



Audit and Risk Management Committee

Date: TUESDAY, 6 NOVEMBER 2018

Time: 2.00 pm

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

Members:

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

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PLEASE NOTE THAT LUNCH IS SERVED IN THE COMMITTEE ROOM AT 12.45 PM
PRIOR TO THE CHIEF OFFICER RISK CHALLENGE SESSION AT 1PM,
ALSO IN THE COMMITTEE ROOM

Please note that part of the Committee Meeting (at 2pm) 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 and non-public summary of the meeting held on 25 September 2018.

For Decision
(Pages 1 - 6)

4. **COMMITTEE WORK PROGRAMME**

Member are asked to note the Committee's Work Programme.

For Information
(Pages 7 - 8)

Financial Statements and External Audit

5. **CITY'S CASH FINANCIAL STATEMENTS 2017/18**

Report of the Chamberlain.

Please note that Annexe 3 to this report – Moore Stephens Audit Management Report is appended to Agenda item 6.

For Decision
(Pages 9 - 80)

6. **CITY'S CASH FUNDS AND SUNDRY TRUST FUNDS ANNUAL REPORTS AND FINANCIAL STATEMENTS 2017/18**

Report of the Chamberlain.

For Decision
(Pages 81 - 116)

Internal Audit

7. **INTERNAL AUDIT UPDATE REPORT**

Report of the Head of Internal Audit and Risk Management.

For Information
(Pages 117 - 130)

Risk Management

8. DEEP DIVE RISK REVIEWS

For Information

- a) **Air Quality** (Pages 131 - 144)

Report of the Director of Markets and Consumer Protection.

- b) **Health and Safety** (Pages 145 - 156)

Report of the Director of Human Resources.

9. NEW CORPORATE RISK - BREXIT

Report of the Chamberlain.

For Decision
(Pages 157 - 162)

Governance

10. GENERAL DATA PROTECTION REGULATION (GDPR) AUDIT

Report of the Comptroller and City Solicitor

For Information
(Pages 163 - 202)

Anti-Fraud and Corruption

11. ANTI FRAUD AND CORRUPTION - HALF YEARLY UPDATE

Report of the Chamberlain.

For Information
(Pages 203 - 214)

12. LONDON COUNTER FRAUD HUB - ONBOARDING

Report of the Chamberlain.

For Decision
(Pages 215 - 218)

External Inspections

13. FIRE SAFETY REVIEW - UPDATE ON THE RISK ASSESSMENTS AND ACTION PLAN.

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

For Information
(Pages 219 - 236)

14. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
15. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
16. **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

17. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

To agree the Non-Public minutes of the meeting held on 25 September 2018.

For Decision
(Pages 237 - 238)

18. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
19. **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, 25 September 2018

Minutes of the meeting of the meeting held at Guildhall, EC2 at 2pm

Present

Members:

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

Officers:

Michael Cogher	- Comptroller and City Solicitor
Paul Dudley	- Chamberlain's Department
Philip Gregory	- Chamberlain's Department
Peter Kane	- Chamberlain
Pat Stothard	- Head of Internal Audit and Risk Management
Carolyn Dwyer	- Director of the Built Environment
Richard Steel	- Department of the Built Environment
Damian Nussbaum	- Director of Economic Development
Leigh Lloyd-Thomas	- External Auditor, BDO
Julie Mayer	- Town Clerk's Department
Alistair Sutherland	- Assistant Commissioner, City of London Police
Stuart Phoenix	- City of London Police

1. APOLOGIES

Apologies were received from Paul Martinelli, Randall Anderson and John Petrie.

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

The Deputy Chairman declared a general (non-pecuniary) interest in respect of item 4 and, as it concerned her appointment for a further term, would leave the room when this item was considered.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED, that - the public minutes and non-public summary of the meeting held on 17 July 2018 be approved.

4. **MINUTES OF THE NOMINATIONS SUB COMMITTEE**

Members received the approved minutes of the Nominations Sub Committee of 17 July 2018.

Members noted that, at today's meeting of the Sub Committee, Members had discussed the content of a skills audit, in which all Members would be asked to participate.

In respect of the appointment of an External Member, for a third term, Members noted and confirmed the recommendation of the Nominations Sub Committee of 17th July 2018 and it was RESOLVED, that – the appointment of Hilary Daniels (External Member and Deputy Chairman), for a third term of three years, commencing in 2019, be recommended to the Court of Common Council.

5. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received the Committee's latest outstanding actions list and noted that the action in respect of police seized goods had been followed up and would be removed.

6. **COMMITTEE WORK PROGRAMME**

Members received the Committee's work programme and noted that an update on GDPR and the Whistleblowing Policy would be presented to the November meeting of the Committee.

Furthermore, in light of the discussions at today's Risk Challenge Session, in respect of the Multi Academy Trust, there would be a report on governance across all of the City schools, in January 2019, and the Chairman of the Education Board and the Education Strategist would be invited.

7. **2017-18 CITY FUND AND PENSION FUND FINANCIAL STATEMENTS - AUDIT COMPLETION REPORT**

Members received a report of the Chamberlain and External Auditors in respect of this year's closure of accounts. The External Auditor advised of an additional, non-material recommendation in respect of over-accruing expenditure, which had been caused by a system error and was being rectified.

RESOLVED, that – the report be noted.

8. **INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP**

Members received the Internal Auditor's Recommendations Follow Up Report and welcomed the new 'Appendix 3' in respect of accepted risks. The Chairman reminded Members of the Committee's non-executive status and the

need for some tolerance of accepted risks, as had been the case with seized goods. The Assistant Commissioner was in attendance and gave assurance that the Police Professional Standards Team would be conducting quarterly audits of seized property and new software was in place.

In respect of the report generally, Members reiterated the importance of only allowing target dates to be changed once and noted that some; i.e. the ICT strategies, were 3 years old and likely to need updating.

RESOLVED, that – the report be noted.

9. **RISK UPDATE**

Members received a report of the Chamberlain which provided 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 3 July 2018 and Summit Group on 25 July 2018.

Members noted a new corporate risk; ‘Failure to deliver fire safety projects in the Barbican Centre’, would be considered by CORMG on 10 October 2018. In addition Sir Nick Keyon, Managing Director, Barbican Centre would be attending the Committee’s November informal risk challenge session where Members might wish to discuss progress on managing this risk. CORMG would also be considered two other emerging risks on “Brexit for the City Corporation” and “Organisational change for corporate status.

Members were reminded that CR02: ‘Loss of Business Support’ was a separate risk which focused on the potential causes for the loss of business support for the City of London.; at 11 (A) on this agenda. Members asked about the impact of a change of government on CR02 and the Chamberlain agreed to refer this to the Remembrancer.

RESOLVED, that – the decision of the Summit Group to remove both CR19 IT Service provision and CR22 Barbican Fire safety risk from the corporate risk register be endorsed and the report be noted.

10. **PUBLICATION STATUS OF RISK UPDATE REPORT**

Members received a report of the Chamberlain in respect of a question raised by Zurich Municipal during the recent corporate risk profiling exercise, as to the public availability of the City Corporation’s Risk Register (included within the regular risk update reports to the Audit and Risk Management Committee on the public agenda). Members noted that Risk was reported in greater depth at the City Corporation than many other local authorities. However, given the non-executive status of the Audit and Risk Management Committee, it was unlikely that they would consider commercially sensitive risks in detail.

Members noted that Members of the City Corporation were keen to keep as much information in the public domain as possible and it was City Corporation Policy to apply the Local Government (Access to Information) Act 1985 in respect of City’s Cash reports, even though it was not required to do so. Furthermore, the City Corporation had recently amended the template for non-

public reports, to make them more specific as to their reason(s) for exclusion. Officers were required to make a case for a report being non-public, with the final decision resting with the Town Clerk. Members also noted that it was good practice for a public report to have a non-public appendix, if possible, and not to exclude the entire report.

RESOLVED, that –

1. The existing approach of including the risk update report (and corporate risk register) within the Public part of the Committee's agenda be agreed.
2. The Chairman's discretion in moving discussion about one or more risks, where appropriate, to the Non-Public part of the meeting be noted.

11. DEEP DIVE RISK REVIEWS

(A) CR20: ROAD SAFETY

Members received a report of the Director of the Built Environment in respect of Road Safety. During the discussion and questions on this item, the following points were noted:

- Members noted the success of schemes at Holborn Circus, Aldgate Street and Bank but remained concerned in respect of Ludgate Circus. The Director had met with Transport for London in respect of Ludgate Circus to ensure it was being given priority.
- The Department worked with the Police in respect of safety campaigns and enforcement, and in 'engineering out' risks, and the new Transport Strategy sought to put pedestrians first. The Draft Transport Strategy focussed on river transport, consolidation centres and redefining 'peak times', given the City's night-time economy. There were further comments in respect of automatic vehicles and scooters being ridden on pavements etc.
- An analysis of the dip in figures in 2013 had been inconclusive but accidents at roadwork sites were studied carefully. The charts in the report were reflective of London generally; i.e. a general downward trajectory with a recent slight uplift. The Director offered more information to Members on request.
- Following accidents, data in respect of age, circumstances, vehicles, weather and time of day were fully scrutinised; with inattentive pedestrians and undisciplined cyclists being a major contributor. Officers looked for common themes, which were reviewed annually, with extra focus on serious injuries or fatalities.
- Some Members raised concern about poor signage on temporary pedestrian routes. The Director advised that it was possible to manage phasing of lights and traffic movement, in consultation

with TfL. The Director can commission an independent road safety audit for any site where there were specific road safety concerns.

- Members noted the rigid safety code for contractors and the Director encouraged them to report areas of concern. However, Members were asked to be mindful of emergency roadworks; i.e. gas/drainage works, which required immediate action and, therefore, had less planning time.

RESOLVED, that – the report be noted.

(B) CR02: LOSS OF BUSINESS SUPPORT TO THE CITY

Members received a report of the Director of Economic Development in respect of the risk of loss of business support to the City. During the discussion and questions, the following points were noted:

- By now, more clarity had been expected in respect of Brexit and businesses were planning for ‘no deal’ contingencies, focussing on the legally binding aspects of transactions. The department had been tracking job numbers and there had been less movement than expected.
- This year’s Lord Mayor ‘Trust’ Theme had been well received outside London and internationally and London’s reputation was still strong. London would aim to be at the forefront of sustainable investment and green finance and were very strong on ‘rule of law’.
- The Department would continue to work for a balance; i.e. 45% of financial exports with the UK and London’s competitiveness and reputation.
- In order to promote a dynamic image of London for the future, and to support young professionals, the Department had produced a ‘Resource Pack’ aimed a middle level management; i.e. the next generation of leaders.

RESOLVED, that – the report be noted.

12. HMIC - CITY OF LONDON POLICE

Members considered a report of the City of London Police which provided Members with an overview of Her Majesty’s Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS) continuing programme of inspections and published reports, together with the City of London Police (CoLP) response where relevant. It additionally provided assurance that the recommendations from reports were being addressed by the Force.

RESOLVED, that – the report be noted.

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

There were no questions.

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

There were no items.

15. **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.

Item no

16-19

Para no

1, 2 & 3

16. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

RESOLVED, that - the public minutes and non-public summary of the meeting held on 17 July 2018 be approved.

17. **CITY OF LONDON POLICE, KEY FINANCIAL CONTROLS UPDATE**

Members received a report of the Head of Internal Audit and Risk Management.

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

There were no questions.

19. **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 4pm

Chairman

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Audit & Risk Management Committee - Work Programme: January – November 2019

16 th July 2019	24 th September 2019	19 th November 2019	15 th January 2019	12 th March 2019	7 th May 2019
Financial Statements and Internal Audit					
City Fund and Pension Fund accounts Bridge House Estate Accounts	City's Cash Accounts		Treasury Management Statement – following Financial Investment Board Scrutiny - TBC		Draft City Fund and Pension Fund accounts
Internal Audit/Corporate Anti-Fraud					
Internal Audit Update	Internal Audit Recommendations Follow Up	Internal Audit Update Anti-Fraud Update	Internal Audit Recommendations Follow Up	Internal Audit Update Internal Audit Plan Internal Audit Charter review	Head of Audit Annual Audit Opinion Internal Audit Recommendations Follow Up Anti-Fraud Update
				Annual Governance Statement – Methodology	Annual Governance Statement

16 th July 2019	24 th September 2019	19 th November 2019	15 th January 2019	12 th March 2019	7 th May 2019
Risk Management					
IRC – MAN/CCC	IRC - DCCS	IRC – Open Spaces	IRC – M&CP	IRC - TBA	IRC - TBA
Deep Dives: CR01 Resilience CR24 Operational Security	Deep Dives: CR20 Road Safety CR21 Air Quality	Deep dives: CR09 H&S CR TBA - Organisational Change	Deep dives: CR17 Safeguarding CR23 Police funding	Deep dives: TBA	Deep dives: TBA
Risk update		Risk update	Risk update		Risk update
External Inspections					
	HMIC – TBC				
Risk Challenge Sessions					
			Department of the Built Environment	TBA	TBA

Committee(s):	Date(s):	Item no.
Audit and Risk Management Committee	6 November 2018	
Finance Committee	13 November 2018	
Subject: City's Cash Financial Statements 2017/18		Public
Report of: The Chamberlain		For Decision
Report Author: Philip Gregory, Deputy Director, Financial Services		
<div>Summary</div> <p>The Annual Report and Financial Statements for City's Cash for the year ended 31 March 2018 are attached at Annex 2 for approval.</p> <p>The external auditor, Moore Stephens LLP is intending to issue an unqualified audit opinion and their report, including recommendations, is attached at Annex 3. No accounting changes have been identified from the audit.</p> <p>The key points in the financial statements are:</p> <ul style="list-style-type: none">a net surplus of £72.3m which includes gains in fair value on property investments of £81.0m and non-property investments of £17.7m <i>(these figures can be seen in the Consolidated Statement of Comprehensive Income on page 15)</i>;total net assets of £2,611.5m, an increase of £91.5m (3.6%) since last year. The net asset position is after deducting the total pensions liability of £291.0m <i>(the £91.5m is shown in the Consolidated Statement of Changes in Equity on page 17)</i>;there are two financial commitments relating to City's Cash that are disclosed in the notes to the financial statements:<ol style="list-style-type: none">the potential contribution of £50m from City's Cash towards the Crossrail Project <i>(page 57)</i>; and£18.9m relating to the purchase of the freehold of an operational property <i>(page 57)</i>. This commitment was paid in full in October 2018 <i>(page 61)</i>.premiums of £23.0m were received in 2017/18 <i>(para 6 of this report)</i>.		

Recommendations

The Audit and Risk Management Committee is requested to:

- consider the contents of the Audit Management Report issued by Moore Stephens LLP; and
- recommend approval of the City's Cash Financial Statements for the year ended 31 March 2018 to the Finance Committee.

The Finance Committee is requested to:

- consider the contents of the Audit Management Report issued by Moore Stephens LLP;
- approve the City's Cash Financial Statements for the year ended 31 March 2018 taking account of any observations from the Audit and Risk Management Committee; and
- agree that the Financial Statements are signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council.

Main Report

Introduction

1. The 2017/18 Annual Report and Financial Statements for City's Cash are attached at Annex 2 for approval. A complete draft of the 2017/18 Annual Report and Financial Statements was presented to the external auditor, Moore Stephens LLP in accordance with the agreed closing timetable on the 17th of August 2017 and the audit commenced as arranged on the 20th of August 2017.
2. Moore Stephens LLP intends to give an unqualified opinion on the City's Cash Financial Statements and has issued the Audit Management Report set out in Annex 3. We are very pleased to report that no accounting changes were required to the financial statements.
3. The Audit Management Report will be distributed to all Members of the Court of Common Council for information. Representatives from Moore Stephens LLP will be in attendance at the Audit and Risk Management Committee to present their report and to clarify any points or issues.
4. The report from Moore Stephens LLP notes in section 6 that no accounting system or internal control weaknesses were identified in 2017/18. However, section 7 shows six recommendations were made in the prior year 2016/17, of which 3 have been fully implemented in 2017/18 and 3 where implementation will be completed in 2018/19.

5. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts met on 1 October 2018 to review the processes adopted by Moore Stephens LLP and the Panel intends to certify that those processes were in accordance with the prescribed auditing standards.

Significant items in the financial statements – Statement of Financial Position

Premiums received for long leases

6. During 2017/18 lease premia totalling £23.0m were received in respect of leases granted by the City on investment property land. As land generally has an indefinite life (i.e. the risks and rewards of ownership are shared with the City as lessor) they have been classified as operating leases and, in accordance with FRS102, the premia have been treated as deferred income to be released to revenue over the lease lives which range from 150-200 years.

Finance lease

7. A new leasehold investment property acquired during the year has been classified as a finance lease arising from a £2.4m obligation to pay the lessor. Payments will be made over the term of the lease to meet the costs of the long-term liability and the finance costs payable.

Impairment of heritage asset

8. During the year a painting in the City's art collection was identified as having been stolen by the Nazis during world war two. The City returned the painting to members of the original owner's family during the year and the painting's carrying value of £1.2m has been treated as an impairment.

Significant items in the financial statements – disclosure notes (pages 28 to 61)

Financial Commitments:

9. Contribution to Crossrail - the potential contribution of £50m from City's Cash towards the Crossrail Project has been disclosed as a financial commitment in both the annual report and the notes to the financial statements. The reason for this treatment, rather than the inclusion of a long-term liability on the balance sheet, is that the arrangement with Crossrail is considered to be an executory contract (i.e. a contract made by two parties in which the terms are set to be fulfilled at a later date - both sides still have duties to perform before it becomes fully executed). Subject to completion of the works, the contributions could be made in two equal instalments of £25m in 2018/19 and 2019/20.
10. Purchase of the freehold of an operational property - at the balance sheet date this was recognised as a contractual capital commitment of £18.9m but not provided for and was disclosed in note 20 on page 57. The purchase was completed in October 2018 with a final payment of £18.9m.

Subsequent Events:

11. Vote to leave the European Union - as stated in the annual report and the notes to the financial statements, there are risks to City's Cash from the vote to leave the EU. In particular, the future levels of demand for office accommodation in the City and surrounding areas and the consequential impacts on rent incomes. A

close watching brief continues to be kept on this and other implications as events unfold with financial forecasts being refreshed when the picture becomes clearer.

12. As noted at para 10 above, a commitment at the balance sheet date of £18.9m for the purchase of an operational building was settled in full in October 2018.

Key highlights from the financial statements

Consolidated Statement of Comprehensive Income

Comparison with Previous Year

13. The Consolidated Statement of Comprehensive Income for the year ending 31 March 2018 shows a net surplus of £72.3m, £153.3m lower than in the previous year, as summarised in the following table. The operating deficit, before gains and losses in the fair value of investments, is £10.3m higher as shown:

	31/3/18 £m	31/3/17 £m	Variance £m
Operating surplus/(deficit) before gain/(loss) in fair value of investments	(25.1)	(14.8)	(10.3)
Gain in fair value of property investments	81.0	122.2	(41.2)
Gain/(loss)/ in fair value of non-property investments	17.7	121.8	(104.1)
Operating surplus	73.6	229.2	(155.6)
Profit on sale of fixed assets	7.5	4.7	2.8
Net financing income / (costs) attributable to the pension schemes	(7.6)	(8.3)	0.7
Impairment of heritage assets	(1.2)	-	(1.2)
Surplus for the year	72.3	225.6	153.3

14. The unfavourable movement in the operating deficit for the year of £10.3m (from £14.8m in the prior year to £25.1m) is largely due to:
- net pension scheme costs increasing by £4.5m, from £3.6m in 2016/17 to £8.1m in 2017/18, due to an increase in current service costs of £7.3m, from £13.3m in 2016/17 to £20.6m in 2017/18, which are calculated using an estimate of the average total pensionable pay during the year. This was partly offset by an increase in employer contributions of £2.7m, from £10.0m in 2016/17 to £12.7m in 2017/18. This is attributable to a rise in the percentage of the employer contribution from 17.5% in 2016/17 to 21.0% in 2017/18;

- net expenditure on education increasing by £2.2m, mainly due to one-off income in the prior year 2016/17 from an insurance claim for fire damage;
- net expenditure on grants and other activities increasing by £2.1m largely due to works on the site of Smithfield Market and Annexe to facilitate the relocation of the Museum of London;
- net expenditure on open spaces being £1.7m higher mainly due to increased spending on repairs and maintenance across the open spaces and funding towards the Kenley Revival Project;
- net expenditure on City representation increasing by £1.0m due to repairs and maintenance works at Mansion House and on the Lord Mayor's coach, and costs incurred reorganising the operation of the Mansion House and Central Criminal Court;
- net expenditure on Economic Development increasing by £0.8m due to the City of London Corporation strengthening its support and promotion of the City in what is an increasingly complex and competitive environment, with new opportunities and challenges;
- net expenditure on markets increased by £0.8m largely due to higher premises costs, principally energy and rates, and costs incurred undertaking a Strategic Review of the Markets.

Partly offset by:

- net income from property investments increasing by £3.2m, from £47.2m in 2016/17 to £50.4m in 2017/18 due to increased rental income arising from the completion of rent reviews and new lettings during the year.

Comparison with Budget

15. The financial statements and the budget are not directly comparable due to differences in the way in which the two documents are constructed*. However, compared to a budgeted net deficit of £32.4m as detailed in Annex 1, the outturn on a like for like basis is a net deficit of £19.3m, a favourable movement of £13.1m.

* the budget includes the draw-down from non-property investments, whereas the Consolidated Statement of Comprehensive Income (CSoCI) does not as this is a transfer between investments and cash, however, the CSoCI includes the movements in fair value of investments but the budget does not account for such movements in the market value of assets. The budget also does not include accounting adjustments for holiday pay accruals and pension scheme actuarial gains or losses.

16. The budget and outturn can also be analysed on a Committee basis as shown in Annex 1.
17. The net £13.1m better than budget position includes:
- £5.5m cash limited local risk budget favourable movement, comprising:
 - £2.9m reduction in operating costs across services;
 - £2.4m additional income at GSMD from hire of facilities and government grants totalling £3.1m, partly offset by additional costs of £0.7m;
 - £0.2m additional income from increased hire higher of facilities at the Mansion House;
 - £3.3m supplementary projects re-phased to 2018/19;
 - £2.6m of central contingencies not required;
 - £2.2m lower recharges as central costs have reduced; and
 - £2.0m higher investment property rental income.
18. In accordance with the City's budget management arrangements, requests for the carry forward of City's Cash local risk resources totalling £0.550m have been agreed by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee. In addition, £3.3m of projects and works programmes have slipped and/or been re-phased to 2018/19. These carry forwards and re-phased projects will increase the call on City's Cash reserves in 2018/19.

Consolidated Statement of Financial Position

19. City's Cash net assets total £2,611.5m at 31 March 2018 compared to £2,520.0m a year earlier reflecting the £91.5m total gain recognised for the year as set out below.

Changes in Equity	31/3/18 £m	31/3/17 £m	Variance £m
Surplus for the financial year	72.3	225.6	(153.3)
Unrealised gains/(losses):			
(Loss)/gain on revaluation of non-property investments	0.3	3.5	(3.2)
Actuarial gain/(loss) on defined benefit pension schemes	18.9	(38.1)	57.0
Net increase in funds	91.5	191.0	(99.5)

Approval of the Financial Statements

20. The Chairman and Deputy Chairman of the Finance Committee will be requested to approve and sign the financial statements on behalf of the Court of Common Council.

Annexes

Annex 1 – City's Cash - comparison of outturn with budget

Annex 2 – Annual Report and Financial Statements of City's Cash

Annex 3 – Moore Stephens Audit Management Report – please see agenda item 6

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City's Cash - Comparison with Budget

City's Cash Outturn 2017/18			
	Budget	Outturn	Variation Better/ (Worse)
	£m	£m	£m
1. Net expenditure on services	(83.6)	(69.4)	14.2
2. Supplementary revenue projects	(11.3)	(10.7)	0.6
3. Estate rent income	58.0	60.1	2.1
4. Non-property investment income (net)	1.2	0.9	(0.3)
5. Interest on balances	0.3	(0.2)	(0.5)
6. Operating deficit	(35.4)	(19.3)	16.1
7. Profit on asset sales	3.0	0.0	(3.0)
8. (Deficit) Surplus (from) to reserves	(32.4)	(19.3)	13.1

City's Cash - Comparison with Budget on a Committee Basis

2017/18 Budget v Outturn – City's Cash Summary by Committee					
Committee	Budget Net	Outturn	Variation Better / (Worse)		
			Total	Local Risk	Central Risk/ Support Services
	£m	£m	£m	£m	£m
Culture, Heritage & Libraries	(0.4)	(0.4)	-	-	-
Education Board	(1.3)	(1.3)	-	-	-
Finance	(23.4)	(15.2)	8.2	0.4	7.8
G.P Committee of Aldermen	(3.8)	(3.5)	0.3	0.4	(0.1)
Guildhall School of Music and Drama	(11.3)	(11.2)	0.1	-	0.1
Markets	(0.6)	(0.2)	0.4	0.4	-
Open Spaces :- Open Spaces Directorate	-	-	-	0.1	(0.1)
Epping Forest and Commons	(7.4)	(7.6)	(0.2)	-	(0.2)
Hampstead, Queen's Park and Highgate	(7.9)	(7.6)	0.3	0.4	(0.1)
Bunhill Fields	(0.4)	(0.3)	0.1	0.1	-
West Ham Park	(1.2)	(1.2)	-	-	-
Policy and Resources	(16.0)	(14.9)	1.1	-	1.1
Property Investment Board	46.6	49.0	2.4	(0.2)	2.6
Schools :- City of London School	(1.6)	(1.6)	-	-	-
City of London Freeman's School	(1.8)	(1.5)	0.3	0.1	0.2
City of London School for Girls	(1.9)	(1.8)	0.1	0.1	-
(Deficit) Surplus (from) to reserves	(32.4)	(19.3)	13.1	1.8	11.3

CITY'S CASH
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2018

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Annual Report

1. Introduction

City's Cash is a fund of the City of London Corporation that can be traced back to the 15th century and has built up from a combination of properties, land, bequests and transfers under statute since that time. Investments in properties, stocks and shares are managed to provide a total return that:

- allows the City Corporation to use the income for the provision of services (detailed in section 4) that are of importance nationally and internationally as well as to the City and Greater London; and
- maintains the asset base so that income will be available to fund services for the benefit of future generations.

