 3 years
A- F1	Yorkshire	45	20	Up to 1 year
A F1	Coventry	38	20	Up to 1 year
A- F1	Skipton	18	20	Up to 1 year
A- F1	Leeds	16	20	Up to 1 year

MONEY MARKET FUNDS

FITCH RATINGS	MONEY MARKET FUNDS Limit of £100M per fund	DURATION
AAA/mmf	CCLA	Liquid
AAA/mmf	Federated Short-Term Sterling Prime Fund*	Liquid
AAA/mmf	Standard Life Liquidity Fund** Aberdeen Sterling Liquidity Fund	Liquid
AAA/mmf	Invesco	Liquid
AAA/mmf	Deutsche Liquidity Fund	Liquid

ULTRA SHORT DATED BOND FUNDS

FITCH RATINGS (or equivalent)	ULTRA SHORT DATED BOND FUNDS Limit of £100M per fund	DURATION
AAA/f	Payden Sterling Reserve Fund	Liquid
AAA/f	Federated Sterling Cash Plus Fund*	Liquid
AAA/f	Standard Life Investments Short Duration Managed Liquidity Fund**	Liquid

*A combined limit of £100m applies to balances across the Money Market Fund and Ultra Short Dated Bond Fund both managed by Federated
**A combined limit of £100m applies to balances across the Money Market Funds and Ultra Short Dated Bond Fund all managed by Standard Life Aberdeen

SHORT DATED BOND FUNDS

FITCH RATINGS (or equivalent)	SHORT DATED BOND FUNDS Limit of £100M per fund	DURATION
n/a	To be confirmed	Liquid

FOREIGN BANKS

(with a presence in London)

FITCH RATINGS		LIMIT £M	Duration
	AUSTRALIA		
AA- F1+	AUSTRALIA & NZ BANKING GROUP	25	Up to 3 years
AA- F1+	NATIONAL AUSTRALIA BANK	25	Up to 3 years
	SWEDEN		
AA F1+	SVENSKA HANDELSBANKEN	25	Up to 3 years

LOCAL AUTHORITIES

LIMIT OF £25M PER AUTHORITY
Any UK local authority

APPENDIX 6

APPROVED COUNTRIES FOR INVESTMENT

This list is based on those countries which have sovereign ratings of AAA as at 18 December 2017

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg*
- Netherlands
- Norway *
- Singapore
- Sweden
- Switzerland

AA

- United Kingdom

* Currently no eligible banks to invest in either country as per the Link Asset Services weekly list

APPENDIX 7

TREASURY MANAGEMENT SCHEME OF DELEGATION

The roles of the various bodies of the City of London Corporation with regard to treasury management are:

(i) Court of Common Council

- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of annual strategy.

(ii) Financial Investment Board and Finance Committee

- Approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- Budget consideration and approval
- Approval of the division of responsibilities
- Receiving and reviewing regular monitoring reports and acting on recommendations
- Approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit & Risk Management Committee

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

APPENDIX 8

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The Chamberlain

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- Submitting regular treasury management policy reports
- Submitting budgets and budget variations
- Receiving and reviewing management information reports
- Reviewing the performance of the treasury management function
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit, and liaising with external audit
- Recommending the appointment of external service providers.

Committee:	Date:
Audit and Risk Management Committee	17th July 2018
Subject: Internal Audit Update Report	**Public**
Report of: The Head of Internal Audit and Risk Management	**For Information**

Summary

This report provides an update on internal audit activity since the report to the March 2018 Committee meeting.

Work on the 2017-18 Internal Audit Plan is progressing: 97% of the plan has been completed to a minimum of draft report stage and fieldwork is on-going for the remaining 3% of the annual plan.

Delivery is underway in respect of the 2018-19 Internal Audit Plan.

Recommendation

- That this report is noted.

Main Report

Background

1. This report sets out internal audit activity since the March 2018 Internal Audit Update Report and the opinion of the Head of Audit and Risk Management in relation to the adequacy and effectiveness of the control environment.