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

2. Administrative Details

<i>Registered Address</i>	Guildhall, London, EC2P 2EJ.
<i>Chief Executive</i>	The Town Clerk of the City of London.
<i>Treasurer</i>	The Chamberlain of London.
<i>Solicitor</i>	The Comptroller and City Solicitor.
<i>Bank</i>	Lloyds Bank plc.
<i>Discretionary Fund Managers</i>	Artemis Investment Management Ltd; Carnegie Financial Services SA; Lindsell Train Ltd; M&G Investment Management Ltd; Majedie Asset Management; Natixis International Funds (Harris Associates); Pyrford International Plc; Ruffer LLP; Standard Life Investments Ltd; Veritas Asset Management LLP; and Wellington Management International.
<i>Chartered Accountants and Statutory Auditor</i>	Moore Stephens LLP.

3. Other City of London Corporation Funds

This annual report and the financial statements only cover City's Cash: this is one of three funds from which the City Corporation pays for its services. The others are City Fund and Bridge House Estates.

City Fund covers the City's activities as a local authority, police authority and port health authority. The financial statements are published separately.

Bridge House Estates is a registered charity. It was originally set up from bridge taxes, rents and private bequests to deal with the upkeep of London Bridge. The charity now funds the maintenance of Tower, London, Southwark, Millennium and Blackfriars Bridges. As the funds have been managed effectively over the centuries, BHE now also helps charitable causes across London through the City Bridge Trust with grants amounting to around £20m every year. The annual report and financial statements for this fund are also published separately including a list of grants awarded.

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

4. Activities of City's Cash

Investment funds allow the City Corporation to provide services that:

- are of national benefit through its strategic aim to support and promote The City as the world leader in international financial and business services; and
- are of importance to Greater London and its environs as well as to the City itself, for example: work in surrounding boroughs supporting education, training and employment opportunities; numerous green spaces; wholesale markets providing fish (Billingsgate) and meat (Smithfield); independent schools (City of London School, City of London School for Girls, and City of London Freeman's School); Academies across London; and the Guildhall School of Music & Drama.

Education

Gross Expenditure £85.7m, Gross Income £74.5m, Net Expenditure £11.2m

The City of London Corporation maintains three fee paying schools – City of London School, City of London School for Girls (both in the Square Mile), and the City of London Freeman's School (in Surrey). They regularly feature among the UK's top performing schools. In each of these institutions, the City of London Corporation provides scholarships and academic bursaries, including match funding for monies raised externally by the schools, to support able students from disadvantaged backgrounds.

The Guildhall School of Music & Drama is owned, funded and managed by the City Corporation. It is an internationally renowned conservatoire; based in the Barbican, it has over 900 students in higher education, drawn from nearly 60 countries around the world, and is currently regulated by the Higher Education Funding Council for England in line with other higher education institutions.

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

Markets

Gross Expenditure £11.6m, Gross Income £11.3m, Net Expenditure £0.3m

The City Corporation runs three wholesale food markets two of which, Billingsgate and Smithfield, are funded by City's Cash. New Spitalfields Market is accounted for in the City Fund. Market tenants pay rent and service charges, which are calculated on a commercial basis. These charges cover the costs of operation, administration and those repairs which are attributable to the tenants. At Billingsgate, buyers can choose from the largest selection of fish in the UK, and the market has an annual turnover of more than 22,000 tonnes. Meat has been bought and sold at Smithfield for over 800 years; around 120,000 tonnes of meat pass through its magnificent Grade II* listed surroundings each year.

Open Spaces

Gross Expenditure £22.7m, Gross Income £4.8m, Net Expenditure £17.9m

The City Corporation manages 11,000 acres of historic and natural green spaces across London and beyond, including Hampstead Heath and Epping Forest. Some of the sites have been owned and managed since as far back as 1870, protecting them from development and preserving them as a natural resource. They include important wildlife habitats, Sites of Special Scientific Interest, National Nature Reserves and outdoor space for sport, recreation and enjoyment for the public. Annual visits by members of the public to the open spaces are estimated at 23 million.

City Representation

Gross Expenditure £13.7m, Gross Income £1.0m, Net Expenditure £12.7m

This expenditure supports the City Corporation's core objective to promote UK-based financial services, and related professional services, at home and abroad. The Lord Mayor's overseas visits programme, amounting to around 90 days abroad each year, fosters trade and develops relationships at the highest levels of government and industry. The Chairman of the Policy and Resources Committee also visits a number of major global financial centres each year. High profile government and industry delegations are welcomed to Mansion House and Guildhall, often on behalf of the UK government. Events hosted range from small receptions to major national occasions, such as State or Guest of Government visits. The City's diplomatic relationships are also strengthened through the London Diplomatic Corps.

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

Other important responsibilities include: support for the City Corporation's many and varied civic activities; maintaining the Mayoralty's close ties with livery companies and supporting corporate social responsibility and charitable organisations. The Sheriffs support Lord Mayors during their year of office, and Her Majesty's Judges sitting at the Central Criminal Court.

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

Select Committees of both Houses and contact with officials in Government departments dealing with Parliamentary Bills.

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

Income is generated from lettings at the Mansion House and Guildhall.

Economic Development

Gross Expenditure £6.5m, Gross Income £0.8m, Net Expenditure £5.7m

Economic development work is dedicated to creating growth and inclusion for the City, London and the UK so that the UK continues as the world's leading financial centre. Programmes of work aim to:

- Sustain and enhance the UK's competitive and high quality regulatory and economic environment and enable access to global markets.
- Support business to adopt responsible and inclusive business practices and ensure the City continues to thrive.
- Ensure that London is home to a more innovative ecosystem for financial and related professional services than our competitors.
- To promote the UK as a destination for investment and to facilitate exports.

Offices in Brussels, Mumbai, Shanghai and Beijing allow us to maintain close relationships with government, regulators and industry in these key jurisdictions. The City Corporation leads business delegations on overseas visits and high level inward visits are hosted by the Lord Mayor and Chairman of the Policy and Resources Committee.

Management and Administration

Gross Expenditure £8.6m, Gross Income £nil, Net Expenditure £8.6m

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

Grants and Other Activities

Gross Expenditure £8.3m, Gross Income £0.8m, Net Expenditure £7.5m

A number of grants are made from City's Cash each year, promoting initiatives across a wide range of charitable causes in London and the UK. They are given under four funding themes:

- Stronger Communities
- Enjoying Green Spaces and the Natural Environment
- Inspiring London through Culture
- Education and Employment Support

In addition, grants are made to emergency organisations to assist with the relief of national and international disasters.

The City Corporation owns and maintains the Monument. This 202ft high building attracts over 200,000 visitors a year, braving its 311 steps to enjoy breath-taking views of the City and beyond. It was built in 1671-7 and was designed by Sir Christopher Wren and Robert Hooke to commemorate the Great Fire of London in 1666.

5. Governance Arrangements

City's Cash is managed by committees of the City of London Corporation, with Membership of the committees drawn from the Court of Aldermen and the Court of Common Council. Members of the Court of Aldermen and Court of Common Council are elected by registered voters (both residents and workers) within the City of London. In determining appointments to committees, the Court of Aldermen and Court of Common Council will take into consideration any particular expertise and knowledge of the Aldermen and Members.

The decision-making processes and financial stewardship of the City of London Corporation are set out in Standing Orders and Financial Regulations respectively. The Standing Orders are available on the City Corporation's website at: <https://www.cityoflondon.gov.uk/about-the-city/how-we-make-decisions/Documents/standing-orders-court-common-council-2018.pdf>.

An Audit Review Panel of senior representatives from medium to large audit firms reviews the processes adopted by the incumbent auditor and provides independent confirmation that the audit has been conducted in accordance with International Standards on Auditing (UK and Ireland).

The City of London has established a robust programme of risk management as a key element of its strategy to preserve its assets, enhance efficiency for service users and members of the public and protect its employees.

The Audit and Risk Management Committee monitors and oversees the City's Risk Management Strategy which aligns the key principles of ISO31000: Risk Management Principles and Guidelines, and BS 31100: Risk Management Code of Practice, and defines clearly the roles and responsibilities of officers, senior management and Members. The Strategy emphasises risk management as a key element within the City Corporation's systems of corporate governance and establishes a clear system for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level.

The Corporate Risk Register codifies key strategic risks and assigns responsibility for taking action to mitigate each risk to a named Chief Officer.

The Chief Officer Risk Management Group has a remit to ensure that risk management policies are applied, that there is an on-going review of risk management activity and that appropriate advice and support is provided to Members and officers.

6. Financial Review

As set out in the following table, the Consolidated Statement of Comprehensive Income records a surplus for the year of £72.3m (2016/17: surplus of £225.6m) on expenditure of £187.0m (2016/17: £167.8m). This surplus is after benefitting from gains in fair value of property investments of £81.0m (2016/17: £122.2m), gains in fair value of non-property investments of £17.7m (2016/17: £121.8m), a £7.5m profit on the sale of fixed assets (2016/17: £4.7m), partly offset by an impairment of heritage assets of £1.2m (2016/17: £nil) and net pension scheme

financing costs of £7.6m (2016/17: £8.3m) . Without these items the underlying operating position would have been a deficit of £25.1m (2016/17: deficit of £14.8m).

Income and Expenditure for the year ended 31 March 2018:

	2018 Income	2018 Expend - iture	2018 Net income / (cost)	2017 Income	2017 Expend - iture	2017 Net income / (cost)
	£m	£m	£m	£m	£m	£m
Service / activity						
Property Investment Estate	67.6	17.2	50.4	64.5	17.3	47.2
Non-Property Investments	1.1	4.6	(3.5)	1.4	4.5	(3.1)
Education	74.5	85.7	(11.2)	69.1	78.1	(9.0)
Markets	11.3	11.6	(0.3)	10.9	10.4	0.5
Open Spaces	4.8	22.7	(17.9)	4.8	21.0	(16.2)
City Representation	1.0	13.7	(12.7)	1.0	12.7	(11.7)
Economic Development	0.8	6.5	(5.7)	0.3	5.2	(4.9)
Management & Administration	-	8.6	(8.6)	-	8.6	(8.6)
Grants and other activities	0.8	8.3	(7.5)	1.0	6.4	(5.4)
Net Pension Scheme Costs	-	8.1	(8.1)	-	3.6	(3.6)
Operating surplus/(deficit) before gain/(loss) in fair value of investments *	161.9	187.0	(25.1)	153.0	167.8	(14.8)
Gain/(loss) in fair value of:						
- property investments			81.0			122.2
- non-property investments			17.7			121.8
Operating surplus *			73.6			229.2
Profit on Sale of Fixed Assets			7.5			4.7
Net financing income / (costs) attributable to the pension scheme			(7.6)			(8.3)
Impairment of heritage assets			(1.2)			-
Deficit before taxation			72.3			225.6
Taxation			-			-
Surplus / (deficit) for the year			72.3			225.6

* volatility in operating surplus for the financial year – FRS102 requires the gain or loss in fair value of property and non-property investments to be included in the Consolidated Statement of Comprehensive Income (page 14). This means that even relatively small movements in the markets from one year to the next produce large volatility in the operating surplus or deficit in the Consolidated Statement of Comprehensive Income. However, both the Consolidated Statement of Comprehensive Income and the above table show the operating position before the gain or loss in fair value of property and non-property investments, which reduces the movement (volatility)

between the years from £155.6m (operating surplus of £73.6m in 2017/18 compared to the operating surplus of £229.2m in 2016/17) to £10.3m (£25.1m deficit in 2017/18 compared to the deficit of £14.8m in 2016/17) and is more reflective of the underlying position on operations.

The adverse movement in the operating position of £155.6m, from a surplus of £229.2m in 2016/17 to a surplus of £73.6m in 2017/18, is largely due to:

- the gain in fair value from non-property investments reducing by £104.1m, from a gain of £121.8m in 2016/17 to a gain of £17.7m in 2017/18;
- the gain in fair value from property investments reducing by £41.2m, from a gain of £122.2m in 2016/17 to a gain of £81.0m in 2017/18;
- net pension scheme costs increasing by £4.5m, from £3.6m in 2016/17 to £8.1m in 2017/18, due to an increase in current service costs of £7.3m, from £13.3m in 2016/17 to £20.6m in 2017/18, which are calculated using an estimate of the average total pensionable pay during the year. This was partly offset by an increase in employer contributions of £2.7m, from £10.0m in 2016/17 to £12.7m in 2017/18. This is attributable to a rise in the percentage of the employer contribution from 17.5% in 2016/17 to 21.0% in 2017/18;
- net expenditure on education increasing by £2.2m, mainly due to one-off income in the prior year 2016/17 from an insurance claim for fire damage;
- net expenditure on grants and other activities increasing by £2.1m largely due to works on the site of Smithfield Market and Annexe to facilitate the relocation of the Museum of London;
- net expenditure on open spaces being £1.7m higher mainly due to increased spending on repairs and maintenance across the open spaces and funding towards the Kenley Revival Project;
- net expenditure on City representation increasing by £1.0m due to repairs and maintenance works at Mansion House and on the Lord Mayor's coach, and costs incurred reorganising the operation of the Mansion House and Central Criminal Court;
- net expenditure on Economic Development increasing by £0.8m due to the City of London Corporation strengthening its support and promotion of the City in what is an increasingly complex and competitive environment, with new opportunities and challenges;
- net expenditure on markets increased by £0.8m largely due to higher premises costs, principally energy and rates, and costs incurred undertaking a Strategic Review of the Markets.

Partly offset by:

- net income from property investments increasing by £3.2m, from £47.2m in 2016/17 to £50.4m in 2017/18 due to increased rental income arising from the completion of rent reviews and new lettings during the year.

Overall, City's Cash reserves have increased by £91.5m from £2,520.0m to £2,611.5m (2016/17: increase in reserves of £191.0m). The increase comprises the surplus for the year of £72.3m (2016/17: £225.6m), recognised but unrealised gains on listed investments with fund managers of

£0.3m (2016/17: gains of £3.5m), and an actuarial gain on the defined benefit pension scheme of £18.9m (2016/17: loss of £38.1m).

City of London Pension Scheme

The estimated share of the net liability in the City of London Pension Scheme is included in the City's Cash accounts. The City's Cash share of the deficit is 47% which equates to £278.5m at 31 March 2018 (£281.0m at 31 March 2017).

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

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

Further details of the City of London Pension Scheme can be found in note 17 to the financial statements.

Teachers' Pension Scheme

In addition to City of London Corporation employees being able to participate in the City of London Pension Scheme, teachers at the City of London Corporation's four private schools including GSMD are eligible to participate in the Teachers' Pension Scheme (TPS). The share of the net liability in the TPS attributable to the City's private schools is £12.5m (2017: £13.2m) and is included in the Consolidated Statement of Financial Position.

Going Concern

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

Financial Commitments

The City of London Corporation has agreed a £50.0m contribution to Crossrail from City's Cash upon completion of the project. Subject to completion of the works, the contribution will be made in equal instalments during 2018/19 and 2019/20.

In addition, there is a contractual commitment of £18.9m relating to the purchase of the freehold of an operational property.

Events After the Reporting Date

There are risks to City's Cash from the vote to leave the EU. In particular, the future levels of demand for office accommodation in the City and surrounding areas and the consequential impacts on rent incomes. A close watching brief will be kept on this and other implications as events unfold with financial forecasts being refreshed if and when the picture becomes clearer.

With regard to the contractual commitment of £18.9m relating to the purchase of the freehold of an operational property (as noted above under 'Financial Commitments'), this purchase was completed in October 2018 with a final payment of £18.9m.

7. Explanation of the Financial Statements

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

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

The following separate entities have been consolidated with City's Cash accounts:

- Registered charities which are managed and funded by the City Corporation:
 - Ashted Common,
 - Burnham Beeches,
 - Epping Forest,
 - Hampstead Heath
 - Hampstead Heath Trust,
 - Highgate Wood and Queen's Park Kilburn,
 - West Ham Park,
 - West Wickham Common, Spring Park Wood and Coulsdon and other Commons,
 - Sir Thomas Gresham Charity, and
 - Keats House.
- City Re Limited - a wholly owned subsidiary company whose principal activity is to provide re-insurance protection. The company is a limited company, limited by shares and is incorporated in Guernsey, registration number 52816. The Directors' Report and Financial Statements have been prepared in accordance with The Insurance Business (Bailiwick of Guernsey) Law, 2002, FRS102 and FRS103 "Insurance Contracts" and are available at www.cityoflondon.gov.uk. The company allows the City to share in underwriting profits with a known capped downside financial risk of £250,000 per claim.

8. Disclosure of Information to Moore Stephens

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

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

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

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

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

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

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

Approval of the Annual Report and Financial Statements

At a meeting of the Finance Committee held at Guildhall on 13 November 2018, the financial statements of City's Cash were approved on behalf of the Court of Common Council.

Jeremy Paul Mayhew MA MBA
Chairman of Finance Committee

Jamie Ingham Clark FCA
Deputy Chairman of Finance Committee

Guildhall, London.
13 November 2018

Independent Auditor's Report to the City of London Corporation

Opinion

We have audited the financial statements of the fund of the City of London Corporation (the 'Corporation') called City's Cash for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is the United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of City's Cash affairs as at 31 March 2018 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Corporation

As explained more fully in the Corporation's responsibilities Statement set out on page 10, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Moore Stephens LLP
150 Aldersgate Street
London
EC1A 4AB

Report of the Audit Review Panel to the Right Honourable the Lord Mayor, Aldermen and Livery of the Several Companies of the City of London in Common Hall Assembled

We, whose names are hereunto subscribed, the Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts, elected by the Livery of London in Common Hall assembled on 24 June 2016, 26 June 2017 and 25 June 2018 pursuant to Act 11, George 1, Cap 18, an Act for regulating elections within the City of London, etc., do report as follows:

We have reviewed the processes adopted by Moore Stephens LLP for the audit of City's Cash for the period from 1 April 2017 to 31 March 2018.

In our view the audit of the financial statements has been conducted in accordance with auditing procedures as stated on pages 12 and 13.

This report is made solely to the above named addressees. Our work has been undertaken to enable us to make this report and for no other purpose.

P. Dossett

A. Francis

L. Lloyd-Thomas

P. Watts

Dated:

The Moore Stephens LLP Public Sector Partner, Nicholas Bennett, is also a member of the Audit Review Panel. However, as the role of the Panel is to provide independent confirmation that the processes adopted by Moore Stephens LLP have been conducted in accordance with auditing procedures, it is not appropriate for Nicholas Bennett to sign the report.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 £m	2017 £m
Income			
Education		74.5	69.1
Investment Income - property and managed funds	1	68.7	65.9
Markets		11.3	10.9
Open Spaces		4.8	4.8
City Representation		1.0	1.0
Economic Development		0.8	0.3
Other activities		0.8	1.0
Total Income	1	161.9	153.0
Expenditure			
Education		85.7	78.1
Investments - Management Costs and Property Operating Expenditure	2	21.8	21.8
Open Spaces		22.7	21.0
City Representation		13.7	12.7
Markets		11.6	10.4
Management and Administration		8.6	8.6
Grants and other activities		8.3	6.4
Economic Development		6.5	5.2
Net pension scheme costs	17c	8.1	3.6
Total Expenditure	2, 3 and 4	187.0	167.8
Operating surplus / (deficit) before gain / (loss) in fair value of investments		(25.1)	(14.8)
Gain in fair value of property investments		81.0	122.2
Gain/(loss) in fair value of non-property investments	8	17.7	121.8
Operating surplus		73.6	229.2
Profit on Sale of Fixed Assets		7.5	4.7
Net financing income / (costs) attributable to pension schemes	17c	(7.6)	(8.3)
Impairment of heritage assets	7	(1.2)	-
Surplus before taxation		72.3	225.6
Taxation	5	-	-
Surplus for the financial year		72.3	225.6

All amounts relate to continuing operations.

The notes on pages 28 to 61 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 March 2018

	Notes	2018 £m	2017 £m
Fixed Assets			
Investment properties	6	1,817.6	1,724.4
Tangible assets	6	225.1	221.9
Heritage assets	7	181.4	182.1
Non-property investments	8	700.1	699.0
Intangible assets	9	0.1	0.5
Total Fixed Assets		2,924.3	2,827.9
Current Assets			
Stocks - finished goods	11	0.5	0.5
Debtors	12	35.1	32.4
Non-property investments	8	57.7	47.9
Cash at bank and in hand		13.8	10.0
Total Current Assets		107.1	90.8
Creditors: amounts falling due within one year	13	59.0	59.8
Deferred income	14	65.4	42.8
Net Current Assets		(17.3)	(11.8)
Total Assets less Current Liabilities		2,907.0	2,816.1
Finance leases	15	2.4	-
Provisions for liabilities	16	2.1	1.9
Net Assets excluding pension liability		2,902.5	2,814.2
Defined benefit pension scheme liability	17	291.0	294.2
Net Assets		2,611.5	2,520.0
Capital and Reserves			
Operational Capital Reserve		225.1	222.4
Heritage Assets Reserve		181.4	182.1
Income Generating Fund		2,517.7	2,423.4
Working Capital Fund		(21.7)	(13.7)
Pension Reserve	17	(291.0)	(294.2)
Total Capital Employed	18	2,611.5	2,520.0

Approved for issue 13 November 2018

Dr Peter Kane, Chamberlain of London

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Notes	2018 £m	2017 £m
Comprehensive income			
Surplus for the financial year		<u>72.3</u>	<u>225.6</u>
Other comprehensive income			
Gain / (loss) on revaluation of listed investments	8	0.3	3.5
Actuarial gain / (loss) on defined benefit pension schemes	18	<u>18.9</u>	<u>(38.1)</u>
Total other comprehensive income		<u>19.2</u>	<u>(34.6)</u>
Total comprehensive income		<u><u>91.5</u></u>	<u><u>191.0</u></u>

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2018 £m	2017 £m
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	19	<u>(12.8)</u>	<u>(3.1)</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		1.1	1.4
Cash taken from/(invested in) short term deposits		(9.8)	19.2
Proceeds from the sale of property, plant and equipment		44.4	4.6
Purchase of property, plant and equipment		(11.1)	(14.5)
Proceeds from sale of investments		56.6	106.5
Purchase of investments		(87.6)	(118.3)
Receipt of capital contributions - deferred to later years		23.0	3.1
Net cash provided by (used in) investing activities		<u>16.6</u>	<u>2.0</u>
Cash flows from financing activities:		<u>-</u>	<u>-</u>
Increase/(decrease) in cash in the year		<u>3.8</u>	<u>(1.1)</u>
Change in cash and cash equivalents in the reporting period		3.8	(1.1)
Cash and cash equivalents at the beginning of the reporting period		10.0	11.1
Change in cash and cash equivalents due to exchange rate movements		-	-
Cash and cash equivalents at end of year		<u>13.8</u>	<u>10.0</u>

Statement of Significant Accounting Policies

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

a) **Basis of Preparation**

The City of London Corporation has chosen to prepare the City's Cash consolidated financial statements in accordance with Financial Reporting Standard 102 (FRS102) as issued by the Financial Reporting Council.

b) **Going Concern**

In the opinion of the Corporation, City's Cash is a going concern for the foreseeable future as it annually receives considerable income from its property and non-property investments. This income is considered in the context of a rolling medium term financial forecast to ensure that services are affordable and sustainable. Cash and liquid investments are monitored and maintained at a level to ensure that sufficient resources are available to finance any in-year deficits.

c) **Consolidation**

The City's Cash financial statements consolidate the financial results of the services provided directly, including ceremonial, schools and markets; City Re Ltd. a wholly-owned subsidiary whose principal activity is to provide re-insurance protection; trust funds in respect of seven open spaces, the Sir Thomas Gresham Charity and Keats House. In the case of charities and trusts, the overriding rationale for consolidation of the trusts is that the City of London Corporation is the Trustee and thereby effectively exercises control over the trusts' activities.

d) **Income and Expenditure**

The accounts of City's Cash 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 City's Cash.
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be measured reliably and it is probable that economic benefits or service potential associated with the transaction will flow to City's Cash.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not

be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Financial assets are derecognised when the contractual rights to the cash flows from the assets expire, or when City's Cash has transferred substantially all the risks of and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

e) **Deferred Income**

Lease premiums relating to operating leases are treated as deferred income and released to revenue over the life of the lease.

f) **Government Grants and Other Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations for purposes other than capital expenditure (see note e above) are recognised as income at the date that the conditions of entitlement to the grant/contribution are satisfied, when there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Where a grant or contribution has been received but the conditions of entitlement have not been satisfied, the grant or contribution is treated as a receipt in advance.

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

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

Typical asset lives are as follows:

	Years
Buildings - freehold	10 to 50
Plant and Machinery (including the following components):	
Plant	10 to 20
Furniture and Equipment	3 to 15
Vehicles	3 to 10

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

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

These are assets held to earn rental income and/or for capital appreciation which are revalued annually to fair value as at 31 March. Gains or losses arising from changes in the fair value of investment property are included in the Consolidated Statement of Comprehensive Income.

Depreciation is not provided in respect of freehold investment properties.

* only includes assets acquired since 2000 as earlier historic cost information is not available.

i) **Assets under construction**

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

j) **Impairments**

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

An impairment loss on investment property is treated as a revaluation movement which is included in the Consolidated Statement of Comprehensive Income.

An impairment loss on operational assets or heritage assets would be recognised in the Consolidated Statement of Comprehensive Income. The reversal of an impairment loss on operational or heritage property, previously recognised in the Consolidated Statement of Comprehensive Income, will not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

k) **De-Recognition**

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

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

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

l) **Heritage Assets**

City's Cash heritage assets largely comprise art and sculpture treasures valued, in accordance with FRS102, at cost, or where cost cannot be readily identified, on the basis of available information, as a proxy for cost.

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

m) **Financial Assets and Liabilities**

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS102. All financial instruments held by City's Cash are basic financial instruments.

n) **Non-Property Investment Assets**

Non-property investment assets are held in accordance with the investment policy set by the City of London Corporation. FTSE 100 Company investments are valued at the Stock Exchange Trading System (SETS) price at close on 31 March. Other quoted investments are valued at the

middle market price at the close of business on 31 March. Unquoted investments are included at a valuation advised by the Fund Managers for that day.

Non-property investment assets have been accounted for at 'fair value through profit and loss'.

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

o) Intangible Assets

Intangible assets comprise computer systems and software licences which are capitalised at cost and reflected within the financial statements at amortised historic cost.

Amortisation is calculated by allocation of the balance sheet value of the asset, less any residual value, to the periods expected to benefit from its use on a straight line basis over 3 to 7 years.

Amortisation charges are charged to service revenue accounts.

p) Leases

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

Finance Leases

City's Cash 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.

City's Cash as Lessor

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

Operating leases

City's Cash as lessee

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

City's Cash as lessor

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

Lease Incentives

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

q) **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. 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.

r) **Contingent Liabilities**

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

s) **Provisions**

Provisions are made where an event has taken place that gives the City a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the City may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the Consolidated Statement of

Comprehensive Income in the year that the City becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Consolidated Statement of Financial Position. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the City settles the obligation.

t) **Cash**

Cash comprises funds repayable to the City without penalty on notice within 24 hours, less cheques and BACS payments issued but not presented.

u) **Stocks of Finished Goods**

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

v) **Pension Costs**

Non-Teaching Staff

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

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

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

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

Barnett Waddingham, an independent actuary, carried out the latest triennial actuarial assessment of the scheme as at 31 March 2016, using the projected unit method. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2019 to 31 March 2022.

Pension Costs – Teachers

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

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

Under FRS102, the employer participating in the Teachers' Pension Scheme must recognise the expected present value of all future deficit contributions on their Consolidated Statement of Financial Position. As it is not possible to identify the assets and liabilities at individual employer level, the expected present value of the deficit contributions has been calculated by Barnett Waddingham, an independent actuary, based upon pensionable pay at 31 March 2018, the Scheme's deficit contribution rate at 31 March 2018 and an actuarial factor based on the deficit recovery period and the adopted assumptions.

w) **Statutory Deductions from Pay**

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

x) **Foreign Currencies**

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

y) **Tax**

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

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

z) **Overheads**

The costs of support service overheads, with the exception of expenditure on corporate and democratic activities, are generally apportioned between all services on the basis of employee time spent or other resources consumed on behalf of user services. Similarly, with the exception

of vacant properties, the costs of support service buildings are apportioned on the basis of the office area utilised by each service.

aa) Reserves

A number of reserves are held as endowment funds or restricted funds received by the City Corporation for specified purposes. These are held in the Working Capital Fund, which is shown in note 18.

bb) Critical Judgements in Applying Accounting Policies

In applying accounting policies the City Corporation has to make certain judgements about complex transactions or those involving uncertainty about future events. Apart from those disclosed in this Statement of Significant Accounting Policies and those involving estimations (see note cc), there are no critical judgements that management has made in the process of applying the City's accounting policies that will have a material effect on the amounts recognised in the financial statements.

cc) Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

(i) Pension Benefits

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

The effect of changes in individual assumptions on the net pension's liability can be measured, but are complex and interact in a complex manner. For example, the actuary determines the appropriate discount rate at the end of each year after taking account of the yield from a high quality bond of appropriate duration, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liabilities of £12.8m. 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 note 17 on pages 48 to 54.

(ii) Property Valuations

The carrying values of investment properties and heritage assets are primarily dependent on judgements of such variables as the state of the markets, location, condition of the properties/assets, indices etc. Valuation is an inexact science with assessments provided by different surveyors/experts rarely agreeing and with prices subsequently realised diverging from valuations. A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. For example, a 1% reduction in the value of investment properties and heritage assets

would result in a reduction to reserves of £18.2m and £1.8m respectively. Conversely, a 1% increase in value would have the opposite effect.

However, the risk of material adjustments is mitigated by using the experience and knowledge of professional chartered surveyors/experts, both in-house staff and external firms. In addition, tests are undertaken to ensure that variations between the valuations of different surveyors, and between valuations and actual prices, are within reasonable tolerances.

Notes to the Consolidated Financial Statements

1. Income

Investment Income

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

	2018 £m	2017 £m
Dividends from non-property investments and interest on fund balances	1.1	1.4
Rentals, service charges and dilapidations income	67.6	64.5
Total investment income *	68.7	65.9

* Rent receivable in 2017/18 in respect of operating leases was £60.1m (2016/17: £56.7m).

Education Income

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

Markets Income

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

Open Spaces Income

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

2. Expenditure

Investment Management Costs

Expenses relating to property and non-property investments comprise:

	2018 £m	2017 £m
Non-property investments - management fees paid to fund managers	4.6	4.5
Property investment expenses	17.2	17.3
Total Investment Management Costs	21.8	21.8

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

Depreciation

The operating deficit is stated after charging depreciation amounting to £8.2m (2016/17: £7.3m).

Operating Lease Rentals

During the year of account City's Cash spent £0.7m on operating lease rentals in respect of premises (2016/17: £0.7m).

Auditor's remuneration

Remuneration to the external auditor (Moore Stephens LLP) for audit services relating to the year of account amounted to £91,260 (2016/17: £88,200). No other fees were payable to Moore Stephens LLP for non-audit services during the year (2016/17: nil).

Members expenses

Members do not receive any remuneration from the City of London Corporation for undertaking their duties. However, Members may claim travelling expenses in respect of activities outside the City and receive allowances in accordance with a scale when attending a conference or activity on behalf of the City of London Corporation. These costs totalling £5,246 (2016/17: £3,874) across all of the City's activities, were met in full by City's Cash.

3. Staff numbers and costs

Officers employed by the City of London Corporation work on a number of the City of London Corporation's activities. The table below sets out the number of full-time equivalent staff charged directly to City's Cash and their remuneration costs.

The number of employees was:	2018 FTE	2017 FTE
Investment properties	17.3	17.7
Education	687.2	650.0
Markets	89.9	88.4
Open spaces	272.9	279.6
City representation	66.2	65.1
Grants and other activities	9.3	9.2
Support Services	205.9	196.9
Total	1,348.7	1,306.9

Their remuneration comprised:	Gross Pay £m	National Insurance £m	Pension Contribution £m	2018 £m	2017 £m
Investment Management	0.5	0.0	0.1	0.6	0.6
Education	37.3	3.6	6.1	47.0	43.5
Markets	3.2	0.3	0.6	4.1	4.0
Open spaces	10.3	1.0	2.0	13.3	11.4
City representation	3.3	0.3	0.6	4.2	3.7
Grants and other activities	0.6	0.1	0.0	0.7	0.7
Support Services	8.8	0.9	1.6	11.3	10.5
Total	64.0	6.2	11.0	81.2	74.4

Equality and inclusion

The City Corporation is committed to equal opportunities in service provision and for all its employees. The Establishment Committee provides high-level Member oversight on equality and inclusion in employment and an officer led Equality and Inclusion Board has 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.

The quarterly update reports considered by the Establishment Committee and further information on the City Corporation's Equality and Diversity strategy and objectives together with the Equality and Inclusion Annual Report can be found on the website using the links below.

Establishment Committee:

<http://democracy.cityoflondon.gov.uk/ieListMeetings.aspx?CommitteeId=253>

Equality and Inclusion:

www.cityoflondon.gov.uk/about-the-city/how-we-make-decisions/Pages/equality-inclusion.aspx

Workforce

The City of London Corporation employs approximately 4,600 people in full and part-time positions across all its services. The make-up of the workforce is summarised below:

Gender:

Male: 54.34%

Female: 45.66%

Age:

Under 25: 5.50%

25-34: 21.67%

35-44: 23.77%

45-54: 27.61%

55-64: 18.90%

65 and over: 2.55%

Declared disability:

Yes: 2.96%

Ethnicity:

White: 71.08%

BAME: 16.97%

Not Stated: 11.95%

4. Remuneration of senior employees

The number of staff earning more than £60,000 in bands of £10,000 is set out in table 1 below.

Table 1 - Remuneration in Bands

Salary Range £	Wholly charged to City's Cash		Partially Charged to City's Cash	
	2017/18	2016/17	2017/18	2016/17
60,000 - 69,999	92	79	73	59
70,000 - 79,999	17	17	22	18
80,000 - 89,999	11	7	15	8
90,000 - 99,999	3	3	5	2
100,000 - 109,999	1	0	6	7
110,000 - 119,999	1	2	3	3
120,000 - 129,999	2	4	4	4
130,000 - 139,999	3	1	2	3
140,000 - 149,999	0	0	1	0
150,000 - 159,999	1	2	2	1
160,000 - 169,999	2	1	0	1
200,000 - 209,999	0	0	2	1
250,000 - 259,999	0	0	0	1
260,000 - 269,999	0	0	1	0

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

To provide consistency with the disclosure in the City Fund Financial Statements, tables 2 and 3 set out information for 2017/18 and 2016/17 respectively in accordance with the Accounts and Audit Regulations 2015.

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

Post Title	Name	Notes	Proportion charged to City's Cast activities where less than 100%	Salary (including fees and allowances)	Bonus	Expenses	Benefits in kind	Compensation for loss of office	Total Remuneration excluding pension contributions 2017/18	Pension Contributions	Total Remuneration including Pension Contributions 2017/18
			%	£000	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year											
Town Clerk and Chief Executive	J. Barradell	i	40	99	3	0	44	0	146	22	168
Chamberlain	P. Kane	i	35	61	0	0	0	0	61	13	74
Salary is between £50,000 and £150,000											
Comptroller & City Solicitor	-	i	25	38	2	0	0	0	40	8	48
City Surveyor	-	i	45	67	1	0	0	0	68	14	82
Head City of London School - left 31/08/2017	-			67	0	0	23	0	90	12	102
Acting Head City of London School - 01/09/2017 - 31/12/2017	-			40	0	0	0	0	40	7	47
Head City of London School - started 01/01/2018	-			30	0	0	29	0	59	6	65
Headmaster City of London Freeman's School	-			133	0	0	0	0	133	25	158
Headmistress City of London School for Girls	-			126	0	0	63	0	189	23	212
Remembrancer	-			148	0	0	0	0	148	31	179
Principal of the Guildhall School of Music & Drama	-			166	0	0	0	0	166	35	201
Private Secretary & Chief of Staff to the Lord Mayor - retired 31/01/2018	-			96	3	0	0	0	99	21	120
Executive Director Mansion House and Old Bailey - started 01/09/2017	-			95	0	0	0	0	95	20	115
Director of Markets & Consumer Protection	-	i	45	53	1	0	0	0	54	11	65
Director of Open Spaces	-	i	70	72	0	0	0	0	72	15	87
				1,291	10	0	159	0	1,460	263	1,723

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

Post Title	Name	Notes	Proportion charged to City's Cash activities where less than 100%	Salary (including fees and allowances)	Bonus	Expenses	Benefits in kind	Compensation for loss of office	Total Remuneration excluding pension contributions 2016/17	Pension Contributions	Total Remuneration including Pension Contributions 2016/17
			%	£000	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year											
Town Clerk and Chief Executive	J. Barradell	i	40	98	5	0	0	0	103	18	121
Chamberlain	P. Kane	i	35	59	0	0	0	0	59	10	69
Salary is between £50,000 and £150,000											
Deputy Town Clerk - retired 30/09/2016	-	i	40	28	0	0	0	28	56	5	61
Director of Culture, Heritage & Libraries - retired 31/01/2017	-	i	5	5	0	0	0	1	6	1	7
Comptroller & City Solicitor	-	i	25	37	2	0	0	0	39	7	46
City Surveyor - retired 31/10/2016	-	i	45	23	0	0	0	0	23	0	23
City Surveyor - started 03/10/2017	-	i	45	33	0	0	0	0	33	6	39
Head City of London School	-			154	0	0	39	0	193	20	213
Headmaster City of London Freeman's School	-			124	0	0	0	0	124	23	147
Headmistress City of London School for Girls	-			121	0	0	25	0	146	22	168
Remembrancer	-			131	0	0	0	0	131	23	154
Principal of the Guildhall School of Music & Drama - retired 31/01/2017	-			89	4	0	10	0	103	0	103
Principal of the Guildhall School of Music & Drama - started 30/01/2017	-			29	0	0	0	0	29	5	34
Private Secretary & Chief of Staff to the Lord Mayor	-			113	3	0	0	0	116	12	128
Director of Markets & Consumer Protection	-	i	45	51	0	0	0	0	51	9	60
Director of Open Spaces - retired 28/02/2017	-	i	70	63	3	0	0	0	66	13	79
Director of Open Spaces - started 01/03/2017	-	i	70	6	0	0	0	0	6	1	7
				1,164	17	0	74	29	1,284	175	1,459

Note to remuneration for senior employees disclosures:

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

Table 4 - Annualised Salaries

Post Title	Annualised Salary 2017/18 £000	Annualised Salary 2016/17 £000
Town Clerk and Chief Executive	248	245
Chamberlain	174	171
Comptroller & City Solicitor	152	151
City Surveyor	149	146
Deputy Town Clerk - post deleted	0	131
Director of Culture, Heritage & Libraries - post deleted	0	110
Director of Markets & Consumer Protection	118	116
Director of Open Spaces	103	98

5. Tax Status

The City of London Corporation is a single legal entity and legislation treats it as a local authority for tax purposes. City Re Limited, a wholly-owned subsidiary of the City of London Corporation in its City's Cash capacity, conforms to the tax requirements for Guernsey companies.

6. Investment Properties and other tangible fixed assets

Consolidated

	Land and Buildings		Plant	Assets	
	Investment	Freehold	and	Under	
	Properties (a)	(b)	Machinery	Construction	Total
	£m	£m	£m	£m	£m
Cost / Valuation					
At 1 April 2017	1,724.4	215.6	56.1	5.3	2,001.4
Additions	47.9	7.5	1.4	2.1	58.9
Revaluations	81.0	-	-	-	81.0
Disposals	(36.6)	-	-	-	(36.6)
Reclassifications (c)	0.9	-	-	-	0.9
Transfers	-	3.4	0.8	(4.3)	(0.1)
At 31 March 2018	<u>1,817.6</u>	<u>226.5</u>	<u>58.3</u>	<u>3.1</u>	<u>2,105.5</u>
Depreciation					
At 1 April 2017	-	(34.0)	(21.1)	-	(55.1)
Charge for the year	-	(5.8)	(1.9)	-	(7.7)
Disposals	-	-	-	-	0.0
At 31 March 2018	<u>-</u>	<u>(39.8)</u>	<u>(23.0)</u>	<u>-</u>	<u>(62.8)</u>
Net book value					
At 31 March 2017	<u>1,724.4</u>	<u>181.6</u>	<u>35.0</u>	<u>5.3</u>	<u>1,946.3</u>
At 31 March 2018	<u>1,817.6</u>	<u>186.7</u>	<u>35.3</u>	<u>3.1</u>	<u>2,042.7</u>
Leased assets included above:					
Net book value					
At 31 March 2017	<u>3.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3.5</u>
At 31 March 2018	<u>2.7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.7</u>

Notes:

- External valuers value investment properties annually as at 31 March at market values determined in accordance with the RICS Valuation – Professional Standards (“the red book”). Previously the City Surveyor of the City of London Corporation, who is a Fellow of the Royal Institution of Chartered Surveyors (RICS), who valued properties representing some 60% of the estates’ value as at 31 March 2017 with the remainder valued by external valuers.
- As detailed in accounting policies note g, all other tangible fixed assets are valued at historic cost less depreciation on a straight-line basis to write off their costs over their estimated useful lives and less any provision for impairment. Freehold land and buildings includes items acquired since April 2000 based on depreciated historic cost. Consequently, some of the significant City’s Cash operational assets (e.g. Mansion House, Guildhall Complex, Schools

and Markets) are included at nil cost as they were generally acquired well before April 2000 and their original acquisition costs are no longer available. Subsequent expenditure on these assets is capitalised in line with accounting policies.

- c) Reclassifications of £0.9m represent adjustments relating to finance leases, with a £2.4m addition reflecting an obligation under a finance lease and a £1.5m reduction reflecting an investment property reclassified as a finance lease.
- d) City's Cash did not incur any finance costs during the year ended 31 March 2018 (2016/17: nil) and no finance costs have been capitalised.

7. Heritage assets

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

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

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

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

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

Nevertheless, the City's art and sculpture treasures, which represent the vast majority of the heritage assets, and recently acquired open space land are recognised for inclusion on the Consolidated Statement of Financial Position at a value of £181.4m (2016/17: £182.1m) as shown in the table below. Due to policy, budgetary and legal constraints there have been no significant acquisitions or disposals in the last five years.

	2018 £m	2017 £m
Valuation (a)		
At 1 April	182.1	182.1
Additions (b)	0.4	-
Impairment (c)	(1.2)	-
Transfer	0.1	-
At 31 March	181.4	182.1
Comprising:		
Art and sculptures (c)	180.6	181.7
Open spaces (b)	0.8	0.4
	181.4	182.1

Notes:

- The art works are included at cost, or where cost cannot be readily identified, on the basis of available information as a proxy for cost. Such information includes art market intelligence in relation to similar works, insurance requirements and some individual valuations from independent experts. Sculptures were valued at replacement cost by independent experts Gurr Johns. Recent additions to forest land were recognised at cost.
- Additions during the year comprise the cost of conserving the second world war heritage assets at Kenley Aerodrome and the inclusion of historic items held at Keats House.
- During the year a painting in the City's art collection was identified as having been stolen by the Nazis during world war two. The City returned the painting to members of the original owner's family during the year and the painting's carrying value of £1.2m has been treated as an impairment.

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

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

8. Non-property investment assets

Analysis of movement in non-property investment assets:

	2018 £m	2017 £m
Non-property investments held by fund managers:		
Total investments at 1 April	705.4	599.5
Add: additions to investments at cost	39.7	83.5
Less disposals at market value	(34.8)	(81.8)
Add net gain on revaluation	0.3	3.5
Less realised investments	(18.6)	(21.1)
Gain / (loss) in fair value	17.7	121.8
Investments at 31 March	709.7	705.4
Non-property investments held by the City of London:		
Total investments at 1 April	41.5	64.3
Change in short-term deposits and money market	6.6	(22.8)
Change in long term deposits	-	-
Investments at 31 March	48.1	41.5
Total investments as at 31 March are analysed between long-term and short-term investments as follows:		
Long term	700.1	699.0
Short term	57.7	47.9
	757.8	746.9

9. Intangible assets

During 2014/15 the City Corporation invested in an updated Oracle Business Intelligence system. This is recognised in these financial statements as an intangible asset on the basis of amortised historic cost at a value of £0.1m (2016/17: £0.5m).

	Total £m
Cost / Valuation	
At 1 April 2017	1.4
Additions	0.1
At 31 March 2018	<u>1.5</u>
Depreciation	
At 1 April 2017	(0.9)
Charge for the year	(0.5)
At 31 March 2018	<u>(1.4)</u>
Net book value	
At 31 March 2017	<u>0.5</u>
At 31 March 2018	<u>0.1</u>

10. Nature and extent of Risks arising from Financial Instruments

The primary long-term risk for City's Cash is that its assets will fall short of its liabilities (i.e. the costs to be met in the provision of the Fund's services). 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 non-property investment portfolio of the Fund.

This note focusses on those investments which comprise cash that is not required for day to day purposes invested in deposits of varying fixed lengths and fixed interest rates in the London money markets, cash invested in top quality money market funds, non-property mainly pooled investments and private equity funds.

Cash Investments

The carrying amount of the cash investments is assumed to be a reasonable approximation of fair value taking into account the period to maturity.

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

- Credit risk – the possibility that other parties might fail to pay amounts due
- Liquidity risk – the possibility that the 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 such measures as interest rates and stock market movements.

The City of London Corporation has adopted CIPFA's Treasury Management in the Public Services: Code of Practice. The 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 annually by the Court of Common Council in the Treasury Management Strategy Statement.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Fund's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum "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 Fund also invests in Money Market Funds, which are subject to a minimum credit rating of AAA/mmff. 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 Fund's lending list is carefully monitored. Security of the investments was paramount but with liquidity and yield also being considerations. By the end of the year, the Fund effectively had ten potential borrowers in the form of 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, Royal Bank of Scotland and Santander UK were maintained at maximum lending limits of £100m each, and Lloyds Bank was fixed at £150m (this organisation being the Fund's 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 includes seven top rated Money Market Funds; Aberdeen Sterling Liquidity Fund, CCLA, Deutsche Liquidity Fund, Federated Liquidity Fund, Standard Life Liquidity Funds (formerly Ignis Liquidity Funds), Invesco, and Payden Sterling Reserve Fund. These funds effectively offer very short-term liquidity for deposits. The lending list also includes two short-dated bond funds, L&G and Royal London. The Fund also has short term deposits with other councils, each of which has a limit of £25m.

The Fund's maximum exposure to credit risk in relation to its investments in banks 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 sum would be mainly specific to each individual institution. No credit limits were exceeded during the reporting period and the Fund does not expect any losses from non-performance by any counterparty in relation to outstanding deposits. As at 31 March 2018 the Fund had some £51.1m in money market funds and short-term cash investments with a maturity of less than 365 days, no long-term investments (maturity of 365 days or greater) and £6.6m in short-dated bond funds.

Bad debt provision	As at 31 March 2018 £m	As at 31 March 2017 £m
Less than three months	2.5	2.2
Three to six months	0.3	0.1
Six months to one year	0.1	0.1
More than one year	0.0	0.0
Total	2.9	2.4

Liquidity risk

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

Market risk (Interest rate risk)

The Fund 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 Fund. 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.

The reduced interest rates for 2017/18 continue to have an adverse impact on the income earnings of the Fund which is anticipated to continue beyond 2017/18, although longer term deals are entered into wherever possible to earn higher rates when available.

Non-Property Investments (mainly pooled) and Private Equity Funds

These investments are actively managed by eleven main external fund managers who are charged with the responsibility to increase asset values, whilst maintaining market risk to acceptable levels. They achieve this mainly through diversification of stock portfolios across several geographical locations and various industrial sectors and asset classes. The managers' investing practices are controlled by pre-defined levels of tolerance. The City of London Corporation's Financial Investment Board oversees the monitoring and performance of City's Cash non-property investments and is responsible for the appointment of fund managers.

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

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

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

Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment consultant Mercer, the City of London Corporation has determined that the movements in market price risk set out in the table below are reasonably possible for the 2017/18 reporting period.

The table shows summary statistics illustrating the distributions generated by Mercer's asset liability models for a 10 year period, beginning 31 March 2018. These assumptions represent their best view based on historic and forward-looking analysis. In general, volatilities of interest rates, inflation and asset class returns for long-term projections are calibrated to historical experience. Over shorter modelling horizons, volatility is also influenced by prevailing market implied volatility conditions. The percentages refer to Mercer's expectations for the annualised standard deviation of returns for each asset class over 10 years. Expected volatilities over different time horizons will vary from this.

The potential increase/decrease in the market prices of the fund's assets provide a range of possible net asset values available to meet the fund's liabilities.

Potential Market Movements

The potential movements for price risk based on the different asset classes are provided below. The table uses data provided by the fund's investment consultant Mercer.

Potential Market Movements

Asset type	Change %
Global equities - developed markets (including UK)	16.7
Global equities - emerging markets	28.5
Global bonds	4.4
Multi-asset	7.5
Private equity	24.2
Total non-property investments	13.9

These percentages have been used to calculate the following potential increases / (decreases) in the value of investments.

Asset type	Value £m	Change %	Value on increase £m	Value on decrease £m
Global equities - developed markets (including)	490.2	16.7	572.1	408.3
Global equities - emerging markets	18.0	28.5	23.1	12.9
Global bonds	34.2	4.4	35.7	32.7
Multi-asset	143.9	7.5	154.7	133.1
Private equity	23.5	24.2	29.2	17.8
Short-term UK deposits and money market funds	48.1	0.0	48.1	48.1
Total non-property investments	757.9	13.9	862.9	652.9

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 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 and uses data provided by the fund's custodian bank BNY Mellon.

Currency	Value £m	Change %	Value on increase £m	Value on decrease £m
GBP	361.8	0.00	361.8	361.8
EUR	70.4	2.67	72.3	68.5
USD	231.4	2.87	238.0	224.8
Other	94.2	3.48	97.5	90.9
Total non-property investments	757.8		769.6	746.0

11. Stocks of Finished Goods

A variety of purchased items are held in stock amounting to £0.5m (2016/17: £0.5m) to ensure responsive delivery of services, mainly relating to those provided at the City's open spaces, schools and ceremonial functions.

12. Debtors

	2018 £m	2017 £m
Amounts falling due within one year:		
Sundry debtors	14.6	13.9
Rental debtors	10.8	10.1
School Fees	3.6	1.4
Prepayments and accrued income	4.0	4.1
VAT	0.5	1.8
Accrued interest	0.9	0.7
	<u>34.4</u>	<u>32.0</u>
Amounts falling due after more than one year:		
Sundry debtors	0.7	0.4
	<u>0.7</u>	<u>0.4</u>
	<u>35.1</u>	<u>32.4</u>

13. Creditors – amounts falling due within one year

	2018 £m	2017 £m
Sundry creditors	34.1	34.9
Rental income received in advance	14.5	15.1
Other receipts received in advance	10.2	8.2
VAT	0.2	1.6
	<u>59.0</u>	<u>59.8</u>

14. Deferred income

	2018 £m	2017 £m
Lease premium income		
- due within one year	0.4	0.3
- due within two to five years	1.5	1.0
- due in more than five years	63.9	41.8
	<hr/>	<hr/>
Total lease premium income (note i)	65.8	43.1
	<hr/>	<hr/>

Note:

- i) Premia of £43.4m relating to three operating leases were received between 2014/15 and 2016/17. Four further operating lease premia totalling £23.0m were received in 2017/18. These premia have been deferred in accordance with accounting policies note e) and are to be released over their lease terms.