Internal Audit Delivery 2017-18

2. Work on the Internal Audit Plan 2017-18 is progressing, 97% of the plan (58 audits) has been completed to a minimum of draft report stage and fieldwork is on-going for the remaining 3% (2 audits). Full details of plan progress for 2017-18 are included within **Appendix 1.**

3. Twenty-five audits have progressed to Final Report stage since the March 2018 meeting, comprising four red assurance reviews, sixteen amber assurance reviews, four green assurance reviews and a corporate follow-up exercise which does not result in an overall assurance rating. Additionally, twenty-one audits have been progressed to Draft Report stage since the last Internal Audit Update Report.

4. Member Briefings have been circulated in respect of finalised audits and contain assurance rating information, details of the key conclusions and high priority recommendations arising from the audit, as well as the accompanying management responses. Additionally, summary outcomes are shown below for

the twenty-five audits finalised since the March 2018 meeting of this Committee. The following table sets out the assurance rating and a breakdown of the number of recommendations made by priority for these audits.

Audit	Assurance	Red	Amber	Green	Total
Corporate: Sub £100k Tenders	Amber	0	4	2	6
Corporate: GDPR – Gap Analysis	Green	0	5	0	5
Corporate: Follow-Up Exercise	N/A	-	-	-	-
Town Clerk: Member & Officer Declarations	Red	1	7	3	11
Town Clerk: Starters & Leavers	Amber	0	9	3	12
Chamberlain: Medium Term Financial Planning	Green	0	1	1	2
DCCS: Academies	Amber	0	2	1	3
DCCS: Welfare Reform	Amber	0	5	1	6
DCCS: Housing Rents	Amber	0	5	6	11
DCCS: Barbican Estate Rents	Amber	0	2	4	6
City Surveyor: Guildhall Complex Performance	Amber	0	2	0	2
Open Spaces: Cemetery & Crematorium	Green	0	0	5	5
M&CP: Seized Goods	Amber	0	6	2	8
CoLP: Demand Policing & Event Resourcing	Amber	0	1	0	1
CoLP: Business Continuity Planning	Amber	0	6	1	7
CoLP: Freedom of Information Requests	Red	1	3	4	8
Barbican: Visitor Experience (Strategic Goal)	Amber	0	5	5	10
Barbican: Retail & Bars	Red	1	9	1	11
Barbican: Cash Handling	Amber	0	4	1	5
Barbican: Equalities & Inclusion	Amber	0	10	4	14
Guildhall School: Data Quality	Green	0	2	3	5
Guildhall School and Barbican: Catering (including Student Bar)	Red	2	3	1	6
City of London School: Financial Management	Amber	0	5	2	7
CLFS: Health and Safety	Amber	0	2	1	3
CLFS: Income Generation	Amber	0	2	2	4
	TOTAL	**5**	**100**	**53**	**158**

5. The five red priority recommendations, all of which were agreed by management, relate to the following areas:

Town Clerk: Member and Officer Declarations

- Development and cascade of central directives, guidance and monitoring arrangements in respect of Officer declarations of interest to ensure compliance with the corporate Code of Conduct for employees.

City of London Police (CoLP): Freedom of Information (FOI) Requests

- Establishing the reasons for non-completion of FOI requests by the deadline dates and developing an action plan to address non-compliance. Agreeing a course of action to address the Force Information Bureau's inability to provide required information in line with the Information Commissioner's Office guidelines. Improving resilience within the FOI process to ensure that staff absence / turnover does not impact completion timescales for information requests.

Barbican: Retail and Bars

- Review of the arrangements for identification of the need for stock, ordering and receipting of Bars stock to ensure that an appropriate separation of duties is maintained.

Guildhall School and Barbican: Catering (including Student Bar)

- Ensuring that contracts and supporting documentation, for example service specification and tender submissions, are available to contract managers and form the basis of contract management activity.

- Prompt resolution of disagreement over the outcome of external Health and Safety inspections. Additionally, maintenance of clear records to reflect the progress of implementation of high priority Health and Safety recommendations to enable their status to be easily determined, including the details of any actions not prioritised and justification for this.

6. All high priority (red and amber) recommendations are subject to internal audit follow-up and implementation progress will be reported to the September 2018 meeting of this Committee, once the next corporate follow-up exercise has been completed.