15. Finance leases

City's Cash as Lessee

One investment property agreement has been classified as a finance lease. Payments will be made over the term of the lease to meet the costs of the long-term liability and the finance costs payable. The minimum lease payments in relation to the lease are:

	Net Present Value of Minimum Lease Payments	
	2018 £m	2017 £m
Not later than one year	-	-
Later than one year and not later than five years	0.1	-
Later than five years	2.3	-
	<hr/>	<hr/>
	2.4	0.0
	<hr/>	<hr/>

City's Cash as Lessor

City's Cash has a gross investment in one finance lease relating to the minimum lease payment expected to be received over the remaining term of the lease. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessees and finance income that will be earned by City's Cash in future years whilst the debt remains outstanding. The gross investment is made up of the following amounts:

	2018 £m	2017 £m
Finance lease debtor (net present value of minimum lease payments)		
- current	-	-
- non-current	1.5	-
Unearned finance income	2.2	-
Unguaranteed residual value of property	-	-
Gross investment in the lease	3.7	0.0

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

	Gross Investment in Lease		Net Present Value of Minimum Lease Payments	
	2018 £m	2017 £m	2018 £m	2017 £m
Not later than one year	-	-	-	-
Later than one year and not later than five years	0.1	-	-	-
Later than five years	3.6	-	1.5	-
	3.7	0.0	1.5	0.0

The minimum lease payments receivable are calculated at the inception of the lease and do not take account of future events taking place after the lease was entered into, such as adjustments following rent reviews.

16. Provisions

City Re Limited has set aside £2.1m (2016/17: £1.9m) for the settlement of known insurance claims at the balance sheet date. The estimate is based on a case by case assessment of each claim and takes into account previous claims experience.

17. Pensions

City of London Corporation defined benefit pension scheme

The City of London Corporation operates a funded defined benefit pension scheme, The City of London Pension Fund, for its staff employed on activities relating to its three funds (i.e. City Fund, City's Cash and Bridge House Estates).

The assets of the scheme are held in a specific trust separately from those of the Corporation and contributions are paid to the scheme as agreed with the scheme's Trustees. As the proportion of the Pension Fund that relates to City's Cash is not separately identifiable, the share of pension contributions paid to the scheme by the Trust is calculated pro-rata to employer's contributions paid by each of the City of London Corporation contributors to the scheme.

Teachers' Pension Scheme

In addition to City of London Corporation employees being able to participate in the City of London Pension Fund, teachers at the City of London Corporation's four private schools are eligible to participate in the TPS.

The table below shows how the total pension deficit recorded on the Consolidated Statement of Financial Position of £291.0m (2017: £294.2m) is split between The City of London Pension Fund and the Teachers' Pension Scheme.

Pension scheme liabilities	2018	2017
	£m	£m
The City of London Pension Fund	278.5	281.0
The Teachers' Pension Scheme	12.5	13.2
Total pension scheme liabilities	291.0	294.2

Accounting for The City of London Pension Fund under IAS19

The actuarial valuation of the defined benefit scheme was updated at 31 March 2017, by Barnett Waddingham, an independent qualified actuary in accordance with IAS19. As required by IAS 19, the defined benefit liabilities have been measured using the projected unit method. The valuation has been completed under IFRS, in line with the City Fund requirements, rather than FRS102, with the differences considered not to be materially incorrect. The next actuarial valuation of the Scheme will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023.

The expected rate of return on the scheme's assets for the financial year ending 31 March 2018 was 2.0% p.a. (2017: 7.0% p.a.). This rate is based on the long-term future expected investment

return for each asset class at the beginning of the period (i.e. as at 1 April 2018) for the year to 31 March 2019. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities is then assumed to be a margin above gilt yields.

At 31 March 2018, the actuarial deficit on City's Cash's share of the Scheme was £278.5m (2017: £281.0m). City's Cash's share of the market value of the Schemes' assets was £423.3m (2017: £413.1m).

The estimated amount of total employer contributions expected to be paid to the scheme by City's Cash during the year to 31 March 2019 is £12.6m (actual for year to 31 March 2018: £12.9m). This figure is calculated pro-rata to total contributions that will be payable by the City of London Corporation in accordance with the Schedule of Contributions towards the scheme's deficit.

(a) Major assumptions by the actuary

Financial

The financial assumptions used for the purposes of the IAS19 calculations are as follows:

Assumptions as at 31 March	2018 % per annum	2017 % per annum	2016 % per annum
RPI increases	3.3	3.6	3.2
CPI increases	2.3	2.6	2.3
Salary increases	3.8	4.1	3.8
Pension increases	2.3	2.6	2.3
Discount rate	2.55	2.7	3.6

Life expectancy

Assumed life expectancy from age 65 years	Sex	2018	2017
Age 65 retiring today	Male	23.9	23.8
Age 65 retiring today	Female	25.2	25.2
Retiring in 20 years	Male	25.3	25.2
Retiring in 20 years	Female	26.7	26.7

The table reflects the change in the mortality tables used for the 31 March 2016 valuation and allowance is made for future improvements in life expectancy.

(b) Amounts included in the Consolidated Statement of Financial Position

The amounts included in the City's Cash Consolidated Statement of Financial Position (CSoFP) arising from the City of London Corporation Pension Fund's liabilities in respect of the defined benefit scheme for the current and previous two periods are as follows:

	2018		2017		2016	
Net Pension Asset as at	City's Cash Consolidated	City of London Corporation	City's Cash Consolidated	City of London Corporation	City's Cash Consolidated	City of London Corporation
	£m	£m	£m	£m	£m	£m
Fair value of fund assets (bid)	423.3	900.7	413.1	878.9	349.7	728.6
Funded liability present value	(699.2)	(1,487.6)	(691.2)	(1,470.7)	(578.5)	(1,205.2)
Net liability	(275.9)	(586.9)	(278.1)	(591.8)	(228.8)	(476.6)
Unfunded liability present value	(2.6)	(5.7)	(2.9)	(6.1)	(2.9)	(6.1)
Net liability on CSoFP *	(278.5)	(592.6)	(281.0)	(597.9)	(231.7)	(482.7)

* the total net pension fund liability shown on the Consolidated Statement of Financial Position is £291.0m (2016/17: £294.2m), which comprises the liability relating to the City of London Pension Fund of £278.5m as shown in the table above (2016/17: £281.0m) and a liability of £12.5m (2016/17: £13.2m) relating to the Teachers' Pension Scheme.

The net pension fund liability of £278.5m in the Consolidated Statement of Financial Position (2017: £281.0m) represents 47% of the total net balance sheet liability in the City of London Corporation Pension Fund Financial Statements.

(c) Amounts recognised in the Consolidated Statement of Comprehensive Income

	2018	2017
	£m	£m
Current service cost	(20.6)	(13.3)
Administration cost	(0.3)	(0.2)
Gains / (losses) on settlements and curtailments	(0.2)	(0.4)
Employer contributions	12.7	10.0
Unfunded pension payments	0.2	0.3
Net pension scheme costs	(8.3)	(3.6)
Return on pension scheme assets	11.2	12.3
Interest on pension scheme liabilities	(18.6)	(20.3)
Net finance income / (expenses) *	(7.4)	(8.0)
Net charge to the Consolidated Statement of Comprehensive Income	(15.7)	(11.6)

* the total value shown in the Consolidated Statement of Comprehensive Income for net financing expenses attributable to pension schemes amounts is £7.6m (2016/17: net

expenses of £8.3m), which comprises expenses relating to the City of London Pension Fund of £7.4m (as shown in the table above) and expenses of £0.2m relating to the TPS.

(d) Amounts included in the Consolidated Statement of Changes in Equity

	2018 £m	2017 £m
Actual return less expected return on pension scheme assets	(2.0)	57.5
Experience gains and (losses)	-	11.4
Changes in assumptions underlying the present value of liabilities	20.0	(106.6)
Actuarial gains/(losses) in pension scheme	18.0	(37.7)
Increase/(decrease) in irrecoverable surplus	-	-
Actuarial gains/(losses) recognised in the Consolidated Statement of Changes in Equity *	18.0	(37.7)

* the total value shown in the Consolidated Statement of Changes in Equity for actuarial gains is £18.9m (2015/16: losses of £38.1m), which comprises the actuarial gain relating to the City of London Pension Fund of £18.0m (as shown in the table above) and an actuarial gain of £0.9m relating to the Teachers' Pension Scheme.

(e) Asset allocation

The allocation of the scheme's assets at 31 March is as follows:

Employer asset share - bid value	2018		2017	
	£m	% per annum	£m	% per annum
Equities	277.2	65	269.5	65
Cash	2.5	1	(0.1)	-
Infrastructure	24.8	6	18.6	5
Absolute Return Portfolio	118.8	28	125.1	30
Total assets	423.3	100	413.1	100

(f) Movement in the present value of scheme liabilities

Changes in the present value of the scheme liabilities over the year are as follows:

Reconciliation of opening and closing balances of the present value of the defined benefit liability	2018 £m	2017 £m
Opening defined benefit liability	(694.1)	(581.4)
Current service cost	(20.6)	(13.3)
Interest cost	(18.6)	(20.3)
Actuarial gain / (losses)	20.0	(90.3)
Gains / (losses) on curtailments	(0.2)	(0.4)
Liabilities (assumed)/extinguished on settlements	0.4	-
Estimated benefits paid net of transfers in	15.6	15.5
Contributions by scheme participants	(4.5)	(4.2)
Unfunded pension payments	0.2	0.3
Closing defined benefit liability	<u>(701.9)</u>	<u>(694.1)</u>

(g) Movement in the scheme net liability

The net movement in the scheme liabilities over the year are as follows:

	2018 £m	2017 £m
Surplus (deficit) at the beginning of the year	(281.0)	(231.7)
Current service cost	(20.6)	(13.3)
Net interest	(7.4)	(8.0)
Settlements and curtailments	(0.1)	(0.4)
Other finance income (expense)	(0.3)	(0.2)
Employers contributions	12.7	10.0
Unfunded pension payments	0.2	0.3
Actuarial gains / (losses)	18.0	(37.7)
Surplus (deficit) at the end of the year	<u>(278.5)</u>	<u>(281.0)</u>

(h) **Movement in the present value of scheme assets**

Changes in the fair value of the scheme assets over the year are as follows:

Reconciliation of opening and closing balances of the fair value of scheme assets	2018 £m	2017 £m
Opening fair value of scheme assets	413.1	349.7
Interest on assets	11.2	12.3
Return on assets less interest	(2.0)	57.5
Actuarial gains / (losses)	-	(4.9)
Administration expenses	(0.3)	(0.2)
Contributions by employer including unfunded	12.9	10.3
Contributions by scheme participants	4.5	4.2
Estimated benefits paid net of transfers in and including unfunded	(15.8)	(15.8)
Settlement prices received / (paid)	(0.2)	-
Closing value of scheme assets at end of period	423.3	413.1

(i) **Historical information – Amounts for the current and previous periods**

The following amounts for 2014-2018 have been recognised under the “Actuarial gains and losses on defined benefit pension scheme” heading within the Consolidated Statement of Changes in Equity:

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Present value of defined benefit liability	(701.9)	(694.1)	(581.4)	(603.1)	(521.9)
Fair value of scheme assets	423.3	413.1	349.7	362.8	325.2
Deficit in the scheme	(278.5)	(281.0)	(231.7)	(240.3)	(196.7)
Experience adjustments on scheme liabilities	-	11.4	0.2	(0.1)	5.2
Percentage of scheme liabilities	0.0%	1.6%	0.0%	0.0%	1.0%
Experience adjustments on scheme assets	(2.0)	57.5	(21.6)	19.9	(5.8)
Percentage of scheme assets	(0.5%)	13.9%	(5.7%)	4.6%	(1.8%)
Cumulative actuarial gains and losses	(80.0)	(91.1)	(53.4)	(77.1)	(36.0)

The cumulative gains and losses in the table above start from 1 April 2005.

j) **Sensitivity analysis**

Below is listed the impact on the Scheme liabilities of changing key assumptions whilst holding other assumptions constant.

	£m	£m	£m
Adjustment to discount rate	0.1%	0.0%	(0.1%)
Present value of total liability	689.2	701.9	714.7
Projected service cost	19.3	19.7	20.2
Adjustment to long-term salary increase	0.1%	0.0%	(0.1%)
Present value of total liability	703.2	701.9	700.5
Projected service cost	19.7	19.7	19.7
Adjustment to pension increases and deferred revaluation	0.1%	0.0%	(0.1%)
Present value of total liability	713.4	701.9	690.5
Projected service cost	20.2	19.7	19.3
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total liability	728.3	701.9	676.4
Projected service cost	20.4	19.7	19.1

(k) **Projected pension expense for the year to 31 March 2018**

No allowance has been made for the costs of any early retirements or augmentations which may occur over the year and whose additional capitalised costs would be included in the liabilities. As it is only an estimate, actual experience over the year may differ. No balance sheet projections have been provided on the basis that they will depend upon market conditions and the asset value of the scheme at the end of the following year.

	Projected Year to 31 March 2019 £m	Actual Year to 31 March 2018 £m
Service cost	19.7	20.7
Net interest on the defined liability/(asset)	6.9	7.4
Administration expenses	0.4	0.3
Total expense	27.0	28.4
 Employer contributions	 12.6	 12.9

18. Capital and Reserves

Consolidated	Balance at 1 April 2017 £m	Additions £m	Disposals £m	Depreciation £m	Unrealised Gains /(Losses) £m	Transfers £m	Balance at 31 March 2018 £m
Operational Capital	222.4	11.1	-	(8.2)	-	(0.1)	225.2
Heritage Assets Reserve	182.1	0.4	(1.2)	-	-	0.1	181.4
Income Generating Fund							
- Investment Properties	139.4	47.9	(35.7)	-	-	-	151.6
- Non-Property Investments	699.0	39.7	(56.6)	-	18.0	-	700.1
- Revaluation Reserve - Investment Properties	1,585.0	-	-	-	81.0	-	1,666.0
Income Generating Fund	2,423.4	87.6	(93.5)	-	99.0	0.0	2,517.7
Pension Reserve	(294.2)	-	(15.7)	-	18.9	-	(291.0)
Working Capital Fund	(13.7)	-	(8.1)	-	-	-	(21.8)
Total Capital and Reserves	2,520.0	98.7	(117.3)	(8.2)	117.9	-	2,611.5

Notes to capital and reserves:

- a) Operational Capital – reflects the Statement of Financial Position for operational assets.
- b) Heritage Asset Reserve – reflects the Statement of Financial Position for heritage assets.
- c) Income Generating Fund – comprises the asset values of investment properties and non-property investment assets, which generate the income to fund City's Cash activities and services.
- d) Working capital Fund – reflects the SOFP for net current assets and provisions for liabilities.
- e) The City of London Corporation manages and funds ten registered charities (listed on page 9) which are consolidated within City's Cash accounts. The total funds of these charities amounts to £61.823m (2016/17: £61.829m), comprising unrestricted funds of £29.004m (2016/17: £29.343m), restricted funds of £0.110m (2016/17: £0.107m) and endowment funds of £32.709m (2016/17: £32.379m). Restricted and endowed funds include income that is subject to specific restrictions imposed by the donor. Further details can be found in the separately published accounts of each charity, which are filed with the Charity Commission and can be viewed at: <https://www.gov.uk/government/organisations/charity-commission>.

19. Reconciliation of operating surplus / (deficit) to net cash flow provided by / (used in) operating activities

	2017/18	2016/17
	£m	£m
Operating surplus for the reporting period	73.6	229.2
Adjustments for:		
Depreciation charges	8.2	7.3
Net pension scheme costs	8.1	3.6
(Gains)/losses on non-property investments	(17.7)	(121.8)
(Gains)/losses on property investments	(81.0)	(122.2)
Dividends, interest and rents from investments	(1.1)	(1.4)
(Increase)/decrease in stock	-	(0.1)
(Increase)/decrease in debtors	(2.7)	(0.6)
Increase/(decrease) in creditors falling due within one year	(0.8)	3.1
Release of deferred income	0.4	(0.3)
Increase/(decrease) in provision	0.2	0.1
Net cash provided by / (used in) operating activities	(12.8)	(3.1)

20. Financial commitments

Material (in excess of £3m) contractual capital commitments are as follows:

	Consolidated	
	2018	2017
	£m	£m
Contracted for but not provided for contract commitments (a)	18.9	5.1
	18.9	5.1

Notes:

- a) The contract commitment of £18.9m relates to the purchase of the freehold of an operational property (2016/17: the £5.1m related to a replacement swimming pool at the City of London Freemen's School).
- b) City's Cash has no material commitments under operating leases.
- c) The City of London Corporation has agreed a £50m contribution to Crossrail from City's Cash subject to completion of the works. It is anticipated that the contribution will be made in equal instalments during 2018/19 and 2019/20. The agreement with Crossrail is considered to be an executory contract and therefore outside the scope of FRS102.

21. Related party transactions

All Members of the Committees governing City's Cash are appointed by the City of London Corporation to act on its behalf. The City of London Corporation also employs all staff. The costs of those staff employed directly on City's Cash activities are allocated to those activities accordingly.

The City of London Corporation provides support services for the activities undertaken by each of its funds. These support services include management, surveying, financial, banking, legal and administrative services. Where possible support service costs are allocated directly to the funds concerned. For those costs that cannot be directly allocated, apportionments are made between the City Corporation's funds on the basis of time spent. Premises costs are apportioned on the basis of areas occupied by services.

With regard to banking services, the City of London Corporation allocates all transactions to City's Cash at cost and credits or charges interest at a commercial rate.

The City of London Corporation also provides the above services to a number of charities. The cost of these services is borne by City's Cash in relation to most of these charities. A list of charities managed by the City of London Corporation is available on request from the Chamberlain.

City's Cash initially bears the full costs of corporate capital projects with the City's other funds, City Fund and Bridge House Estates, reimbursing their shares of expenditure in the years in which costs are accrued.

Transactions are undertaken by City's Cash on a normal commercial basis in compliance with the City's procedures irrespective of any possible interests.

As a matter of policy and procedure, the City of London Corporation ensures that Members and officers do not exercise control over decisions in which they have an interest.

Standing Orders

The City of London has adopted the following Standing Order in relation to declarations of personal and beneficial interests:

"If a matter for decision is under consideration by the Court, or any Committee thereof, in which a Member has a personal interest, he must declare the existence and nature of his interest in accordance with the Code of Conduct."

Disclosure

Members are required to disclose their interests and these can be viewed online at: <http://democracy.cityoflondon.gov.uk/mgMemberIndex.aspx?bcr=1>.

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

During 2017/18 the following transactions (rounded to the nearest thousand) were disclosed:

- a Member was employed by Aberdeen Standard Investment who manage various long term investment mandates on behalf of the City Corporation. Management fees paid by City's Cash totalled £265,000.
- a Member declared that a member of their family worked for Bishop & Sewell which was paid £29,000 by City's Cash for auditing and transparency advice.
- a Member is a commissioner on the Institute for Public Policy Research commission on economic justice which received a grant from City's Cash of £75,000.
- A Member is a Director of the Museum of London Archaeology Service who received £19,000 for services.
- a Member was a Director of Centre for London Ltd which received £25,000 (2016/17: £22,000) sponsorship from City's Cash;
- the City Corporation nominated six Members to the various committees of London Councils and another Member declared that he had an independent place on a number of Committees. £1,265,000 (2016/17: £1,265,000) was received by City's Cash for the provision of premises and services;

- the City Corporation nominated five Members to the Board of Governors of the City of London Academies Trust. Grants totalling £928,186 (2016/17: grants of £384,000 and services purchased from City's Cash £14,000) were made to the multi academy Trust;
- the City Corporation nominated four Members to the Board of Governors of the City of London Academy Hackney. Grants totalling £150,000 (2016/17: £191,000) was paid to the Academy;
- the City Corporation nominated three Members to the Board of Governors of the City of London Academy Islington. Grants totalling £150,000 (2016/17: £173,000) was paid to the Academy;
- the City Corporation nominated three Members to the Guild Church Council of St. Lawrence Jewry and three other Members declared places on the Council. The church received a grant of £85,000 from the City Corporation;
- a Member was a shareholder and managing director of a company leasing market premises for which £69,000 (2016/17: £84,000) was received in rent and service charges;
- another Member was also a director of a company leasing market premises for which £248,000 (2015/16: £298,000) was received in rent and service charges;
- one Member declared an interest in PWC LLP which was paid £19,000 (2016/17: two Members, £105,000) for consultancy services;
- The City Corporation nominated six Members to the Gresham College Council which received grants of £399,000 (2016/17: £388,000) from City's Cash and paid £16,000 (2016/17: £13,000) to City's Cash for hire of facilities;
- five Members and two Chief Officer were directors of the 'Lord Mayor's Show Ltd'. The company paid City's Cash £48,000 for services and City's Cash paid the company £96,000 for participation fees and hostile vehicle mitigation costs (2016/17: £11,000);
- five Members were Governors or Almoners of Christ's Hospital which is paid £48,000 (2016/17: £48,000) annually for a 'presentation' place to secure the right to present one child per year to enter the school;
- two Members were on the Board of the Housing and Finance Institute for which City's Cash provided £40,000 (2016/17: £40,000) as a founding member;
- four Members were Trustees of Crossrail Art Foundation which received £849,000 (2016/17: £1,300,000) from City's Cash as match funding of the Crossrail Arts Strategy;
- fifteen Members were part of the governance structure for The Honourable The Irish Society which received £25,000 (2016/17: £25,000) in grant funding;
- a Member declared that the City's Cash auditors, Moore Stephens, also audit the livery company of which he is a Court member. Moore Stephens received £91,000 (2016/17: £105,000) for the audit of City's Cash;

- five Members and one Chief Officer were Trustees of City Arts Trust Ltd which paid £59,000 (2016/17: £110,000) to City's Cash for premises costs and event fees;
- a Member was Director of TheCityUK which received grants totalling £500,000 from City's Cash (2016/17: £520,000);
- six Members were appointed as Governors of the Museum of London. City's Cash paid £93,000 to the Museum for the funding of a number of initiatives and received £39,000 from the Museum for the provision of services;
- Mr. S. LePrevost served as a director of City Re Limited and of the insurance manager, JLT Insurance Management (Guernsey) Limited during the period. Management fees paid in respect of the financial year totalled £51,975 (2016/17: £51,912); and
- profit commission calculated at 1.5% of City Re Limited's profit before tax in the financial period is payable to the company manager JLT Insurance Management (Guernsey) Limited. An amount of £3,779 (2016/17: £2,457) is payable as at 31 March 2018.

During 2016/17 the following transactions (rounded to the nearest thousand) were also disclosed:

- a Member sat on the Innovate Finance Advisory Council which received £350,000 from City's Cash, being the third-year payment towards the establishment of the organisation;
- a Member declared that his accountants were RSM UK Group LLP who were paid £29,000 (2015/16: £183,000) from City's Cash for auditing and consultancy services;
- a Member declared that a member of their family worked for Knight Frank which was paid £17,000 for services from City's Cash;
- a Member sat on the New Entrepreneurs Foundation Council which received £20,000 (2015/16: £20,000) sponsorship from City's Cash;
- a Member declared that he had an investment portfolio managed by Ruffer LLP which also managed an investment portfolio for City's Cash. Management fees paid to Ruffer were £389,000 (2015/16: £385,000);
- a Member declared that a member of their family worked for Simmons & Simmons LLP which paid £15,281,000 to City's Cash for the purchase of Creechurch House;
- a Member was a director of Coexist House which received a grant of £20,000 from City's Cash to promote the understanding of religion and to encourage respect and tolerance;

22. Subsequent events

- There are risks to City's Cash from the vote to leave the EU. In particular, the future levels of demand for office accommodation in the City and surrounding areas and the consequential impacts on rent incomes. A close watching brief will be kept on this and other implications as events unfold with financial forecasts being refreshed if and when the picture becomes clearer.

- The purchase of the freehold of an operational property was completed in October 2018 with a final payment of £18.9m. At the balance sheet date this was recognised as a contractual capital commitment but not provided for and was disclosed in note 20 on page 57.

23. Approval of the financial statements

The City's Cash Accounts were approved for issue by the Chamberlain on 13 November 2018. Events after the balance sheet date and up to 13 November 2018 have been considered in respect of a material effect on the financial statements. Events taking place after this date are not reflected in the financial statements or notes.

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Committees:	Dates:	Item no.
Audit and Risk Management Committee	6 November 2018	
Finance Committee	13 November 2018	
Subject: City’s Cash Trust Funds and Sundry Trust Funds Annual Reports and Financial Statements 2017/18		Public
Report of: The Chamberlain		For Decision
Report Author: Philip Gregory, Deputy Financial Services Director		

Summary

This report seeks approval for:

- the Annual Reports and Financial Statements for the City's Cash Trust Funds (not City's Cash itself which will be covered under a separate report) for the year ended 31 March 2018, these are listed at Annex 1 and have been placed in the Members' Reading Room; and
- the Annual Reports and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2018, these are listed at Annex 2 and have also been placed in the Members' Reading Room.

Moore Stephens LLP is intending to issue an unqualified audit opinion and their report, including recommendations, is attached at Annex 3. No accounting changes have been identified from the audit.

The financial statements of City's Cash Trust Funds and the Sundry Trusts for the year ended 31 March 2018 have been prepared in accordance with the Charities Statement of Recommended Practice (SORP) in accordance with the Financial Reporting Standard 102 (FRS 102).

The City's Cash Trust Funds held total funds of £61.6m as at 31 March 2018, which is the same amount as a year earlier (*paragraphs 5 to 8*).

The Sundry Trust Funds held total funds of £57.7m as at 31 March 2018, an increase of £1.1m (1.9%) from a year earlier (*paragraph 9*).

In 2017/18 an adjustment was made to the accounting treatment of a social housing grant for £1.3m received by the City of London Almshouses Trust. In prior years this was treated as a liability on the basis that social housing grants are repayable under certain circumstances, primarily following the sale of a property. However, under the Charities SORP this income has now been recognised (*paragraph 11*).

Recommendations

The Audit and Risk Management Committee is requested to:

- consider the contents of Moore Stephens LLP Management Letter; and
- recommend approval of the Annual Reports and Financial Statements for City's Cash Trust Funds and the Sundry Trust Funds for the year ended 31 March 2018 to the Finance Committee.

The Finance Committee is requested to:

- consider the contents of Moore Stephens LLP Management Letter;
- approve the Annual Reports and Financial Statements for City's Cash Trust Funds and the Sundry Trust Funds taking account of any observations from the Audit and Risk Management Committee; and
- agree that the Annual Reports and Financial Statements are signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council.

Main Report

Introduction

1. The 2017/18 Annual Report and Financial Statements for City's Cash Trust Funds (not City's Cash itself which will be covered under a separate report) and the Sundry Trust Funds have been placed in the Members' Reading Room and are listed at Annexes 1 and 2 respectively.
2. The draft 2017/18 Annual Reports and Financial Statements for the Sundry Trust Funds and the City's Cash Trusts Funds were presented to the external auditor, Moore Stephens LLP, in accordance with the agreed timetable on the 2nd of July and 9th of July respectively. The audits commenced on 16 July and 10 July respectively and no accounting changes have been identified.
3. The external auditor intends to give an unqualified opinion on the Annual Reports and Financial Statements of City's Cash Trust Funds and the Sundry Trust Funds and has issued the Audit Management Report set out in Annex 3. The Audit Management Report will be distributed to all Members of the Court of Common Council for information. Representatives from Moore Stephens LLP will be in attendance at the Audit and Risk Management Committee to present their report and to clarify any points or issues.
4. The report from Moore Stephens LLP notes in section 6 that no accounting system or internal control weaknesses were identified in 2017/18. However, section 7 shows six recommendations were made in the prior year 2016/17, of which with 3 have been fully implemented in 2017/18 and 3 where implementation will be completed in 2018/19.

5. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts met on 26 September 2018 to review the processes adopted by Moore Stephens LLP and the Panel intends to certify that those processes were in accordance with the prescribed auditing standards.

City's Cash Trust Funds

6. The City's Cash Trust Funds comprise seven open space charitable funds and the Sir Thomas Gresham Trust Fund as listed in Annex 1.
7. These Trusts ended the year with net outgoing resources of £0.4m (2016/17: net incoming resources of £6.6m) which comprised the following:
 - Incoming resources of £21.6m:
 - funding from the City of London totalling £16.0m (2016/17: £21.2m) and;
 - income of £5.6m (2016/17: £5.6m) from investments and charitable and voluntary sources;
 - Resources expended of £22.0m:
 - charitable expenditure of £21.8m (2016/17: £20.0m) on the running of the open spaces and Gresham Almshouses; and
 - support services costs of £0.2m (2016/17: £0.2m).
8. Managed investments, held mainly by Hampstead Heath, benefitted from an unrealised net gain in market value of £0.4m (2016/17: net gain of £3.5m).
9. At 31 March 2018, City's Cash Trust Funds held total reserves of £61.6m (2016/17: £61.6m) which represents no change compared to a year earlier.

Sundry Trust Funds

10. The Sundry Trust Funds comprise the separate charitable funds listed at Annex 2. Excluding the Charities Pool (which is an investment vehicle for the other charities), the remaining 19 Trusts:
 - received income of £3.4m (2016/17: £3.9m) of which £2.1m was from investments (2016/17: £2.2m);
 - had unrealised gains of £0.6m from managed investments (2016/17: £5.7m gains);
 - incurred charitable expenditure of £2.7m (2016/17: £3.3m) including:
 - £1.1m towards the running costs of Hampstead Heath (2016/17: £1.2m);
 - £0.8m (2016/17: £1.4m) comprising 275 grants and 47 bursaries paid to individuals or organisations (2016/17: 526 grants and 44 bursaries);

- £0.5m towards the running costs of Keats House (2016/17: £0.4m); and
 - £0.3m towards the running costs of the City of London Almshouses (2016/17: £0.3m);
 - incurred governance and administration costs of £0.2m mainly due to fund manager costs (2016/17: £0.2m); and
 - held total funds of £57.7m as at 31 March 2018 (2016/17: £56.6m), an increase of £1.1m (1.9%) from a year earlier.
11. In 2017/18 an adjustment was made to the accounting treatment of a social housing grant for £1.3m paid to the City of London Almshouses Trust, which was received from the Housing Corporation in the 1980s for the development of the City of London Almshouses. In prior years this sum had been treated as a liability on the basis that social housing grants are repayable under certain circumstances, primarily following the sale of a property. However, under the charities SORP (FRS 102) and based on the terms of the grant, the income has now been recognised and an adjustment has been made resulting in the removal of the liability and a credit to restricted endowment funds.

Approval of the Financial Statements

12. The Chairman and Deputy Chairman of the Finance Committee will be requested to approve and sign the financial statements on behalf of the Court of Common Council.

Annexes

Annex 1 – List of City's Cash Trust Funds

Annex 2 – List of Sundry Trusts

Annex 3 – Moore Stephens Audit Management Report

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CITY'S CASH TRUST FUNDS

Open Spaces

Ashted Common

Burnham Beeches

Epping Forest

Hampstead Heath

Highgate wood and Queen's Park Kilburn

West Ham Park

West Wickham Common and Spring Park Wood, Coulsdon and Other Commons

Sir Thomas Gresham Charity

Keats House

SUNDRY TRUSTS AND OTHER ACCOUNTS

Banking and Investments

Corporation of London Charities Pool

Open Spaces

Hampstead Heath Trust

King George's Field

Books and Libraries

Guildhall Library Centenary Fund

Education

City Educational Trust Fund

The City of London Corporation Combined Relief of Poverty Charity

City of London School Education Trust

Charities Administered ICW The City of London Freeman's School

City of London School Bursary Fund

City of London School for Girls Bursary Fund

City of London Freeman's School Bursary Fund

The City of London Corporation Combined Education Charity

Other Trusts and Funds

Emanuel Hospital*

Sir William Coxen Trust Fund*

Signore Pasquale Favale Bequest

Wilson's Loan Trust*

Vickers Dunfee Memorial Benevolent Fund *

City of London Almshouses

The Ada Lewis Winter Distress Fund



City's Cash, City's Cash Trusts, and the Corporation's Sundry Trusts & Other Accounts

Draft Audit Management Report on the 2017-18 Financial Statements Audit

**REPORT TO THOSE CHARGED WITH GOVERNANCE
NOVEMBER 2018**

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Audit Management Report for the year ended 31 March 2018

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1 Purpose of the report

International Standard on Auditing (UK & Ireland) 260, “Communication with those charged with governance” requires Moore Stephens to report to those charged with governance on the significant findings from our audit.

This report aims to provide management and trustees with constructive observations arising from the audit process. We set out in this report details of:

- any expected modifications to our audit reports;
- any unadjusted items in the financial statements (except any unadjusted items which are clearly trivial) including the effect of unadjusted items related to prior periods on the current period;
- any material weaknesses in systems we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures; and
- any other relevant matters.

Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Our audit does not necessarily disclose every weakness and for this reason the matters referred to may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of the City of London Corporation;
- It must not be disclosed to any third party without our written consent; and
- No responsibility is assumed by us to any other person who may choose to rely on it for their own purposes.

The report has been discussed and agreed with the Chamberlain.

We would like to thank the Chamberlain, Dr Peter Kane, Caroline Al-Beyerty and the Finance Team for their co-operation and assistance during our audit.

2 Audit conclusion

In our opinion the financial statements of the following bodies give a true and fair view and comply with FRS 102.

City's Cash	
City's Cash Trusts	Ashtead Common
	Burnham Beeches & Stoke Common
	Epping Forest
	Hampstead Heath
	Highgate Wood & Queens Park Kilburn
	West Ham Park
	West Wickham Common and Spring Park Coulsdon & Other Commons
Sundry and Other Trusts	Ada Lewis Winter Distress Fund
	Charities Administered in Connection with (ICW) The City of London Freeman's School
	City Educational Trust Fund
	City of London Almshouses
	City of London Corporation Combined Education Charity
	City of London Corporation Relief of Poverty Charity
	City of London Freeman's School Bursary Fund
	City of London School Bursary Fund
	City of London School Education Trust
	City of London School Girls Bursary Fund
	Corporation of London Charities Pool
	Emmanuel Hospital
	Guildhall Library Centenary Fund
	Hampstead Heath Trust
	Keats' House
	King George's Field
	Samuel Wilson's Loan Trust
	Signore Pasquale Favale Bequest
	Sir Thomas Gresham Charity
	Sir William Coxen Trust Fund
	Vickers Dunfee Memorial Benevolent Fund

We are pleased to report that our audit reports, which are included in each of the above financial statements, are unqualified. In our opinion, from information provided to us during the audit, no events or conditions appear to exist which cast doubt on the ability of the bodies listed above to continue as a going concern. We are therefore satisfied with the disclosures in the financial statements.

Our audit opinions are based on your approval of the financial statements and signing of the Letters of Representation, a draft of which has been included as an appendix to this report. Within the letters, you have confirmed that there are no subsequent events, other than those noted, that require amendment to the financial statements.

3 Respective responsibilities

Responsibilities of Management

The City of London Corporation is responsible for preparing the City's Cash financial statements in accordance with United Kingdom Accounting Standards - FRS 102. It is also responsible for keeping proper accounting records and safeguarding assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibilities of the Trustees

The Trustees are responsible for preparing the Trustees' Report and the financial statements of City's Cash Trusts and the Sundry and Other Trusts in accordance with applicable law and regulations. The Charities Act 2011 requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards – FRS 102. The Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charities and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charities will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charities transactions and disclose with reasonable accuracy at any time the financial position of the charities and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the charities and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibilities of the Auditor

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

The audit includes the consideration of internal controls relevant to the preparation of the financial statements but we do not express an opinion on the effectiveness of internal control. We are also required to communicate any significant matters arising from the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process. The matters being reported are limited to those deficiencies in control that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to those charged with governance.

International Standards on Auditing (UK and Ireland) do not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Fee

The fee for the 2017-18 audit of City's Cash, City's Cash Trusts and Sundry and Other Trusts amounts to £82,700. A further £10,000 is payable by City's Cash for the 2017-18 audit year for associated audit services at the Guildhall School of Music and Drama.

In our Audit Planning Report we set out that the fee was dependent upon:

- City of London Corporation delivering a complete Annual Report and Accounts of sufficient quality that have been subject to appropriate internal review on the date agreed;
- City of London Corporation delivering good quality supporting evidence and explanations within the agreed timetable; and

- Appropriate City of London Corporation staff being available during the audit.

We have not encountered any significant delays or difficulties during the 2017-18 audit. We have provided no non-audit services during 2017-18.

Materiality

The concept of materiality recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. A matter is material if its omission or misstatement would reasonably influence the decisions of users of the financial statements. The assessment of what is material is a matter of the auditor's professional judgement and includes consideration of both the amount and the nature of the misstatement. In determining materiality, we consider a range of measures relevant to the account.

Materiality levels are generally set as percentages of income or assets. This methodology has been followed for our assessment of materiality for all entities bar City's Cash.

For City's Cash, there is a significant difference in value between income at £260.6m and net assets at £2,611.5m. We therefore assessed materiality based on net assets, which was set at £25m. Recognising that this was a high level of materiality in the context of the income and expenditure account, we treated the income and expenditure account as a sensitive area of testing, and assessed materiality as £4m for income and expenditure transactions.

Full details of all entities' key financials, including materiality are in Appendix 3 to this report.

Independence

International Standard on Auditing (UK & Ireland) 260, "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that we have complied with the Financial Reporting Council's Ethical Standard with regard to our integrity, objectivity and independence. In our professional judgement the audit process has been independent and our objectivity has not been compromised.

We also perform the audit of Bridge House Estates, information pertaining to which has been excluded from this report as a separate report will be produced and presented at a later date.

4 Significant audit risks and risk factors

Significant audit risks

As noted in our Audit Planning Report submitted to the Audit and Risk Management Committee in March 2018 the following audit risk areas were identified as significant matters and therefore considered in detail during our audit fieldwork.

Audit risk areas	Audit findings
<p>Revenue recognition (All funds and entities)</p> <p>Under International Standard on Auditing (UK and Ireland) 240, there is a presumed, albeit rebuttable, significant risk of fraud in revenue recognition. We consider this risk cannot be rebutted for income in all organisations.</p>	<p>We have documented, evaluated and reviewed the controls which ensure income is completely and accurately recorded across all entities and funds. No significant weaknesses in controls have been identified. We have substantively tested material income streams across all entities and funds and performed procedures to ensure the accuracy, occurrence, cut-off and completeness of income.</p> <p>Investment property income procedures on City's Cash included confirming the amounts received on a sample of properties to rent agreements as well as performing analytical procedures to gain assurance on the completeness of income.</p> <p>Non-property investment income procedures included agreeing dividend income obtained as well as confirming realised investments from pooled investment vehicles. We have also considered the movement in fair value on investments and the unrealised gain on investments by comparing yields obtained by the funds to fund manager reports, custodian reports and benchmarks.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the presumed risk of fraud in revenue recognition.</p>
<p>Management override (All funds and entities)</p> <p>Under International Standard on Auditing (UK and Ireland) 240, there is a presumed significant risk of material misstatement owing to fraud arising from the potential for management to override controls.</p>	<p>We have performed journals testing for all entities. We carried out focused testing on journals on City's Cash, reviewing journal entries which had a higher susceptibility to management override – for example, journals posted at weekends and by those who do not normally post journals. No significant issues were identified in our testing.</p> <p>For all entities, we considered the estimation techniques and any significant/unusual transactions. We reviewed significant estimates and judgements made in the financial statements for evidence of bias. No significant issues were noted in our testing.</p> <p>Investment property valuations for City's Cash comprise a significant judgement in the financial statements.</p> <p>Investment property valuations are now all conducted by an external firm of property valuers. We have met with representatives of the external firm of property valuers to discuss the methodology of the valuations overall and to review individual property valuations that were significantly above or below the average increase. We did not identify any indication of management bias in the valuations applied. No significant issues were noted in our testing.</p>

Audit risk areas	Audit findings
	<p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the presumed risk of management override.</p>
<p>Investment Property Transactions (City's Cash)</p> <p>The Corporation holds a significant portfolio of investment properties. These investments bring about associated risks including that of disclosure, accounting and revaluation. Given the high values associated with investment property transactions, they carry a higher risk of material misstatement.</p>	<p>The value of property held by City's Cash as at 31 March 2018 was £1,817.6m. This represents an increase in value of 5%.</p> <p>Investment property valuations are now all conducted by an external firm of property valuers. We have agreed property valuations to external valuations performed as at 31 March 2018. We have met with representatives of the external firm of property valuers to discuss the methodology of the valuations overall and to review individual property valuations that were significantly above or below the average and benchmark increase.</p> <p>We have discussed and agreed accounting treatments for property transactions during the year.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the risk identified with regard to investment property transactions.</p>
<p>Managed Investments (All funds and entities)</p> <p>The Corporation holds a significant portfolio of managed non-property investments. These investments bring about associated risks including that of disclosure, accounting and valuation.</p> <p>Given the high values associated with managed investment valuations and transactions, they carry a higher risk of material misstatement.</p>	<p>We have agreed the valuation of managed investments back to investment manager and custodian confirmations, confirming that valuation, rights and existence of investments is not materially misstated.</p> <p>We have performed procedures over the movements in the investments held year-on-year, ensuring movements were in line with the market, and have been accurately and completely recorded.</p> <p>We have discussed and agreed accounting treatments and disclosures made in the financial statements, in respect of managed investments.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the risk identified with regard to managed investments.</p>

Other risk factors

As noted in our Audit Planning Report submitted to the Audit and Risk Management Committee in February 2018 the following audit risk areas were identified as risk factors which could potentially result in a material misstatement. The table below sets out our approach and conclusions to these risk factors.

Audit risk areas	Audit findings
Crossrail contribution (City's Cash) The 2017-18 City's Cash accounts recognised a commitment in the financial statements, with expected payment in the 2018-19 and 2019-20 financial years.	<p>We have discussed with officers and reviewed supporting documentation to assess and agree the financial accounting treatment and disclosure made in the financial statements.</p> <p>We have also reviewed and considered the disclosures made in the financial statements to ensure that they are materially correct, remain appropriate and are in line with FRS 102.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the risk factor identified.</p>

Going concern and subsequent events

We are required under International Standard on Auditing (UK & Ireland) 570, "Going concern" to consider the appropriateness of the going concern assumption in the preparation of the financial statements, and to consider whether there are material uncertainties about the organisation's ability to continue as a going concern which need to be disclosed in the financial statements.

The term "subsequent events" is used to refer to events occurring between the period end date of the financial statements and the date of the auditor's report. International Standard on Auditing (UK & Ireland) 560, "Subsequent events" requires us to assess all such matters before signing our audit report.

In order to gain assurance on these matters our work has included:

- performing a review of budgets and cash flow projections covering a period of 12 months from the expected signing of the audit report, together with management accounts for 2018-19;
- reviewing minutes of relevant City of London Corporation sub-committees held since 31 March 2018;
- enquiring of senior management and the organisation's solicitors concerning litigation, claims and assessments; and
- performing sample testing of post reporting date transactions.

There are risks to City's Cash from the vote to leave the EU in June 2016. In particular, the future levels of demand for office accommodation in the City and surrounding areas and the consequential impacts on rent incomes. A close watching brief will be kept on this and other implications as events unfold with financial forecasts being refreshed if and when the picture becomes clearer.

Conclusion

Our work has not highlighted any concerns or issues affecting City's Cash, City's Cash Trusts and Sundry and Other Trusts ability to continue as a going concern.

5 Significant audit and accounting matters

Audit adjustments

To enable those charged with governance to assess the extent to which the draft financial statements presented for audit have been subject to change as a result of the audit process and ongoing management review, we present below the adjustments made to the accounts during the audit process.

As a result of our audit and management review, adjustments were made to the draft financial statements presented for audit. A summary of the effect of the audit adjustments is shown below. A schedule of the actual adjustments can be found in appendix 1. Where the entity or fund is not noted below or in appendix 1, no adjustments were made.

	Statement of Financial Activities		Balance Sheet	
	DR £	CR £	DR £	CR £
Sundry & Other Trusts				
City of London Girls School Bursary Fund	106	5,727	5,727	106
Sir William Coxen Trust Fund	-	25,000	25,000	-
City of London Almshouses	-	-	1,319,751	1,319,751
City's Cash Trusts				
Epping Forest	-	-	41,265	41,265
Highgate Wood and Queen's Park Kilburn	-	-	16,343	16,343

All audit adjustments have been discussed and agreed with the Group Accountant.

Unadjusted items

We are obliged to bring to your attention any errors found during the audit that have not been corrected as not material, unless they are 'clearly trivial', which we have identified as below 1% of assessed materiality, subject to a de-minimis reporting level of £1,000.

We have not identified any unadjusted items in respect of the financial statements for City's Cash, City's Cash Trusts and Sundry and Other Trusts.

Qualitative aspects of accounting practices and financial reporting

During the course of our audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. The following observations have been made:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate.
The timing of the transactions and the period in which they are recorded.	We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of accounting estimates and judgements used in the preparation of the financial statements. We met with representatives of the external firm of property valuers to assess the judgements applied in the valuation of investment properties. We consider the judgements used to be appropriate. We also reviewed the assumptions underpinning the valuation of pension liabilities, which we considered to be appropriate.
The potential effect on the financial statements of any uncertainties, including significant risks and disclosures such as pending litigation, that are required to be disclosed in the financial statements.	We did not identify any uncertainties including any significant risk or required disclosures that should be included in the financial statements.
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed in the financial statements.	From our testing performed, we identified no unusual transactions in the period.
Apparent misstatements in the annual reports and trustees' reports or material inconsistencies within the financial statements.	Our review of the annual reports and Trustees' reports identified no misstatement or material inconsistency with the financial statements.
Any significant financial statement disclosures to bring to your attention.	There are no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or financial statement disclosure.	There was no disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	We did not encounter any delays or difficulties during the audits.

Management representations

We have requested that a signed representation letter, covering a number of issues, be presented to us at the date of signing the financial statements. Copies of these letters for City's Cash, the City's Cash Trusts, and the Sundry and Other Trusts are included in Appendix 4 to this report.

Fraud and irregularity

Responsibility for preventing and detecting fraud and other irregularities lies with the trustees of the charities. We are not required to search specifically for such matters and our audit should not be relied upon to disclose them. However, we planned and conducted our audit so as to give a reasonable expectation of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations. We have held discussions with management, reviewed committee minutes and the central fraud/serious incidents register to ensure all identified issues had followed due process.

We are pleased to report that we did not identify any issues of concern in relation to fraud and irregularity.

Legality

We planned and performed our audit recognising that non-compliance with statute or regulations may materially affect the financial statements.

We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

City's Cash – Consolidation discussions

Parent entity financial statements

City's Cash produces consolidated financial statements according to FRS 102. The consolidated entities include all of the City's Cash Trusts (Open Spaces), City RE Ltd, Keat's House and Sir Thomas Gresham's Charity.

Section 9 of FRS 102 sets out guidance on preparation of consolidated financial statements and when a parent entity should consolidate and when there are exemptions. On the preparation of parent entity statements when consolidated statements are produced, section 9 simply states: *"The requirements for the preparation of individual financial statements are set out in the Act or other statutory framework."*

City's Cash as a fund of the City of London Corporation. The Act referenced in FRS 102 is to the Companies Act 2006. With no statute or other governing document proscribing otherwise, there is no requirement for City's Cash to also present parent entity only financial statements alongside the consolidated statements.

These matters were discussed with management and the Audit Review Panel.

Control of the independent schools

We discussed with the Corporation and the Audit Review Panel the de-facto, operational and legal aspects of City's Cash control over the three independent schools which are included as part of the accounts. It was established that City's Cash have complete control over the operations of the three independent schools. The independent schools have been established to be controlled by the City of London Corporation – The Board of Governors of each school is answerable to and controlled by the Court of Common Council which is the Corporation's primary decision-making assembly. They have the power to govern the financial and operating policies of the schools so as to obtain benefits from its activities.

As no parent accounts have been deemed required it is reasonable for the schools to be included within the consolidated accounts as a department of City's Cash.

6 Accounting systems and internal controls

During the course of our audit of the financial statements, we examined the principal internal controls which have been established to enable them to ensure, as far as possible, the accuracy and reliability of the organisation's accounting records and to safeguard the organisation's assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

Our work did not identify any system weaknesses.

Action plan – audit recommendations

We raised no priority 1 recommendations during our audit of City's Cash, City's Cash Trusts and the Sundry and Other Trusts.

Grade	Definition
1	major issues for the attention of senior management which may have the potential to result in a material weakness in internal control
2	important issues to be addressed by management in their areas of responsibility
3	problems of a more minor nature which provide scope for improvement.

7 Follow up of prior year recommendations

We raised no priority 1 recommendations during our audit of City's Cash, City's Cash Trusts and the Sundry and Other Trusts.

We did raise a number of lower priority recommendations directly with management, which we have reproduced below with an update on progress.