Internal Audit Section Performance and Delivery 2017-18

7. Performance against internal audit key performance indicators is summarised in Appendix 1 and demonstrates achievement of the annual target of audits completed to draft report stage for 2017-18. Opportunities have been identified to reduce both the time taken to issue draft reports following fieldwork completion and to obtain management responses following draft report circulation; the Internal Audit Team are focused on making improvements in this area, to include further engagement work with client departments.

Internal Audit Delivery 2018-19

8. Delivery of the 2018-19 Internal Audit Plan is underway following extended client consultation with a number of departments, as set out below:

   - CoLP – the Chamberlain and Assistant Commissioner of the CoLP have agreed that the audit programme will be reviewed in order to ensure that resources are utilised effectively. This review will be informed by a full compliance audit of the CoLP key financial systems, scheduled for July 2018, following concerns raised about the year-end/close down processes.

   - Guildhall School of Music and Drama – the detailed internal audit planning process has taken place later in the year than has previously been the case to enable the Principal and the Senior Leadership Team to hold an in-house session focused on identifying potential audit coverage linked to the School's Strategic Plan. The School's detailed audit plan for 2018-19, as reported previously to this Committee, has since been agreed.

- Chamberlain's IT – planned audit coverage for 2018-19 has recently been agreed following input from Agilisys to identify key auditable areas. Additionally, the impact of previous audit work outputs on audit plan proposals has been considered to assist prioritisation of coverage.

- Community and Children's Services Department, City Surveyor's Department and the Barbican Centre – Chief Officer / senior management feedback has recently been received on audit plan proposals, including potential areas of focus within the scope of agreed audits, preferred timing and key contacts. Audit assignment planning is underway.

9. The impact of this extended consultation has been delay in initiation of audit assignments. Planned internal audit activity for 2018-19 includes relaunch of the Internal Audit Protocol to: reiterate the audit planning approach, promote proactive input from Senior Leadership / Management Teams and encourage greater engagement across all levels of client departments.

Recommendations Implementation

10. The May 2018 meeting of this Committee received an internal audit report on the outcome of a follow-up exercise focused on high priority (red and amber) recommendations due for implementation by 30th April 2018. As part of this exercise Internal Audit sought status updates from recommendation owners and requested evidence of implementation progress for audit examination. Internal Audit resource input to corporate follow-up arrangements has increased from 2017-18 onwards due to the number of high priority recommendations raised and more frequent detailed reporting to this Committee and others with a remit for overseeing internal audit activity.

11. There has been progress in rolling-out the internal audit recommendations tracking software to client areas and participation has expanded recently from the initial pilot exercise in Chamberlain's IT to include the Barbican Centre, the Guildhall School of Music and Drama, and the Community and Children's Services Department. The next corporate follow-up exercise in respect of high priority recommendations will focus on those due for implementation by 31st July 2018 to enable the outcome to be reported to the September meeting of this Committee.

Conclusion

12. Internal Audit's opinion of the City's overall internal control environment is that it remains adequate and effective although some areas of the financial and operational framework do require strengthening by management as identified in the Member Briefings circulated to members of this Committee.

Appendices

Appendix 1 Internal Audit Plan Schedule of Projects 2017-18

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Appendix 1

Internal Audit Work 2017-18 (as at 02-07-2018)

Progress against the plan – Summary

No of Reviews	Planning	Fieldwork	Draft Report	Final Report (Audit Complete)
60	0	2	24	34
100%	**0%**	**3%**	**40%**	**57%**

Audit status definitions: 'Fieldwork' – audit terms of reference finalised and fieldwork underway, 'Draft Report' – draft report issued and management response awaited, and 'Final Report' – management response received to the draft report and audit completed.