Point Arising	Update as at 31 March 2018
All entities and funds	
<p>Active Directory Domain Administrator accounts not adequately set and controlled (Priority 2)</p> <p>The Administrator rights are the most powerful in the system allowing for potentially uncontrolled actions and access to data and functions within the network. Good practice recommends those rights to be assigned to a limited number of employees only. We found that "Enterprise Administrator" and/or "Domain Administrator" right to CoLC network have been granted to more than 70 accounts.</p> <p>We further noted that:</p> <ul style="list-style-type: none"> • 34 are Service accounts with Domain Administrator rights which are in use by systems / applications; we could not confirm that all they are still in use and need to run with such rights. • The default built in 'Administrator' account has not been renamed, as recommended by Microsoft. <p>We recommend that the Corporation, in cooperation with Agilisys Management, implement a strict policy on granting of Domain Administrator rights in Active Directory.</p> <p>Suggested measures include:</p> <ul style="list-style-type: none"> • Domain Administrator should be restricted to a limited number of employees; Other IT personnel should be granted with less powerful rights (e.g. server administrator or delegated rights). • Service accounts should be granted minimum rights to run the intended service; unused/obsolete service accounts should be disabled or deleted. <p>We further recommend that the default 'Administrator' account is renamed.</p>	<p>A new policy for the provision and management of privileged (Service and Domain Administrator) accounts was developed as part of the IT Transformation Programme. The latest version of the Privileged Access Policy, dated January 2018 was made available to us during the audit process for review.</p> <p>A review of existing privileged accounts was completed during the year, and any accounts no longer required were removed. A process has also been developed to review all privileged accounts (including Doman and Service accounts) every six months, in line with best practice.</p> <p>A project has also been undertaken to rename outstanding 'Administrator' accounts in conjunction with the new environment delivered through Transformation.</p> <p>Status: Closed</p>
<p>Non-compliance with password policy (Priority 2)</p> <p>Active Directory (AD) is a network service that authenticates and authorises all users and computers in a Windows network by assigning and enforcing user rights and security policies. We confirm that the AD password policy has been deployed to all users. However, we identified that there were a number of user accounts where passwords are not enforced by the system to be changed periodically ('Password Never Expire' is set to 'True' or 'Password Not Required' is set to 'True'). We also noted that there is a significant number of network user accounts that seem not to have been used for an extended period of time, but are not disabled or deleted.</p>	<p>A new 'Passphrase Policy' was implemented during the year as part of the Transformation project. This includes regular reports and review of the accounts at least monthly. The latest version of this policy, dated January 2018 was made available to us during the audit process for review.</p> <p>A data cleansing exercise has been completed, ensuring that only live and valid user accounts exist within the new IT environment. A new 'Starters, Movers and Leavers Policy' has also been implemented to enforce good practice. The latest version of this policy, dated April 2018 was made available to us during the audit process for review.</p>

<p>We recommend that CoLC ICT management in cooperation with Agilysis ensure that all user accounts are set up with the approved password policy. In addition, we recommend that a periodic review (e.g. at least annual) is performed to ensure that accounts (including such used to run services, mailboxes, etc.) which are no longer required are disabled or removed from the system.</p>	<p>Status: Closed</p>
<p>Database security updates are not applied to Paris Microsoft SQL server (Priority 2)</p> <p>We noted that the process of applying security updates to the Microsoft and Linux/Oracle infrastructure has not included the Microsoft SQL Server 2008 database for the Paris system.</p> <p>We recommend that management in cooperation with Agilysis, extends the patching cycle to include Paris Microsoft SQL database.</p>	<p>Patch Management within the Corporation has been improved following a review in May 2017 and now includes all database servers, underpinning key services, such as Paris, CBIS and iTrent.</p> <p>The 'Patch Management Policy' has been updated and is being followed, evidenced by monthly patching reports. The latest version of this policy, dated June 2018 was made available to us during the audit process for review.</p> <p>Status: Closed</p>
<p>DRP for the financial systems not recently tested (Priority 2)</p> <p>We understand that disaster recovery (DR) tests for CBIS, iTrent and Paris systems have not been conducted since 2013. During that period the systems have undergone significant changes, including: outsourcing of the infrastructure and systems management to a third party provider (Agilysis), migration to another data centre and system hardware, replacement of server operating systems, database upgrades, changes to system functionalities.</p> <p>We recommend management conducts disaster recovery testing for the critical business systems at least annually or after any major changes to the system or underlined infrastructure.</p>	<p>The management response to this recommendation stated that a project was being commissioned to define a DR testing plan and schedule, focusing on critical business services including CBIS, iTrent and Paris.</p> <p>Delays to the Network Transformation programme and receipt of all the Business Impact Assessments have led to delays to planning for the 2018 DR plan. However, planning has commenced with a view to testing the resilience of five key services (including iTrent, CBIS and Paris) by the end of September 2018.</p> <p>Status: Ongoing</p>
<p>Lack of Review of ISAE 3402 Reports (Priority 2)</p> <p>Based on discussions held with members of the Corporate Treasury team during the audit, we identified that the Corporate Treasury team do not obtain and review ISAE 3402 reports for each fund manager and respective custodian. We were informed that the fund managers have a legal obligation to make the Corporation aware of any control issues. The Corporation have monthly or quarterly correspondence with all fund managers which helps to mitigate any risks, however the Corporate Treasury team should be reviewing ISAE 3402 reports as a further level of assurance.</p> <p>The Corporate Treasury team should request direct receipt of all ISAE 3402 reports directly from fund managers and their respective custodians. These should be reviewed to ensure there are no identified control issues.</p>	<p>The Corporation agreed to obtain ISAE 3402 internal controls reports for each investment mandate to monitor the auditor's opinion on the overall control environment.</p> <p>During our 2017/18 audit, we noted that ISAE 3402 reports are now being requested and obtained for all fund managers and custodians. These are being reviewed within the Corporate Treasury team to ensure no control issues have been identified but we noted that the review is not being formally documented. We have therefore, left this recommendation open.</p> <p>Status: Ongoing</p>

Annual Declarations (Priority 2)

All members are required to provide an annual declaration of interest. During our review of related parties, we noted 6 instances out of 146 where staff had not returned their conflict of interest declarations to the Finance Manager.

The annual process for completing conflicts of interests checks should be improved, so that all returns are received in a timely manner. Where returns have not been received, these should be followed up promptly, to ensure that all disclosures in the notes to the accounts are complete.

Our testing of related parties for 2017/18 identified 36 annual declarations (out of 146) that had not been received from Chief Officers and Members.

An update from management during the audit completion meeting informed us that this is now down to 21 outstanding declarations. The Corporation are continuing to chase the remaining declarations, with a further reminder being issued by the Deputy Chamberlain, Caroline Al-Beyerty.

As such, we have left this recommendation open.

Status: Ongoing

Appendix 1 – Adjusted Misstatements

As summarised in Section 5, the following adjustments were identified during our audit work and have been incorporated into the financial statements. Where the entity or fund is not noted below, no adjustments were made. All adjustments have been discussed and agreed with the Group Accountant.

		Statement of Financial Activity		Balance Sheet	
		Dr	Cr	Dr	Cr
		£	£	£	£
Sundry and Other Trusts					
City of London Girls School Bursary Fund					
Managed Investments					106
Expenditure		106			
<i>Being the write-off of a historical discrepancy within the accounts</i>					
City of London Girls School Bursary Fund					
Accruals				5,727	
Expenditure			5,727		
<i>Being the correction to remove a duplicate bursary accrual</i>					
Sir William Coxen Trust Fund					
Expenditure			25,000		
Creditors – Grants Payable				25,000	
<i>*Being the removal of GOSH grant payable at year-end</i>					
City of London Almshouses					
Deferred grant				1,319,751	
Creditors – Grants Payable					1,319,751
<i>**Being the prior period correction to reclassify the social housing grant from a liability to a restricted reserve</i>					
		106	30,727	1,350,478	1,319,857
City's Cash Trusts					
Epping Forest					
Rental debtors				41,625	
Other creditors					41,625
<i>*Client identified adjustment – being the reclassification of unallocated cash</i>					
Highgate Wood and Queen's Park Kilburn					
Rental debtors				16,343	
Other creditors					16,343
<i>*Client identified adjustment – being the reclassification of a credit note for rent deposit</i>					
		-	-	57,608	57,608

* Identified by client

** Relates to the correction of a prior period error to recognise the social housing grant within restricted endowment funds rather than as a liability. Under the charities SORP it is required to apply the performance model under FRS 102. Based on the terms of the grants, this would result in immediate recognition of income at the point of receipt of the grant in the 1980s. As such, an adjustment has been made to reflect this. Note that this has no impact on the Statement of Financial Activities for the current or prior year. It is a reclassification between liabilities and reserves on the balance sheet.

Appendix 2 – Unadjusted misstatements

As noted in Section 5, we have not identified any unadjusted items in respect of the financial statements for City's Cash, City's Cash Trusts and Sundry and Other Trusts which are above the reporting threshold.

Appendix 3 – List of entities key financials

The list of entities on which we have reported on, and which are covered by this document are included in the table below. We have included in the table income (including net gains on investments), surplus/deficit and net assets along with the materiality level we have used during the audit. Materiality was assessed based on either the income or net assets of the entity.

Activities	Income £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Materiality £'000
City's Cash	260,600	72,300	2,611,500	25,000 (4,000 for Income Statement)
City's Cash Trusts				
Ashtead Common				
Preservation of the common at Ashtead	487	-	-	10
Burnham Beeches				
Preservation of the Open Space known as Burnham Beeches	991	(18)	749	20
Epping Forest				
Preservation of Epping Forest in perpetuity	6,308	(393)	7,320	134
Hampstead Heath				
Preservation of Hampstead Heath for the recreation and enjoyment of the public	9,268	131	52,507	180
Highgate Wood & Queens Park Kilburn				
Preservation of the Open Space know as Highgate Wood & Queens Park Kilburn	1,510	(15)	367	30
West Ham Park				
To maintain and preserve the Open Space known as West Ham Park	1,493	(17)	34	30
West Wickham Common and Spring Park Coulsdon & Other Commons				
Preservation of West Wickham Common and Spring Park Coulsdon & Other Commons	1,824	292	446	30
Sundry Trusts				
Ada Lewis Winter Distress Fund				
Assistance and relief for the poor and distressed during winter months	9	7	286	6
Charities Administered ICW the City of London Freemen's School				
Promotion of education through prizes	14	6	198	4
City Educational Trust Fund				
Advancement of education through grants	160	89	3,863	79

Activities	Income £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Materiality £'000
City of London Almshouses				
Almshouses for poor or aged people	357	13	1,652	65
Sundry Trusts Continued				
City of London Corporation Combined Education Charity				
Advancing education by the provision of grants and financial assistance	48	41	1,165	23
City of London Corporation Relief of Poverty Charity				
Relief of poverty for widows, widowers or children of a Freeman of the City of London	5	5	162	3
City of London Freeman's School Bursary Fund				
Promotion of education through bursaries	45	22	938	19
City of London School Bursary Fund				
Promotion of education through bursaries, scholarships and prizes	176	153	4,023	81
City of London School Education Trust				
Advancing education	-	-	6	1
City of London School for Girls Bursary Fund				
Promotion of education through bursaries, scholarships and prizes	651	82	4,302	67
Corporation of London Charities Pool				
Investments pool for Sundry Trusts	1,818	(3,320)	19,547	391
Emmanuel Hospital				
Payment of pensions and financial assistance to poor persons	191	147	2,697	54
Guildhall Library Centenary Fund				
Provision of education and training in library, archives, museum, and gallery services	3	3	28	1
Hampstead Heath Trust				
To meet a proportion of the maintenance cost of Hampstead Heath	1,614	331	32,710	667
Keats House				
Maintenance of Keats House	531	27	253	8
King George's Field				
Open space for sports, games and recreation	17	-	-	1
Samuel Wilson's Loan Trust				
Granting of low interest loans to young people who have or are about to set up in business	92	81	2,495	50

Activities	Income £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Materiality £'000
Sundry Trusts Continued				
Signore Pasquale Favale Bequest				
Granting of assistance to eligible persons in the form of marriage portions	1	-	15	1
Sir Thomas Gresham Charity	82	(1)	148	2
To provide a programme of public lectures				
Sir William Coxen Trust Fund				
Granting of assistance to eligible charitable trusts in the form of donations	140	48	2,675	59
Vickers Dunfee Memorial Benevolent Fund				
Financial assistance to distressed past and present members of the CoL Special Constabulary and their dependents	8	8	233	5

Appendix 4 – Management representation letters for City’s Cash, City’s Cash Trusts and the Sundry and Other Trusts

Dear Sirs

CITY OF LONDON CORPORATION – CITY’S CASH

This representation letter is provided in connection with your audit of the financial statements of City’s Cash for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice (FRS 102).

By a resolution of the Finance Committee, passed today, we are directed to confirm to you, in respect of the financial statements of City’s Cash (and its subsidiaries) for the year ended 31 March 2018, the following:-

1. We have fulfilled our responsibilities for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice (FRS 102) and for making accurate representations to you.
2. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We acknowledge our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
5. We confirm that we have disclosed separately to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management
 - employees who have significant roles in internal control
 - others where the fraud could have a material effect on the financial statements.
7. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, analysts, regulators or other third parties.
8. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. In our opinion, the significant assumptions that have been used in determining fair values, whether such values are disclosed or applied in the financial statements, are reasonable and reflect the ability and intent to carry out specific courses of action, where this is relevant to the determination of those values.
10. In our opinion the significant assumptions used in making accounting estimates are reasonable.
11. We have disclosed to you the identity of City’s Cash related parties and all related party relationships and transactions of which we are aware.
12. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice (FRS 102).
13. In particular, no director, shadow director, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the group at any time during the year, other than as indicated in the financial statements.
14. There are no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

15. There are no plans to abandon activities or other plans or intentions that will result in any excess or obsolete stocks, and no stock is stated at an amount in excess of net realisable value.
16. We are of the opinion that the methodology applied to the valuation of investment properties and the assumptions used are appropriate and therefore the value of investment properties is not materially misstated.
17. We are of the opinion that the costs involved in the reconstruction or analysis of past accounting records of heritage assets or in valuation are onerous compared with the additional benefit derived by users of the accounts in assessing the trustees' stewardship of the assets.
18. The group has satisfactory title to all assets and there are no liens or encumbrances on City's Cash assets, other than as disclosed in the financial statements.
19. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.
20. We confirm that the methodology used and the assumptions underlying the valuation of the Local Government Pension Scheme are reasonable. We also confirm that the methodology applied and the bases used for the allocation of costs and liabilities to City's Cash are reasonable.
21. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice (FRS 102) require adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.
22. The group has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
23. Except as disclosed in the financial statements, the results for the year were not materially affected by:
 - any change in accounting policies;
 - transactions of a type not usually undertaken by the group;
 - circumstances of an exceptional or non-recurrent nature; or
 - charges or credits relating to prior periods.
24. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with UK Generally Accepted Accounting Practice (FRS 102).
25. We have reviewed the reasoning for the classification of the proposed contribution by City's Cash to Crossrail as a commitment and consider that given the uncertainties surrounding the finalisations of an agreed contribution, this is the most appropriate classification of the likely costs.
26. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements were approved.

27. We confirm the financial statements are free of material misstatements, including omissions. We note that there are no uncorrected misstatements identified during the audit.
28. Except as disclosed in the notes to the City's Cash accounts, as at 31 March 2018 there were no significant capital or other commitments contracted for by City's Cash.

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.

Yours faithfully

.....

The Chamberlain of London

Signed on behalf of the City of London Corporation

On (date)

Dear Sirs

CITY'S CASH TRUSTS – OPEN SPACES

This representation letter is provided in connection with your audit of the financial statements of the City's Cash Trusts (Open Spaces) for the period ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102.

By a resolution of the Finance Committee, passed today, I am directed to confirm to you, in respect of the financial statements of the trusts for the period ended 31 March 2018, the following:-

1. We have fulfilled our responsibilities under the Charities Act 2011 for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102 and for making accurate representations to you.
2. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We acknowledge as trustee our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
5. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management
 - employees who have significant roles in internal control
 - others where the fraud could have a material effect on the financial statements.
7. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, regulators or other third parties.
8. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. In our opinion, the significant assumptions that have been used in determining fair values, whether such values are disclosed or applied in the financial statements, are reasonable and reflect our ability and intent to carry out specific courses of action, where this is relevant to the determination of those values.
10. In our opinion the significant assumptions used by us in making accounting estimates are reasonable.
11. We have disclosed to you the identity of the Trusts related parties and all related party relationships and transactions of which we are aware.
12. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102.
13. In particular, no trustee, shadow trustee, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the Trusts at any time during the year.
14. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements, other than as disclosed in the financial statements.

15. The Trusts have satisfactory title to all assets and there are no liens or encumbrances on the Trusts' assets, other than as disclosed in the financial statements.
16. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.
17. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102 require adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.
18. The Trusts have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
19. Except as disclosed in the financial statements, the results for the year were not materially affected by:
 - any change in accounting policies;
 - transactions of a type not usually undertaken by the Trusts;
 - circumstances of an exceptional or non-recurrent nature; or
 - charges or credits relating to prior periods.
20. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102.
21. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements are to be approved.

We have also considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in order to give a true and fair view.
22. We confirm the financial statements are free of material misstatements, including omissions. We believe that those uncorrected misstatements identified during the audit are immaterial both individually and in aggregate to the financial statements as a whole. A list of these items is attached to this letter of representation, together with our reasons for not correcting them.
23. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
24. We confirm that we are not aware of any breaches of charity regulations and that we have advised you of the existence of all endowments and funds maintained by us.
25. All income has been recorded, all restricted funds have been properly applied and all constructive obligations have been recognised.
26. All correspondence with regulators has been made available to you, including any serious incidents reports.
27. Except as disclosed in the notes to the City's Cash Trusts accounts, as at 31 March 2018 there were no significant capital or other commitments contracted for by City's Cash Trusts.
28. We are of the opinion that the costs involved in the reconstruction or analysis of past accounting records of heritage assets (open spaces) or in valuation are onerous compared with the additional benefit derived by users of the accounts in assessing the trustees' stewardship of the assets.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

.....

The Chamberlain of London

Signed on behalf of the Trustee

On _____ (date)

Dear Sirs

CITY OF LONDON – SUNDRY AND OTHER TRUSTS

This representation letter is provided in connection with your audit of the financial statements of The City of London Corporation Sundry Trusts and Other accounts for the period ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102.

By a resolution of the Finance Committee, passed today, I am directed to confirm to you, in respect of the financial statements of the charities for the period ended 31 March 2018, the following:-

1. We have fulfilled our responsibilities under the Charities Act 2011 for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102 and for making accurate representations to you.
2. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We acknowledge as trustee our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
5. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management
 - employees who have significant roles in internal control
 - others where the fraud could have a material effect on the financial statements.
7. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, regulators or other third parties.
8. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. In our opinion, the significant assumptions that have been used in determining fair values, whether such values are disclosed or applied in the financial statements, are reasonable and reflect our ability and intent to carry out specific courses of action, where this is relevant to the determination of those values.
10. In our opinion the significant assumptions used by us in making accounting estimates are reasonable.
11. We have disclosed to you the identity of the charities related parties and all related party relationships and transactions of which we are aware.
12. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102.
13. In particular, no trustee, shadow trustee, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the charities at any time during the year.
14. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

15. The Trusts have satisfactory title to all assets and there are no liens or encumbrances on the Trusts' assets, other than as disclosed in the financial statements.
16. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.
17. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102 require adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.
18. The Trusts have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
19. Except as disclosed in the financial statements, the results for the year were not materially affected by:
 - any change in accounting policies;
 - transactions of a type not usually undertaken by the charities;
 - circumstances of an exceptional or non-recurrent nature; or
 - charges or credits relating to prior periods.
20. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102.
21. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements are to be approved.

We have also considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in order to give a true and fair view.
22. We confirm the financial statements are free of material misstatements, including omissions. We note that there are no uncorrected misstatements identified during the audit.
23. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
24. We confirm that we are not aware of any breaches of our charity regulations and that we have advised you of the existence of all endowments and funds maintained by us.
25. All income has been recorded, all restricted funds have been properly applied and all constructive obligations have been recognised.
26. All correspondence with regulators has been made available to you, including any serious incidents reports.
27. Except as disclosed in the notes to the Sundry and Other Trusts accounts, as at 31 March 2018 there were no significant capital or other commitments contracted for by Sundry and Other Trusts.

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.

Yours faithfully

.....
 The Chamberlain of London
 Signed on behalf of the Trustee
 On (date)

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Committee:	Date:
Audit and Risk Management Committee	6 th November 2018
Subject: Internal Audit Update Report	Public
Report of: Head of Audit and Risk Management	For Information

Summary

This report provides an update on internal audit activity since the report to the July 2018 Committee meeting.

Work on the 2017-18 Internal Audit Plan has been completed to a minimum of draft report stage.

Delivery is underway in respect of the 2018-19 Internal Audit Plan. There are currently 72 audits in the plan: fieldwork for 31 (43%) of these is currently in progress; eight (11%) draft reports have been issued; and four (6%) final reports have also been issued.

Recommendation

- That this report is noted.

Main Report

Background

1. This report sets out internal audit activity since the July 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 has been completed to a minimum of draft report stage. Full details of plan progress for 2017-18 are included within **Appendix 1**.
3. Twenty audits have progressed to Final Report stage since the July 2018 meeting, comprising two red assurance reviews, eleven amber assurance reviews, seven green assurance reviews. In addition, a corporate follow-up exercise has been completed which does not result in an overall assurance rating.
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 audits finalised since the July 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
EMERGENCY PLANNING	AMBER	0	1	0	1
PROCUREMENT CONSULTATION WITH STAKEHOLDERS	AMBER	0	2	2	4
IT – INFORMATION MANAGEMENT (DATA STORAGE MANAGEMENT)	AMBER	0	4	0	4
IT – CYBER SECURITY – MALWARE PROTECTION	GREEN	0	0	4	4
IT INFORMATION SECURITY – INCIDENT MANAGEMENT	AMBER	0	4	4	8
IT SOCIAL MEDIA (HORIZON SCANNING)	GREEN	0	0	2	2
IT ORACLE APPLICATION	AMBER	0	3	1	4
IT CONTRACT MANAGEMENT	GREEN	0	0	1	1
HOUSING ALLOCATIONS LETTINGS AND VOIDES	AMBER	0	3	0	3
DCCS FINANCIAL ASSESSMENTS	AMBER	0	4	4	8
SIR JOHN CASS SCHOOL INCOME	AMBER	0	4	2	6
DCCS COMMUNITY CENTRE REVENUE	RED	1	6	1	8
SERVICE BASED PROPERTY CONTRACTS	AMBER	0	3	4	7
HIGHWAYS FOOTPATH REPAIRS	GREEN	0	0	0	0
TFL LOCAL IMPLEMENTATION PLAN	GREEN	0	0	0	0
HIGHWAYS ASSETS REGISTER	GREEN	0	1	2	3
CONSUMER PROTECTION ENFORCEMENT	AMBER	0	2	1	3
MARKETS FRAUD RISK	AMBER	0	4	5	9
FUNCTIONS & GUILDHALL LETTINGS	GREEN	0	0	0	0
POLICE BANK ACCOUNTS	RED	2	1	2	5
HEALTH & SOCIAL CARE INTEGRATION	AMBER	0	3	0	3
	TOTAL	3	44	31	78

5. The three red priority recommendations, all of which were agreed by management, relate to the following areas:

DCCS Community Centres

The Head of Estates should:

- (i) Ensure that a new licence agreement is put in place for the long term let of the community centre at Sydenham Hill, as a matter of priority;
- (ii) Ensure that the terms of the new licence agreement are approved by Senior Management and if required, Members;
- (iii) Instigate arrangements for renewing licences as they near expiry; and
- (iv) Reconcile the rent due per the licence agreement with rent received on an annual basis to ensure that rent due is collected in full.

City Police Defendants Bank Accounts

The Police bank accounts for defendants' and 'found' funds should be reconciled monthly to ensure that all amounts are accounted for in full.

Reconciliation of balance sheet entries related to defendants' funds should be completed at the earliest opportunity and amounts released as appropriate.

Internal Audit Delivery 2018-19

6. Delivery of the 2018-19 Internal Audit Plan is progressing. There are currently 72 audits in the plan: fieldwork for 31 (43%) of these is currently in progress; eight (11%) draft reports have been issued; and four (6%) final reports have also been issued. Full details of plan progress for 2018-19 are included within **Appendix 2**.
7. 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 four audits finalised in 2018-19 to date. 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
GUILDHALL CLUB ACCOUNT	GREEN	0	0	0	0
PERFORMANCE MEASURES	AMBER	0	2	2	4
IT CHANGE MANAGEMENT	AMBER	0	1	1	2
MANSION HOUSE CATERING CONTRACT	AMBER	0	5	0	5
	TOTAL	0	8	3	11

8. The Audit Plans for the City of London Police and the Multi Academy Trust are currently being discussed with officers and audit work will commence on finalisation of those plans.
9. 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. The Internal Audit Team continue to be focused on making improvements in turnaround times with closer engagement with client departments.

Conclusion

10. 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, particularly in police force financial management, 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

Appendix 2 Internal Audit Plan Schedule of Projects 2018-19

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Internal Audit Work 2017-18 (as at 16-10-2018)

Progress against the plan – Summary

No of Reviews	Planning	Fieldwork	Draft Report	Final Report (Audit Complete)
59	0	0	4	55
100%	0%	0%	7%	93%

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

No	Department	Main Audit Review	Status	Assurance Rating	Recommendations Made				Recommendations Agreed			
					R	A	G	Total	R	A	G	Total
1	CORPORATE	EMERGENCY PLANNING	Final Report	Amber	0	1	0	1	0	1	0	1
2	CORPORATE	USE OF WAIVERS	Completed	Amber	0	7	0	7	0	7	0	7
3	CORPORATE	EVALUATION OF SUB £100K TENDERS	Completed	Amber	0	4	2	6	0	4	2	6
4	CORPORATE	PROCUREMENT CONSULTATION WITH STAKEHOLDERS	Final Report	Amber	0	2	2	4	0	2	2	4
5	CORPORATE	INCOME COLLECTION AND BANKING	Draft Report									
6	CORPORATE	EXPENSES - PROCUREMENT CARDS - PETTY CASH	Draft Report									
7	CORPORATE	CORPORATE-WIDE REVIEW OF BUSINESS TRAVEL	Completed	Amber	0	8	0	8	0	8	0	8
8	CORPORATE	CORPORATE FOLLOW-UP EXERCISES	Completed	N/A	-	-	-	-	-	-	-	-

No	Department	Main Audit Review	Status	Assurance Rating	Recommendations Made				Recommendations Agreed			
					R	A	G	Total	R	A	G	Total
9	CORPORATE	GDPR – GAP ANALYSIS	Completed	Green	0	5	0	5	0	5	0	5
10	TOWN CLERK	SOCIAL INVESTMENT FUND	Completed	Green	0	0	0	0	0	0	0	0
11	TOWN CLERK	MEMBERS AND OFFICERS DECLARATIONS INTERESTS	Completed	Red	1	7	3	11	1	7	3	11
12	TOWN CLERK	HUMAN RESOURCES – STARTERS AND LEAVERS	Completed	Amber	0	9	3	12	0	9	3	12
13	TOWN CLERK	STAFF LEARNING & DEVELOPMENT (including Central Training)	Draft Report									
14	TOWN CLERK	GUILDHALL CLUB ACCOUNTS	Completed	Green	0	0	0	0	0	0	0	0
15	CHAMBERLAIN	IT – INFORMATION MANAGEMENT (DATA STORAGE MANAGEMENT)	Final Report	Amber	0	4	0	4	0	4	0	4
16	CHAMBERLAIN	IT – CYBER SECURITY – MALWARE PROTECTION	Final Report	Green	0	0	4	4	0	0	4	4
17	CHAMBERLAIN	IT – INFORMATION SECURITY - INCIDENT MANAGEMENT	Final Report	Amber	0	4	4	8	0	4	4	8
18	CHAMBERLAIN	IT - SOCIAL MEDIA (HORIZON SCANNING)	Final Report	Green	0	0	2	2	0	0	2	2
19	CHAMBERLAIN	IT ORACLE (CBIS) APPLICATION	Final Report	Amber	0	3	1	4	0	3	1	4
20	CHAMBERLAIN	IT CONTRACT MANAGEMENT	Final Report	Green	0	0	1	1	0	0	1	1
21	CHAMBERLAIN	MEDIUM TERM FINANCIAL PLANNING	Completed	Green	0	1	1	2	0	1	1	2
22	CHAMBERLAIN	CITY PROCUREMENT	Draft Report	Amber								
23	CHAMBERLAIN	COUNCIL TAX & NNDR	Completed	Amber	0	2	2	4	0	2	2	4
24	DCCS	ACADEMIES	Completed	Amber	0	2	1	3	0	2	1	3
25	DCCS	WELFARE REFORM	Completed	Amber	0	5	1	6	0	4	1	5
26	DCCS	HOUSING ALLOCATIONS LETTINGS AND VOIDS	Final Report	Amber	0	3	0	3	0	3	0	3
27	DCCS	HOUSING RENTS	Completed	Amber	0	5	6	11	0	5	6	11
28	DCCS	BARBICAN ESTATE RENTS	Completed	Amber	0	2	4	6	0	2	4	6
29	DCCS	HEALTH & SOCIAL CARE INTEGRATION	Final Report	Amber	0	3	0	3	0	3	0	3
30	DCCS	FINANCIAL ASSESSMENTS	Final Report	Amber	0	4	4	8	0	4	4	8

No	Department	Main Audit Review	Status	Assurance Rating	Recommendations Made				Recommendations Agreed			
					R	A	G	Total	R	A	G	Total
31	DCCS	SIR JOHN CASS SCHOOL INCOME GENERATION	Final Report	Amber	0	4	2	6	0	4	2	6
32	DCCS	COMMUNITY CENTRE REVENUE	Final Report	Red	1	6	1	8	1	6	1	8
33	CITY SURVEYOR	SERVICE BASED PROPERTY CONTRACTS	Final Report	Amber	0	3	4	7	0	3	4	7
34	CITY SURVEYOR	GUILDHALL COMPLEX - PERFORMANCE	Completed	Amber	0	2	0	2	0	2	0	2
	OPEN SPACES	FINANCIAL MANAGEMENT	Deferred									
35	OPEN SPACES	CEMETERY & CREMATORIUM - ESTABLISHMENT REVIEW	Completed	Green	0	0	5	5	0	0	5	5
36	OPEN SPACES	TOWER BRIDGE MAJOR INCIDENT PLAN	Completed	Green	0	1	0	1	0	1	0	1
37	BUILT ENVIRONMENT	HIGHWAYS FOOTPATH REPAIRS	Final Report	Green	0	0	0	0	0	0	0	0
38	BUILT ENVIRONMENT	TFL LOCAL IMPLEMENTATION PLAN	Final Report	Green	0	0	0	0	0	0	0	0
39	BUILT ENVIRONMENT	HIGHWAYS ASSETS REGISTER	Final Report	Green	0	1	2	3	0	1	2	3
40	M&CP	SEIZED GOODS (Trading Standards & Licensing)	Completed	Amber	0	6	2	8	0	6	2	8
41	M&CP	CONSUMER PROTECTION ENFORCEMENT	Final Report	Amber	0	2	1	3	0	2	1	3
42	M&CP	MARKETS FRAUD RISK	Final Report	Amber	0	4	5	9	0	4	5	9
43	REMEMBRANCER	FUNCTIONS & GUILDHALL LETTINGS - INCOME (INC. BANKING, SAFES AND SECURITY)	Final Report	Green	0	0	0	0	0	0	0	0
44	POLICE	DEMAND POLICING AND EVENT RESOURCING	Completed	Amber	0	1	0	1	0	1	0	1
45	POLICE	POLICE BUSINESS CONTINUITY PLANNING	Completed	Amber	0	6	1	7	0	5	1	6
46	POLICE	POLICE BANK ACCOUNTS	Final Report	Red	2	1	2	5	2	1	2	5
47	POLICE	POLICE SEIZED GOODS	Completed	Red	3	12	0	15	3	11	0	14
48	POLICE	PROJECT MANAGEMENT	Completed	Amber	2	8	0	10	2	8	0	10
49	POLICE	FREEDOM OF INFORMATION REQUESTS	Completed	Red	1	3	4	8	1	3	4	8
50	BARBICAN CENTRE	VISITOR EXPERIENCE	Completed	Amber	0	5	5	10	0	5	5	10

No	Department	Main Audit Review	Status	Assurance Rating	Recommendations Made				Recommendations Agreed			
					R	A	G	Total	R	A	G	Total
51	BARBICAN CENTRE	EQUALITY AND INCLUSION	Completed	Amber	0	10	4	14	0	10	4	14
52	BARBICAN CENTRE	RETAIL AND BARS	Completed	Red	1	9	1	11	1	9	1	11
53	BARBICAN CENTRE	CASH HANDLING	Completed	Amber	0	4	1	5	0	4	1	5
54	GUILDHALL SCHOOL	DATA QUALITY	Completed	Amber	0	2	3	5	0	1	3	4
55	GUILDHALL SCHOOL	SUNDIAL COURT PROJECT GOVERNANCE	Completed	Amber	0	3	0	3	0	3	0	3
56	GUILDHALL SCHOOL	CATERING INCLUDING STUDENT BAR	Completed	Red	2	3	1	6	2	3	1	6
57	CLS	FINANCIAL MANAGEMENT	Completed	Amber	0	5	2	7	0	5	2	7
58	CLFS	HEALTH AND SAFETY	Completed	Amber	0	2	1	3	0	2	1	3
59	CLFS	INCOME GENERATION	Completed	Amber	0	2	2	4	0	2	2	4
					13	186	90	289	13	184	90	287
TOTAL												

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%

Internal Audit Work 2018-19 (as at 16-10-2018)

This appendix complements the summary outcome of final reports as presented above.

Progress against the plan – Summary

No of Reviews	Planning	Fieldwork	Draft Report	Final Report (Audit Complete)
72	20	31	8	4
100%	28%	43%	11%	6%

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

No	Department	Main Audit Review	Status *	Assurance ***	Recommendations Made**				Recommendations Agreed**			
					R	A	G	Total	R	A	G	Total
1	Corporate Wide	IR35 – Use of Consultants & Specialists	Fieldwork									
2	Corporate Wide	GDPR Readiness	Draft Report									
3	Corporate Wide	Suppliers Financial Health/Resilience	Planning									
4	Corporate Wide	Commercial Manager Scorecard Procedures	November start date									
5	Corporate Wide	Budget Estimate Preparation	Fieldwork									
6	Corporate Wide	Follow-up Exercise	On-Going									
7	Corporate Wide	Change Control	Planning									
8	Corporate Wide	Highways Repairs and Maintenance	November start date									
9	Corporate Wide	Programmed Repairs and Maintenance	Draft Report									

[illegible]

[illegible]

No	Department	Main Audit Review	Status *	Assurance ***	Recommendations Made**				Recommendations Agreed**			
					R	A	G	Total	R	A	G	Total
56	Guildhall School	Student Support	Draft Report									
57	Guildhall School	Strategic Planning	Fieldwork									
58	Guildhall School	Budget Setting and Financial Management	Planning									
59	Guildhall School	Accommodation Strategy	January start									
60	Guildhall School	Income Generation	Planning									
61	Guildhall School	Enhanced Student Offer	January start									
62	CLS	Health and Safety	January start									
63	CLS	Cyber Security	Fieldwork									
64	CLSG	Cyber Security	November start									
65	CLSG	Budget Setting and Internal Controls	Fieldwork									
66	CLFS	Cyber Security	Fieldwork									
67	DCCS	Adult Education Skills Service Contract Arrangements	Fieldwork									
68	Built Environment	CIL & Section 106 Funding	Fieldwork									
69	City Police	Key Financial Controls	Draft Report									
70	Corporate Wide	City Police Accommodation Programme	Draft report									
71	Mansion House	Catering and Hospitality Contract	Final Report	Amber	0	5	0	5	0	5	0	5
72	Open Spaces	Financial Management	Draft Report									
TOTAL					0	8	3	11	0	8	3	11

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 2019)	17%

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.	18 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.	10 days
4 Timely issue of final report	Average time taken to finalise the review within 7 working days on full response from management	5 days
5 Customer satisfaction	Through key question on post audit surveys – target 90%	N/A
6 Percentage (%) of audit section staff with relevant professional qualification	Target 75%	78%

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Committee	Dated:
Audit and Risk Management	06 11 2018
Subject: Deep Dive: CR21 Air Quality	Public
Report of: Director of Markets and Consumer Protection	For Information
Report author: Ruth Calderwood Air Quality Manager, Markets and Consumer Protection Dept.	

Summary

Like most of central London, the Square Mile suffers from poor air quality. Concentrations of nitrogen dioxide, a product of combustion, are unlikely to meet European Union (EU) health-based limit values until 2025 at the earliest. This is fifteen years after the original legal compliance date.

In February 2014 the European Commission began infraction proceedings against the United Kingdom (UK) for its failure to meet air quality limit values for nitrogen dioxide. In May 2018 the European Commission referred the UK to the European Court of Justice for its continued lack of action. It has been estimated that the fines for non-compliance with the limit values could be as much as £300 million per year.

The United Kingdom has voted to leave the EU, though at the time of writing this report the UK is still a member. Until a final agreement for leaving the Union is reached, it is unclear what will happen to enforcement action against the Government. For the purpose of this report, and in dealing with the City Corporation's risk in this area, it is assumed that the obligations will remain the same. This will be reviewed subject to further information.

The City Corporation currently has a statutory obligation to assist the Government to improve air quality. The Localism Act 2012 enables part of any fine levied by the European Commission to be passed down to local authorities, if it can be demonstrated that insufficient action has been taken by an individual authority. The widespread and sustained media coverage that air quality receives has led to a considerable increase in the expectation of robust action by responsible bodies.

A deep dive report was presented to this Committee in June 2016 outlining the measures being implemented to mitigate the risk of poor air quality. Since then significant action has been taken to improve air quality and raise awareness. Air quality has been embedded into the new Corporate Plan and other key strategies and policies. It now has very good cross departmental support. Extensive air quality monitoring across the City demonstrates that in most locations, air quality is improving. As a result, the risk rating has been downgraded from 'major' impact 'likely' likelihood to 'major' impact and 'possible' likelihood. This has changed the risk category from 'red' to 'amber'.

The City Corporation is more than fulfilling its statutory duties to improve air quality. Subject to Committee approval, the City Corporation will develop proposals, with London Councils, to provide adoptive powers for London local authorities to reduce emissions of pollutants in their area. A revised City of London Air Quality Strategy for 2019 will provide the framework for further action to be undertaken through to 2025. The impact of the actions will be measured using the extensive network of monitoring equipment already in place.

Improving air quality in the City is complex and, as such, involves officers working with a very wide range of external organisations. Air quality is now embedded across departments. It is essential that enough resources are made available so that the City Corporation can continue to deliver a wide-ranging programme of policies and action to ensure that air quality meets the health-based limits everywhere in the shortest possible time.

Recommendation

Members are asked to note the report.

Main Report

Background

1. Being located at the heart of London, the City experiences some of the highest levels of air pollution in the Country. Local air pollution is affected by emissions of pollutants both within the Square Mile and also beyond its boundary. It is also affected by the local topography and the weather. Currently, the main source of emissions of air pollutants in the Square Mile is diesel vehicles. As emissions from vehicles are being tackled, pollution from boilers, other combustion plant and construction activity is becoming more dominant. By 2020, the Greater London Authority has estimated that emissions from combustion plant will be significantly greater than that from road traffic in the Square Mile.
2. The impact of air pollution on health is both acute and chronic. Research into the health impacts is ongoing and it is being linked to a very wide range of diseases. Its main impact is on cardiovascular and cardiopulmonary disease, lung cancer and respiratory disease. It also affects lung development in children. Short term pollution episodes can lead to an increase in hospital admissions for vulnerable people. Exposure to current levels of air pollution in central London over the long term has been shown to reduce life expectancy across the whole population. A report commissioned by the Mayor of London puts the number of premature deaths from air pollution at over 9,000 per annum¹
3. EU Directives require Member States to measure air quality to ensure it meets health-based levels. These are known as limit values. If it does not, the Member

¹ Understanding the Health Impacts of Air Pollution in London, Kings College London, July 2015.
https://www.london.gov.uk/sites/default/files/HIAinLondon_KingsReport_14072015_final_0.pdf

State is required to take appropriate action to ensure that the air quality meets the limit values in a reasonable time period. Failure to do so could result in a fine.

4. Air quality in the UK meets the EU limits for all pollutants except nitrogen dioxide. In February 2014 the European Commission began infraction proceedings against the UK for its failure to meet air quality limit values for nitrogen dioxide. In May 2018 the European Commission referred the UK to the European Court of Justice for its continued lack of action. It has been estimated that the fines for non-compliance with the limit value could be as much as £300 million per year.
5. Until a final Brexit agreement is reached with the EU, much of what will happen to air quality limit values and enforcement following Brexit is unclear. The Government has however stated that, at present, it has no plans to change limit values and targets for air quality following Brexit. The Government's intention is that pursuant to the European Union (Withdrawal) Act 2018, law derived from the EU, including air quality legislation, would be converted into domestic law after Exit Day. Depending on the terms agreed of any future trading arrangements, the UK could then potentially amend air quality standards and review any deadlines for meeting them.
6. While the European Union (Withdrawal) Act 2018 will convert the current framework of air quality limit values, the role that EU institutions play in monitoring and enforcing these limits will be lost. There has been much debate over the loss of the role of EU institutions in monitoring and enforcing environmental law, including on air quality, and over the future of EU environmental principles. In response to concerns raised, the Government recently held a consultation on environmental principles and governance. It proposed the creation of a new statutory independent environmental watchdog to hold government to account on its environmental obligations; and options for establishing environmental principles in the UK. A draft Environmental Principles and Governance Bill is due to be published by the end of 2018. This will begin the legal process of putting this in place. The Bill is expected to provide the statutory basis for a number of specific air quality proposals which stem from the Government's draft Clean Air Strategy. The City Corporation provided comments on the draft strategy.
7. Fine particles (PM₁₀ and PM_{2.5}) meet current EU limits, though they are higher than World Health Organisation Guidelines. It is considered that there is no safe level for PM_{2.5} so Member States are required to reduce concentrations by 2020 relative to a 2010 baseline. In London concentrations must be reduced by 15% during this ten year period. The responsibility for this lies with national, not local, government. This is because it is classed as a 'regional pollutant' over which local authorities have very little control. Despite this, local authorities have a statutory obligation under the Health and Social Care Act 2012 to improve the public health of their population. One of the indicators used to assess performance is exposure of the population to PM_{2.5} particle pollution
8. The main statutory obligation for local authorities in relation to air quality is detailed in the Environment Act 1995. In its local authority role, the City Corporation is required to act "in pursuit of the achievement" of air quality

standards. Ultimate responsibility for compliance with the limit values detailed in the Air Quality Directives lies with the government. However, if fines are levied on the UK for lack of action, the Localism Act 2012 enables part of the fine to be passed down to local authorities. This could take place if it can be demonstrated that they have not taken enough action 'in pursuit of the achievement' of air quality standards. The proportion of the fine would be decided by an independent advisory panel and the ultimate decision could be subject to judicial review by an aggrieved authority.

9. The opinion of the Comptroller and City Solicitor on this matter is that 'mere bare compliance with a statutory duty may not be sufficient (to avoid fines) if other steps could reasonably have been taken which were within the power of the (local) authority in question'. It is therefore essential that the City Corporation has robust plans and policies in place that go beyond its statutory obligation.
10. In addition to statutory obligations, of further relevance is that the parent of a London child, who died from acute respiratory failure and asthma, is fighting to open a new inquest into the child's death that will list air pollution as a causative factor on the death certificate. If this is successful, it will be the first time that air pollution has been explicitly linked to a named individual's death. This would have the potential to open the door for legal action against bodies deemed responsible.
11. Of additional importance is the wide spread and sustained media coverage that air quality receives. This has led to a greater understanding of the issues by the public, and a significant increase in the expectation of robust action by accountable bodies. This has had considerable impact on resources at the City Corporation which, to date has been covered by the existing departmental risk budget and external grant funding. However, going forward, additional budgetary provision will be required to meet the on-going increase in demand on officer time and ensure that all necessary action is taken to mitigate the City Corporation's risk in this area.

Current Position

12. Air quality monitoring currently takes place at over 100 locations across the Square Mile. The annual average limit value for nitrogen dioxide, which is set at $40\mu\text{g}/\text{m}^3$, is not being met in most areas of the City. However, levels have been falling over the past few years, particularly at 'background' locations (areas away from busy roads). As an example, the annual average concentration in the centre of the Barbican Estate is now $32\mu\text{g}/\text{m}^3$.
13. In 2017, the annual average level of nitrogen dioxide at Sir John Cass's Foundation Primary School was below the $40\mu\text{g}/\text{m}^3$ limit value for the first time since monitoring began in 2003. The City Corporation's long-term collaborative efforts to improve air quality at the school were recognised with a National Air Quality Award for the Best Local Authority Initiative 2018.
14. Unlike background locations, concentrations of nitrogen dioxide at busy roadsides remain high and can be over twice the limit value. Increased air quality monitoring has also revealed additional 'hot spot' areas not associated with

traffic. They are thought to be due to large combustion plant, particularly combined heat and power plant. The location of the Square Mile means that it is likely to be one of the last places in the United Kingdom to meet the limit values.

15. Air pollution is largely a central London problem and, therefore, the Mayor of London is introducing an Ultra-Low Emission Zone (ULEZ) in the existing Congestion Charge Zone from April 2019. Access will be restricted to the cleanest diesel and petrol vehicles. The Mayor of London intends to extend the boundary of the Ultra-Low Emission Zone to the north and south circular roads in 2021. This should lead to a measurable reduction in levels of air pollution at roadside in the City, but additional action will be required to ensure all areas meet the limit value for nitrogen dioxide in the shortest possible time.
16. As there is an option for vehicles to pay a daily charge to enter the ULEZ, rather than drive a vehicle that meets the required emission limits, the City Corporation is working closely with Transport for London to publicise the scheme and encourage drivers to move to cleaner vehicles. A local communications strategy for the ULEZ has been developed by officers and it is currently being implemented. To assist in risk mitigation, and to avoid reputational damage, it is important that the City's own fleet of vehicles meet the emission requirements of the ULEZ, rather than pay the daily charge.

Risk mitigation

17. In order to reduce the risk associated with poor air quality in the Square Mile, the City Corporation needs to demonstrate that it has taken, and will continue to take, a wide range of actions to bring about improvements to air quality. The City Corporation must also ensure that any action it takes does not result in an increase in levels of pollution, which could lead to the UK government receiving fines from the European Commission for non-compliance of air quality limit values.
18. The City Corporation has a very large air quality programme encompassing a wide range of actions. The specific actions which have been chosen to demonstrate risk mitigation and progress with each action, are summarised in Appendix A. Further detail on the actions is given below.

Air Quality Strategy

19. As levels of pollution do not meet health-based limits in the Square Mile, the City Corporation has produced an Air Quality Strategy 2015 – 2020 outlining action that will be taken to both improve air quality, and to help people reduce their exposure to the highest levels of air pollution. This is a statutory obligation. The Air Quality Strategy is being updated and a draft for consultation will be available early 2019. Progress with actions is reported to the Mayor of London and Government each year. These are statutory reports that are also presented to the Port Health & Environmental Services Committee.

20. Improving air quality has also been embedded into other corporate plans and strategies. The City Corporate Plan 2018–23 contains 12 outcomes. One of the outcomes is that we will have clean air, land and water and a thriving natural environment.
21. The City Corporation Responsible Business Strategy details a wide range of action that will be taken to ‘lead by example’ and reduce the impact of the City’s activities on local air pollution. The strategy covers actions to reduce emissions from buildings, fleet and contractor’s fleet, in addition to continuing to provide leadership for London.
22. The draft Transport Strategy, which has just been published for consultation, outlines action being considered to reduce air pollution associated with traffic including local Zero Emission Zones and electric vehicle charging infrastructure.

Communications

23. The City Corporation continues to provide a wide range of information about air quality to help people understand how they can reduce their own exposure to pollution. This helps to reduce the impact on the health of an individual. Action includes:
 - a. An air quality communications strategy
 - b. A free smart phone app, called CityAir, which provides information on current levels of pollution, air pollution forecasts and low pollution routes. There are currently over 25,000 subscribers
 - c. An active Twitter account ‘CityAir’ with over 2,500 followers
 - d. Regular features in local and regional news outlets
 - e. A bi-monthly e-newsletter
 - f. Regular workshops for City businesses

Reducing emissions from combustion plant

24. Air pollution is generated from many sources in London. There is a great deal of action underway to reduce emissions from road traffic but a lack of effective controls to deal with emissions from combustion plant (boilers, generators, non-road mobile machinery and combined heat and power plant). Data produced by the Greater London Authority indicates that emissions of NO_x (oxides of nitrogen) from combustion plant will far exceed that of traffic in the Square Mile by 2020.
25. The Clean Air Act 1993, which has historically been used by local authorities to deal with sources of air pollution other than road traffic, is outdated and not fit for today’s fuels and technologies. It is still used in some parts of London to specify chimney heights for commercial sized boilers, but it offers very few additional powers that are of use today.

26. The City Corporation has drafted a set of London specific, focused proposals which would provide new adoptive powers for London local authorities to control emissions from combustion plant. Subject to Committee approval, the City intends to work with London Councils to develop the proposals to provide useful, much needed regulatory powers for London local authorities

Reducing emissions from diesel vehicles

27. The City Corporation has been piloting a range of measures to reduce emissions of pollutants as part of a Low Emission Neighbourhood programme. This is a 3-year programme part funded by the Mayor of London. Trials are currently underway of a range of electric vehicle charge points in Barbican Estate car parks and plans are being developed to pilot an ultra-low emission vehicle only street from April 2019. This would act as an incentive for drivers to switch to zero emission and be a fore runner to Zero Emission Zones are under consideration as part of the draft Transport Strategy.
28. The City Corporation is very active in dealing with emissions from idling vehicles engines and is currently holding a 'no engine idling action day' once per quarter. Due to its success, this initiative has been rolled out to 18 other London Boroughs and it has received publicity on domestic and international TV, radio and coverage in a range of local and national newspapers.
29. The City Corporation actively takes part in trials of a range of low and zero emission vehicles for its fleet. This includes a recent trial of an all-electric refuse vehicle.
30. Emission based on-street parking charges have recently been introduced. A higher charge is levied on the most polluting vehicles. The requirement for zero and low emission vehicles is incorporated into Corporate contracts such as the new Cleansing contract.

Risks and challenges

31. A number of issues make air quality improvements challenging in the City. Action is underway to try and address them, but many of the issues are outside the control of the City Corporation.
- a. There are on-going uncertainties around emissions from diesel vehicles. Emissions from the newest (Euro VI) heavy goods vehicles are low, but emissions from vans and cars still don't meet the required limits. This issue is being dealt with at a European level. Currently, there are only a small number of alternatives to diesel vans available on the market. This makes it challenging to introduce policies to restrict these vehicles. However, over the next few years the availability of zero emission vans is expected to increase.

- b. Due to its location, the Square Mile is heavily influenced by pollution generated across London. This is dealt with by the collaborative, London wide approach taken by officers in finding solutions
 - c. The population of London is increasing and will impact on local air quality.
 - d. The drive for decentralised energy is bringing electricity generation back into the centre of London, with the associated pollution. Combined heat and power plant are being installed in new developments. This plant emits much higher levels of oxides of nitrogen (NOx) than gas boilers and can result in very high localised levels of nitrogen dioxide. The City Corporation proposes to address this through new legislation for London
 - e. Organisations with large back-up generators are being asked to run them in times of peak energy demand in a process known as Short Term Operating Reserve (STOR). The generators were only designed for emergency use. The City Corporation proposes to address this through new legislation for London
 - f. Taxis and buses, which are responsible for much of the pollution in the Square Mile, are controlled and run by Transport for London. There are proposals in the draft Transport Strategy to urge TfL to prioritise zero emission buses on routes through the Square Mile.
32. Improving air quality is a key priority for the City Corporation and officers are increasingly being called upon to provide expertise and leadership on air quality across London and on a national basis. The City Corporation is recognised as the lead local authority for air quality policy across London.
33. Given the high profile of air quality, the amount of air quality monitoring in the Square Mile has significantly increased. To achieve the maximum potential improvement in air quality in the Square Mile, and to continue with the current level of monitoring, additional resources will be required to support current and future initiatives. Funding has been requested for an additional post to undertake the monitoring and data analysis, and to deliver aspects of the Responsible Business Strategy.

Corporate & Strategic Implications

34. The work on air quality supports two Corporate Plan outcomes:

People enjoy good health and wellbeing'
 'We have clean air, land and water.....'

35. Improving air quality is overseen by Port Health and Environmental Services Committee and is a priority for the Health and Wellbeing Board. It is also of interest to the Planning and Transportation and Streets and Walkways Committees.
36. Since the initial deep dive report was written, improving air quality has been further embedded into key policy areas across the organisation. It now has cross departmental support in recognition of the issue being a corporate risk.

Conclusion

37. Significant action has been taken since the initial deep dive report for this risk was presented to the Audit and Risk Management Committee on 14 June 2016.
38. The City Corporation is more than fulfilling its statutory duties to improve air quality. A revised Air Quality Strategy will provide the framework for further action to be undertaken to 2025, subject to sufficient resources being made available. The impact of the actions will be measured using the extensive network of monitoring equipment already in place.
39. Despite the above, levels of air pollution remain a problem. The introduction of the Ultra-Low Emission Zone will not be sufficient to meet limit values for nitrogen dioxide in the Square Mile within a reasonable time frame. Additional action is required. This has been recognised by the consideration of Zero Emission Zones in the draft Transport Strategy and by working with London Councils on proposals for new powers for London local authorities to control emissions from combustion plant.
40. In addition to local action, it is important that the City Corporation continues to support the Mayor of London and play a leading role in developing and implementing effective air quality policy and supporting air quality research across the Capital. It should also continue to ensure that all corporate policies reflect the need for better air quality.