Progress against the plan – Detail

					Recommendations Made				Recommendations Agreed			
No	**Department**	**Main Audit Review**	**Status**	**Assurance Rating**	**R**	**A**	**G**	**Total**	**R**	**A**	**G**	**Total**
1	CORPORATE	EMERGENCY PLANNING	Draft Report									
2	CORPORATE	USE OF WAIVERS	Final Report	Amber	0	7	0	7	0	7	0	7
3	CORPORATE	IR 35 - USE OF CONSULTANTS AND SPECIALIST (OFF PAYROLL ENGAGEMENT)	Draft Report									
4	CORPORATE	EVALUATION OF SUB £100K TENDERS	Final Report	Amber	0	4	2	6	0	4	2	6
5	CORPORATE	PROCUREMENT CONSULTATION WITH STAKEHOLDERS	Draft Report									
6	CORPORATE	INCOME COLLECTION AND BANKING	Fieldwork									
7	CORPORATE	EXPENSES - PROCUREMENT CARDS - PETTY CASH	Draft Report									
8	CORPORATE	CORPORATE-WIDE REVIEW OF BUSINESS TRAVEL	Final Report	Amber	0	8	0	8	0	8	0	8

					Recommendations Made				Recommendations Agreed			
No	**Department**	**Main Audit Review**	**Status**	**Assurance**	**R**	**A**	**G**	**Total**	**R**	**A**	**G**	**Total**
9	CORPORATE	CORPORATE FOLLOW-UP EXERCISES	Final Report	N/A	-	-	-	-	-	-	-	-
10	CORPORATE	GDPR – GAP ANALYSIS	Final Report	Green	0	5	0	5	0	5	0	5
	CORPORATE	CONTRACT MANAGEMENT (Police Accommodation Programme)	Deferred									
11	TOWN CLERK	SOCIAL INVESTMENT FUND	Final Report	Green	0	0	0	0	0	0	0	0
12	TOWN CLERK	MEMBERS AND OFFICERS DECLARATIONS INTERESTS	Final Report	Red	1	7	3	11	1	7	3	11
13	TOWN CLERK	HUMAN RESOURCES – STARTERS AND LEAVERS	Final Report	Amber	0	9	3	12	0	9	3	12
14	TOWN CLERK	STAFF LEARNING & DEVELOPMENT (including Central Training)	Draft Report									
15	TOWN CLERK	GUILDHALL CLUB ACCOUNTS	Final Report	Green	0	0	0	0	0	0	0	0
16	CHAMBERLAIN	IT – INFORMATION MANAGEMENT (DATA STORAGE MANAGEMENT)	Draft Report									
17	CHAMBERLAIN	IT – CYBER SECURITY – MALWARE PROTECTION	Draft Report									
18	CHAMBERLAIN	IT – INFORMATION SECURITY - INCIDENT MANAGEMENT	Draft Report									
19	CHAMBERLAIN	IT - SOCIAL MEDIA (HORIZON SCANNING)	Draft Report									
20	CHAMBERLAIN	IT ORACLE (CBIS) APPLICATION	Draft Report									
21	CHAMBERLAIN	MEDIUM TERM FINANCIAL PLANNING	Final Report	Green	0	1	1	2	0	1	1	2
22	CHAMBERLAIN	CITY PROCUREMENT	Fieldwork									
23	CHAMBERLAIN	COUNCIL TAX & NNDR	Final Report	Amber	0	2	2	4	0	2	2	4
24	DCCS	ACADEMIES	Final Report	Amber	0	2	1	3	0	2	1	3
25	DCCS	WELFARE REFORM	Final Report	Amber	0	5	1	6	0	4	1	5
26	DCCS	HOUSING ALLOCATIONS LETTINGS AND VOIDS	Draft Report									
27	DCCS	HOUSING RENTS	Final Report	Amber	0	5	6	11	0	5	6	11
28	DCCS	BARBICAN ESTATE RENTS	Final Report	Amber	0	2	4	6	0	2	4	6
29	DCCS	HEALTH & SOCIAL CARE INTEGRATION	Draft Report									

					Recommendations Made				Recommendations Agreed			
No	**Department**	**Main Audit Review**	**Status**	**Assurance**	**R**	**A**	**G**	**Total**	**R**	**A**	**G**	**Total**
30	DCCS	FINANCIAL ASSESSMENTS	Draft Report									
31	DCCS	SIR JOHN CASS SCHOOL INCOME GENERATION	Draft Report									
32	DCCS	COMMUNITY CENTRE REVENUE	Draft Report									
33	CITY SURVEYOR	SERVICE BASED PROPERTY CONTRACTS	Draft Report									
34	CITY SURVEYOR	GUILDHALL COMPLEX - PERFORMANCE	Final Report	Amber	0	2	0	2	0	2	0	2
	OPEN SPACES	FINANCIAL MANAGEMENT	Deferred									
35	OPEN SPACES	CEMETERY & CREMATORIUM - ESTABLISHMENT REVIEW	Final Report	Green	0	0	5	5	0	0	5	5
36	OPEN SPACES	TOWER BRIDGE MAJOR INCIDENT PLAN	Final Report	Green	0	1	0	1	0	1	0	1
37	BUILT ENVIRONMENT	HIGHWAYS	Draft Report									
38	BUILT ENVIRONMENT	TFL LOCAL IMPLMENTATION PLAN	Draft Report									
39	BUILT ENVIRONMENT	HIGHWAYS ASSETS REGISTER	Draft Report									
40	M&CP	SEIZED GOODS (Trading Standards & Licensing)	Final Report	Amber	0	6	2	8	0	6	2	8
41	M&CP	CONSUMER PROTECTION ENFORCEMENT	Draft Report									
42	M&CP	MARKETS FRAUD RISK	Draft Report									
43	REMEMBRANCER	FUNCTIONS & GUILDHALL LETTINGS - INCOME (INC. BANKING, SAFES AND SECURITY)	Draft Report									
44	MANSION HOUSE	HOSPITALITY AND CATERING CONTRACT MANAGEMENT	Draft Report									
45	POLICE	DEMAND POLICING AND EVENT RESOURCING	Final Report	Amber	0	1	0	1	0	1	0	1
46	POLICE	POLICE BUSINESS CONTINUITY PLANNING	Final Report	Amber	0	6	1	7	0	5	1	6
47	POLICE	POLICE BANK ACCOUNTS	Draft Report									

					Recommendations Made				Recommendations Agreed			
No	Department	Main Audit Review	Status	Assurance	R	A	G	Total	R	A	G	Total
48	POLICE	POLICE SEIZED GOODS	Final Report	Red	3	12	0	15	3	12	0	15
49	POLICE	PROJECT MANAGEMENT	Final Report	Amber	2	8	0	10	2	8	0	10
50	POLICE	FREEDOM OF INFORMATION REQUESTS	Final Report	Red	1	3	4	8	1	3	4	8
51	BARBICAN CENTRE	VISITOR EXPERIENCE	Final Report	Amber	0	5	5	10	0	5	5	10
52	BARBICAN CENTRE	EQUALITY AND INCLUSION	Final Report	Amber	0	10	4	14	0	10	4	14
53	BARBICAN CENTRE	RETAIL AND BARS	Final Report	Red	1	9	1	11	1	9	1	11
54	BARBICAN CENTRE	CASH HANDLING	Final Report	Amber	0	4	1	5	0	4	1	5
55	GUILDHALL SCHOOL	DATA QUALITY	Final Report	Amber	0	2	3	5	0	2	3	5
56	GUILDHALL SCHOOL	SUNDIAL COURT PROJECT GOVERNANCE	Final Report	Amber	0	3	0	3	0	3	0	3
57	GUILDHALL SCHOOL	CATERING INLUDING STUDENT BAR	Final Report	Red	2	3	1	6	2	3	1	6
58	CLS	FINANCIAL MANAGEMENT	Final Report	Amber	0	5	2	7	0	5	2	7
59	CLFS	HEALTH AND SAFETY	Final Report	Amber	0	2	1	3	0	2	1	3
60	CLFS	INCOME GENERATION	Final Report	Amber	0	2	2	4	0	2	2	4

Performance Indicators

Performance Measures	Target	Actual
1 Completion of audit plan	95% of planned audits completed to draft report stage by end of plan review period (31 March 2018)	95%
2 Timely production of draft report	Average time taken to issue draft reports within 28 days of end of fieldwork i.e. exit meeting date.	30 days
3 Timely response to draft report	Average time taken to obtain a full management response within 28 days of the draft report being issued.	32 days
4 Timely issue of final report	Average time taken to finalise the review within 7 working days on full response from management	6 days
5 Customer satisfaction	Through key question on post audit surveys – target 90%	91%
6 Percentage (%) of audit section staff with relevant professional qualification	Target 75%	78%