Appendices

- Appendix 1 – Risk and Progress Summary for CR21:Air Quality

Background Papers – Committee report - Report to Audit and Risk Management Committee on Air Quality 14 June 2016

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CR21

Report Author: Paul Dudley

Generated on: 17 October 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
P00141 201 Air Quality 07-Oct-2015 Jon Avern	<p>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.</p> <p>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.</p> <p>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.</p>	<p>Likelihood</p> <p>Impact</p>	12	Risk rating changed as monitoring data shows improvements in air quality, particularly at background sites. Also a significant amount of action is now being taken to improve air quality 12 Oct 2018	<p>Likelihood</p> <p>Impact</p>	6	31-Dec-2020	 Decreasing

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.						
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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.	Ultra low emission vehicle street pilot planned for April 2019. Draft Transport Strategy details a range of actions to reduce emissions from vehicles including zero emission zones from 2020	Jon Averns	12-Oct-2018	31-Dec-2019
CR21 001f	Investigate options to reduce emissions from combustion plant in the City using local legislation.	Report outlining proposals for reducing emissions from combustion plant will be presented to PHES and P&R Committees in November	Jon Averns	12-Oct-2018	31-Dec-2018
CR21 001g	Renew the City of London Air Quality Strategy	Officers are to renew the City of London Air Quality Strategy by March 2019'	Jon Averns	12-Sep-2018	29-Mar-2019
CR21 001i	Pilot an ultra-low emission street in the City of London.	Feasibility study complete. Consultation to start 22 October for 6 weeks.	Jon Averns	12-Oct-2018	31-Dec-2019

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Committee(s)	Dated:
Audit and Risk Management	06.11.2018
Subject: Deep Dive: CR09 Health and Safety	Public
Report of: Chrissie Morgan, Director of Human Resources	For Information
Report author: Justin Tyas, Health Safety and Wellbeing Manager (People)	

Summary

Corporate Risk 09 concerns the City of London Corporation'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.

Protecting the health and safety of employees and others including members of the public who may be affected by the City Corporation's activities is an essential part of successful risk management. Failure to comply can have serious consequences – for both organisations and individuals. Sanctions include fines, imprisonment and disqualification.

It may be appropriate to consider retiring the current CR 09 risk and/or re-scoping one or more focus health and safety risks which are aligned to organisational need such as fire safety compliance.

Recommendation(s)

Members are asked to note the report.

Main Report

1.0 Background

- 1.1 The basis of British health and safety law is the *Health and Safety at Work etc. Act 1974*. The Act sets out the general duties which employers have toward employees and others including members of the public, and employees have to themselves and to each other.
- 1.2 These duties are qualified in the Act by the principle of '*so far as is reasonably practicable*'. In other words, an employer does not have to take measures to avoid or reduce the risk if they are technically impossible or if the time, trouble or cost of the measures would be grossly disproportionate to the risk. The law requires effective management and informed common sense, which employers should be achieving anyway.
- 1.3 Failure to comply with these requirements can have serious consequences – for both organisations and individuals. Sanctions include fines, imprisonment and disqualification.
- 1.4 Under the *Corporate Manslaughter and Corporate Homicide Act 2007*, an offence is committed where failings by an organisation's senior management are a substantial element in any gross breach of the duty of care owed to the organisation's employees or members of the public which results in death. The maximum penalty is an unlimited fine and the court can additionally make a publicity order requiring the organisation to publish details of its conviction and fine.
- 1.5 Employers are required to make suitable (health and safety) arrangements for the effective planning, organisation, control, monitoring and review of the preventive and protective measures. Effective health and safety management enables innovation, growth and enhances productivity, as well as helping the City Corporation achieve its strategic objectives.
- 1.6 The external enforcing authority for health and safety at the City of London of London Corporation is the Health and Safety Executive (HSE). Fire safety is enforced by the Fire and Rescue Service (Fire Brigade) under separate legislation (Regulatory Reform (Fire Safety) Order 2005).
- 1.7 The City Corporation's health and safety management system (using the HSE's *HSG 65* model) apply a *Plan, Do, Check, Act* approach, attempting a balance between the systems and behavioural aspects of management. It also treats health and safety management as an integral part of good general management, as opposed to a stand-alone system. The Health Safety and Wellbeing (People) Team (in corporate HR) are the custodians of the health and safety management system.

2.0 Current Position: Corporate Risk (CR) 09 - Health and Safety

2.1 The CR09 risk description is:

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.

2.2 Current Risk Score - 12: Impact 4 (*major*) x Likelihood 3 (*possible*) [October 2018]

2.3 This Corporate Risk (CR 09) is reviewed on a regular basis at a frequency not exceeding three months. At each review the agreed actions designed to mitigate and manage this risk are reviewed, along with the system of internal controls. An evaluation of the risk score is undertaken based on a judgement of efficacy of the current controls. Consideration is given to any emerging evidence which could challenge the level of control.

3.0 Risk Actions

3.1 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 areas of higher risk profile within the City Corporation (Actions: **CR09B** and **CR09C**).

3.2 Following the tragic fire at Grenfell Tower there has been increasing Corporate demand for reassurance on the suitability and sufficiency of the Corporation's fire safety management system, especially fire risk assessment. It has been possible to answer simpler enquiries such as '*are all Department property fire risk assessments in place?*' through reallocation of existing resources but subsequent questions regarding the quality of said fire risk assessments or if all actions from the fire risk assessments been closed out by Departments are more time consuming and complex to answer.

3.3 The Corporate Health, Safety and Wellbeing Committee has been monitoring the situation and in March 2018 recognised the need for an additional resource that could target auditing, compliance and offer additional support to Departments who are responsible for implementing key sections of the Corporate fire safety management plan. Request for Additional Funding of a Fire Safety Compliance Officer Post is being made to Resource Allocation Sub-Committee (13 December 2018). The post would sit in the Property Health and Safety Team (City Surveyors).

- 3.4 Training and development for Senior Management in larger organisations is one of the most important parts of any safety programme. The senior leadership team must be ‘on-board’ in order to give the safety initiative weight – and to understand how good safety practice contributes directly to service delivery, profitability or both. Senior managers need to understand their own role and accountabilities in ‘making safety happen’ (particularly in light of the Corporate Manslaughter legislation). Without the support and ‘buy-in’ of the Senior Management team, any health and safety programme will inevitably falter – and fail to deliver the benefits expected.
- 3.5 A programme of interactive senior leadership health and safety briefings is being implemented for Chief Officers and their reports (**CR09G**). To date these have been completed for The Barbican, Guildhall School, Boys School, Freeman’s School, Markets and Consumer Protection, City Surveyors, Built Environment, Open Spaces and Children and Community Services. A further briefing has been scheduled for Mansion House and Central Criminal Court in November 2018.
- 3.6 The top (and persistent) reason for reported sickness absence at the City Corporation is *anxiety/stress/depression/other psychiatric illnesses*. Grounded in a growing body of the evidence including awareness of best practice, the “CityWell” (employee wellbeing) programme has been re-focused, following a report to the Establishment Committee in February 2018 on mental health as the top priority, supported by a wider health promotion / wellness programme. Advanced consultation is underway on the development of a workplace wellbeing mental health action plan (**CR09H**).
- 4.0 **System of Internal Controls (IC)**
- 4.1 The following section highlights some of the key internal controls and systems in place to ensure the health and safety management system remains effective and relevant.
- 4.2 **Health Safety and Wellbeing Committee**
- 4.3 The City Corporation has an effective Chief officer-led Health, Safety and Wellbeing Committee which is chaired by the Town Clerk and Chief Executive. This sets the tone from the top and facilitates buy-in. Its function is to advise and make recommendations to the City Corporation's Chief Officers on matters relating to the overall management of health, safety and wellbeing as established under the Health, safety and Wellbeing Policy.
- 4.4 **New Mental Health and Wellbeing Policy**
- 4.5 As noted previously (3.5), mental ill-health issues are the top reason for recorded absence at the City Corporation. Mental ill-health and stress are associated with many of the leading causes of disease and disability in our society. Promoting and protecting the mental wellbeing of the workforce is important for individuals’ physical health, social wellbeing and productivity.

- 4.6 Addressing workplace mental wellbeing can help strengthen the positive, protective factors of employment, reduce risk factors for mental ill-health and improve general health. It can also help promote the employment of people who have experienced mental health problems and support them once they are at work.
- 4.7 In May 2018 the Establishment Committee agreed the (new) Corporate Mental health and Wellbeing Policy. As an employer we aim to create and promote a culture where employees can talk openly about their job and mental health problems and to report difficulties without fear of discrimination. The new mental health and wellbeing policy supports this aim.
- 4.8 New Corporate Safe Work at Height Policy**
- 4.9 Latest statistics from the HSE reveal that, although falls from height are reducing, they are still one of the most common causes of injuries to employees and over the last five years have accounted for 28% of fatalities in the workplace. As such over this period unsafe working at height has been the main reason for workplace deaths in the UK.
- 4.10 Working at height is a risky business. Risks need to be properly assessed and work carefully planned, even at relatively low heights. The new revised Corporate Safe Working at Height Policy aims to protect the health of staff and others through good planning and risk assessment. It details what the Corporation is going to do in practice to achieve the aims set out in its statement of health and safety policy. It also provides consistency of practice, which is practical and can be assimilated with operational demands. The new safe working at height policy was agreed by Summit Group in September 2018.
- 4.11 Control of Contractors Policy**
- 4.12 Anyone engaging contractors has health and safety responsibilities, both for the contractors and anyone else that could be affected by their activities. Contractors themselves also have legal health and safety responsibilities. Use of contractors' forms part of an organisation's undertaking; health and safety responsibilities cannot be contracted out to third parties.
- 4.13 Without a robust Corporate Policy arrangement on managing contractors there is a risk of responsibilities not being met and breaches of health and safety duties, that together result in threats to service delivery, damage to property, and individuals being harmed.
- 4.14 The Corporate Control of Contractors Policy aims to protect the health of staff and others. It details what the Corporation is going to do in practice to achieve the aims set out in its statement of health and safety policy. It also provides consistency of practice, reflects Policy and Resources Committee's decision and meet operational demands. A revised Control of Contractors Policy was agreed by Summit Group in September 2018.

4.15 **Most significant health and safety risks**

4.16 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. Risk that have been administered effectively through Pentana include Traffic Management at New Spitalfields Market and Unloading Operations at Smithfield Market.

4.17 **Key Performance Indicators**

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

4.19 **Health and Safety (Property)**

The Property Health and Safety Team consists of four posts a Health and Safety Manager, Fire Safety Advisor, Health and Safety Advisor (specialising in Asbestos and Water Safety) and Guildhall Health and Safety Advisor (covering Guildhall complex and specialising in event safety). The team has been instrumental in creating and negotiating new corporate policies and compliance standards that aim to deliver key safety and health objectives of the Corporate Plan. They have been successful in informing and upskilling groups of managers and staff. Over the last 12-months there has been a heavy focus by the team on contractors, building safety compliance, and fire.

4.21 **Health Safety and Wellbeing (People)**

4.22 The Health Safety and Wellbeing team are based in Human Resources and consist of a manager and health safety and wellbeing advisor. The Health Safety and Wellbeing Strategy (People) (2018 – 2023) was revised and refreshed to align with the new Corporate Plan.

4.23 Everything we do supports the delivery of the Corporate Plan's **three strategic objectives** and we contribute through the Human Resources Business Plan to the **twelve corporate outcomes**, especially:

- **People are safe and feel safe** (Outcome 1);
- **People enjoy good health and wellbeing** (Outcome 2)

4.24 The approach is informed by our corporate outcomes. These have been themed as CitySafe and CityWell respectively and form the principal strands of our contribution to the HR Business Plan and Transformation Programme. They have six overarching sub-themes:

- **Managing risk well:** Simplifying risk management, enabling innovation and facilitating radical ways of working

- **Keeping pace with change:** Anticipating change and tackling new and emerging health and safety challenges
- **Tackling work-related ill-health:** Developing the wellbeing of our workforce, reducing the stigma around mental ill-health, and providing a safe and healthy working environment
- **Acting together:** Developing active and visible leadership in line with our Corporate Values and promoting broader health and safety ownership
- **Sharing our successes:** Growing and nurturing our staff through excellent learning and development opportunities, and celebrating our successes
- **Working well together:** Engaging with others holistically to add value, share resources, embed good practices, and develop behaviours

5.0 Corporate and strategic implications

5.1 An established legal principle (case precedent) is that health and safety enforcement action can proceed on the basis of risk i.e. a loss does not have to occur for a successful prosecution (R-v-Board Trustees of the Science Museum: 1993).

5.2 The Sentencing Council published its guidelines for health and safety offences including Corporate Manslaughter in 2016. This marks a significant change by trying to ensure that those found guilty of health and safety offences are heavily penalised by the courts. It has resulted in a marked increase in the level of fines (which cannot be insured against).

5.3 Fines are based on an organisations turnover rather than profit, even for a 'medium' sized organisation fines typically range from hundreds of thousands to several million pounds for those found most culpable of offences. During the first two years this has certainly been the case, with multiple fines exceeding £1,000,000.

5.4 The number of Directors prosecuted for health and safety offences has increase significantly in recent years. Data confirm that the Health and Safety Executive (HSE) is displaying an increased zeal to prosecute the most senior individuals within organisations.

6.0 Horizon scanning / keeping pace with change

6.1 There is no current indication that there will be significant changes to the UK's health and safety legislative framework after leaving the EU. To note that, however, European Union driven legislation (Directives) has already been translated into United Kingdom law primarily as Regulations (subordinate legislation) under the Health and Safety at Work etc. Act 1974

6.2 Mental health training and development / tackling work related ill-health

6.3 Mandatory mental health awareness training for managers was agreed at the Establishment Committee in February 2018 and good progress is being made in this regard.

6.4 Mental Health First Aid (MHFA) training is analogous to physical first aid. Whilst not a legal requirement, one is more likely to meet someone suffering

distress / suicidal thoughts than someone experiencing physical ill-health or injury requiring intervention. The City Corporation took the decision to train in-house Mental Health First Aid Instructors and roll-out an internal programme of accredited MHFA training across the corporation, along with mandatory mental health awareness training for managers.

- 6.5 A petition of over 200,000 signatures was handed to Downing Street on 8 October 2018 calling for a change in the law (First Aid at Work Regulations) to ensure mental health first aid is on par with physical first aid and made a legal requirement. Regardless of whether the law changes in the near future, to date, over 50 City Corporation employees have been trained as MH First Aiders and there is growing evidence of the benefits of this approach.

7.0 Options / current risk climate

- 7.1 The Health and Safety Corporate Risk (CR09) is currently written as a “business and usual” / general risk associated with the safety management system. This may be unhelpful from the perspective of the current risk climate and organisational appetite for risk. It may be appropriate consider one or more focused health and safety risk(s). For example, around corporate fire safety compliance.
- 7.2 Effective Health and Safety management enables innovation, growth and enhances productivity, as well as helping the City Corporation to achieve its strategic objectives. However, there are very few risks which when realised can have such potentially negative effects (as described above)
- 7.3 Audit and Risk Management Committee "Deep Dive" (May 2017) recommended that 'consideration should be given to re-evaluating and potentially lowering the risk score (reduced chance of an event not the impact) before the end 2017'. However, in June 2017 the events of the Grenfell tower block fire put health and safety / fire safety very visibly under public / political focus.
- 7.4 The Corporate Health and safety teams (Property and People) have been supporting a number of departments with fire and health and safety issues including the Central Criminal Court, Barbican, Guildhall School and Housing (DCCS).
- 7.5 Since the last Health and Safety (CR09) Deep Dive (May 2017) there has been no health and safety enforcement action by the HSE. Several non-statutory deficiency notices were issued by the Fire and Rescue service. A joint (fire) enforcement notice on the Barbican Centre and tenant was issued, and this was complied with. There were no prosecutions by the Fire and Rescue Service.

8.0 Conclusion

- 8.1 There is no current indication that there will be significant changes to the UK's health and safety legislative framework after leaving the EU.

- 8.2 There are a number of mechanisms the City of London Corporation utilises to mitigate and manage its health and safety risks. The small team of competent persons continue to develop the safety framework and focus towards assuring the organisation as current resources allow.
- 8.3 It may be appropriate to consider retiring the current risk (CR09) and/or re-scoping one or more focused health and safety risks, which are aligned to organisational need such as fire safety compliance.

Appendices

- Appendix 1 – Risk and Progress Summary for CR09: Health and Safety

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Appendix 1 – Risk and Progress Summary for CR09: Health and Safety

CR 09 Health and Safety

Report Author: Paul Dudley

Generated on: 16 October 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
CR09 Health and Safety Risk 22-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	 Likelihood	12	The Corporate work at height Policy was agreed and signed off by Summit. The overarching Corporate Health Safety and Wellbeing Policy is currently been reviewed and refreshed. 08 Aug 2018	 Likelihood	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	21-Aug-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	21-Aug-2018	31-Dec-2018
CR09H	To implement and deliver a Workplace Wellbeing Action Plan	Plan is being scoped for stakeholder consultation.	Justin Tyas	21-Aug-2018	31-Mar-2019
CR09I	Working on a draft Lone Working and Preventing Violence Policy	working on a draft Lone Working and Preventing Violence Policy	Justin Tyas	21-Aug-2018	31-Dec-2018

Committee(s)	Dated:
Audit and Risk Management Committee	6 November 2018
Subject: New Corporate Risk - Brexit	Public
Report of: Dr Peter Kane, Chamberlain	For decision
Report author: Paul Dudley, Chamberlain's department	

Summary

This report seeks the Committee's endorsement of a new corporate risk focused on minimising the impact of disruption to key City Corporation services following the departure of the UK from the European Union on 29 March 2019 (Brexit). It also highlights eight subsidiary risks to be maintained at departmental level and owned by respective Chief Officers. These eight risks will be maintained on departmental risk registers.

Recommendation

The Committee is asked to:

- Endorse the decision of the Summit Group to approve the inclusion of a new corporate risk (CR26) in relation to Brexit.
- Note the eight subsidiary Brexit related risks to be maintained by Chief Officers on departmental risk registers.

Main Report

Background

- 1 On 23 June 2016, the UK voted to leave the European Union (EU) and subsequently the date of exiting the EU was determined to be 29 March 2019.
- 2 Currently the UK is negotiating with the EU on the Withdrawal Agreement which will need to be finalised within the next month or so to allow enough time for the UK and EU Member Parliaments to ratify the agreement.
- 3 Brexit has long been recognised as a risk (as well as an opportunity) to the finance and other sectors of the City of London economy. One of the key aims in the Corporate Plan 2018-23 is Supporting a Thriving Economy and the its associated corporate outcomes. In particular corporate risk (CR02) Loss of Support for the Business City, focusses on the City's position as the world leader in international financial services being adversely affected by events

such as Brexit. The Committee received a deep dive report on this risk at their meeting on 25 September 2018.

4. There remains uncertainty on the terms that the UK will leave the EU on the 29th March 2019. The Town Clerk has identified a new corporate risk (see appendix 1) that is focussed on the potential impact on the City Corporation as a whole and scored as an amber 6. This risk was approved, by Summit Group, for inclusion on the corporate risk register on 19 October 2018.

Subsidiary risks have been identified on key service areas at departmental level:

Impact on:

- a) the recruitment and retention of City Corporation staff (Owner: Director of Human Resources)
- b) City Corporation procurement and supply chains (Chamberlain/Commercial Director)
- c) the movement of goods through the Port Health Authority functions (Director of Markets & Consumer Protection)
- d) City Corporation income streams (Chamberlain)
- e) the attractiveness of London for workers, businesses and visitors (Director of Economic Development)
- f) the regulatory landscape covering City Corporation services (Remembrancer)
- g) local communities (Director of Community & Children's Services)
- h) the loss of access by EU students affecting GSMD courses (GSMD)

Chief Officers have been requested to address these risks by identifying work that is already underway and what more they are planning to do. The expectation is that these risks will be featured in their respective departmental risk registers.

5. The Town Clerk has asked that Brexit risk becomes a standing item on the Summit Group agenda and that a task and finish group will take an overview of the City Corporation's preparations to ensure that the impacts on key service areas are minimised following the departure of the UK from the EU on 29 March 2019.

Conclusion

6. A new corporate Brexit risk was approved by the Summit Group on 19 October 2018. Eight new subsidiary risks have also been identified at departmental level. These risks are all aimed at minimising the impact on key services of the UK leaving the EU on 29 March 2019.

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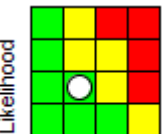

CR26 Brexit risk

Report Author: Paul Dudley

Generated on: 19 October 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
CR26 Brexit 17-Oct-2018 John Barradell	<p>Cause – The outcome of Brexit negotiations does not secure continuity of contracts, access to talent, ongoing grant funding and/or security of supply chains</p> <p>Event – The City Corporation services fail to prepare appropriately for the UK departure from the EU in March 2019</p> <p>Effect – There are a range of potential impacts. The City Corporation's services are disrupted as supply chains and contracts are reassessed, potentially increasing cost and reprioritisation of resources. Uncertainty over multi-year grants may undermine the City Corporation's ability to deliver or commit to services. The City Corporation may be unable to access the specialist talent and supply chains it needs to deliver some of its services.</p>	 <p>Likelihood</p> <p>Impact</p>	6		 <p>Likelihood</p> <p>Impact</p>	4	29-Mar-2019	 Constant

Action no	Description	Latest Note	Action owner	Latest Note Date	Due Date
CR26a	Ensure that appropriate Brexit related risks are identified, assessed, mitigated recorded on departmental risk registers	<p>Officers to identify appropriate mitigations:</p> <ul style="list-style-type: none"> Impact of Brexit on the recruitment and retention of City Corporation staff (Owner: Director) 	Simon Latham	17-Oct-2018	29-Mar-2019

		of Human Resources) <ul style="list-style-type: none"> • Impact of Brexit on City Corporation procurement and supply chains (Chamberlain/Commercial Director) • Impact of Brexit on the movement of goods through the Port Health Authority functions (Director of Markets & Consumer Protection) • Impact of Brexit on City Corporation income streams (Chamberlain) • Impact of Brexit on the attractiveness of London for workers, businesses and visitors (Director of Economic Development) • Impact of Brexit on the regulatory landscape covering City Corporation services (Remembrancer) • Impact of Brexit on local communities (Director of Community & Children's Services) 			
CR26b	Progress on all departmental Brexit risks and their mitigations be reported monthly to Summit Group		Simon Latham		29-Mar-2019

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Committee(s)	Dated:
Information Technology Sub-committee	02/11/2018
Audit and Risk Management Committee	06/11/2018
Subject:	Public
General Data Protection Regulation (GDPR) Audit	
Report of:	For Information
Michael Cogher, Comptroller & City Solicitor	
Report author:	
Michael Cogher, Comptroller & City Solicitor,	

Summary

This report presents the outcome of the internal audit of phase 1 of the Corporation's arrangements for compliance with the General Data Protection Regulation (GDPR) which came into force on 25th May 2018 together with a general update on the phase 2 activities. Oversight of GDPR is the responsibility of the IT Sub-committee and the Audit and Risk Management Committee.

Recommendations

1. Members are asked to note the report.
2. To determine the frequency of further GDPR monitoring reports and in particular in relation to data breaches.

Introduction

1. The EU introduced updated and harmonised data protection regulations known as the General Data Protection Regulation (GDPR) which came into force on 25 May 2018.
2. This Report outlines the steps that the Corporation has taken to ensure that it is GDPR compliant, the findings and recommendations of the internal auditors, Mazars, and the work being undertaken in phase 2 of the GDPR project which commenced on 25th May 2018.

GDPR Project Progress

3. The first phase of the Corporation's preparations for GDPR were completed in advance of the GDPR implementation date of 25th May 2018. In summary these included a review and revision of the Corporation's information governance practices, policies and procedures, privacy notices; training and awareness raising; and ensuring the necessary technical IT and information security systems are GDPR compliant.

4. These tasks were the subject of phase of a detailed project plan overseen by the Information Board and IS Steering Group and delivered by the GDPR Project Team and departmental Access to Information Network Representatives (AIN) and management teams. Member scrutiny and member level decision making was undertaken by the IT Sub-Committee and the Policy and Resources Committee.
5. The Comptroller & City Solicitor was formally appointed by committee as the Corporation's Data Protection Officer (DPO) in November 2017. The role of the DPO is to inform and advise the organization as to its obligations under GDPR, monitor compliance, advise on data protection impact assessments and co-operate and act as a contact point with the ICO. Chief Officers remain responsible for the use and security of personal data held by their departments and institutions.
6. The GDPR implementation project plan covering all tasks required to effectively prepare for GDPR compliance was created in September 2017 and audited by Mazars with a positive outcome and with no minor or major risks to project delivery identified. A further audit was undertaken by Mazars in late May 2018 to assess the Corporation's readiness and levels of compliance with GDPR requirements. The Mazars audit adjudged the Corporation to be 'materially compliant with GDPR requirements', the GDPR Project Team found the findings of the Mazar's report to be broadly accurate, some of the recommendations had already been incorporated into the GDPR phase 2 project plan. The GDPR Project Team responded to Mazar's report and a final draft was received from Mazar's in October 2018 (Appendix 1) with a reduced number of high priorities based on feedback from the GDPR Project Team. The auditor's recommendation and the management response are set out in Appendix 1, pages 7 to 14 of the report.
7. Phase two GDPR project which runs from 25 May 2018 to 31 December 2018 aims to further embed and refine GDPR knowledge and compliance across the Corporation with the following priority areas:
 - Reviewing third party contracts for GDPR compliance (considered high priority by Mazars).
 - Reviewing and refining the overarching Corporation records retention policy and developing detailed departmental records retention policies (considered high priority by Mazars).
 - Auditing departmental compliance with GDPR requirements, advising and further embedding GDPR compliance as business as usual (considered low priority by Mazar's but viewed as critical to GDPR compliance by the GDPR Project Team).

GDPR Departmental Self-audit Monitor

8. Mazar's identified 'that there is a risk that implementation of tasks may not be sufficiently monitored in departments'.

9. To further embed GDPR as standard operational practice in departments a GDPR Self-Audit Monitor has been developed covering the key elements required for GDPR compliance (Appendix 2) for the departments which process large volumes of personal data and this was issued for completion by AIN representatives in Departments with a deadline of 31 October 2018. Once completed and returned the C&CS Information Team will undertake audits and advise AIN representatives on risk areas that require rectification and on how greater levels of compliance can be achieved. Progress and identified high risk areas will be reported to the Data Protection Officer, and where required IT Sub-committee and the Audit and Risk Management Committee.
10. Detailed guidance tailored to departments is on-going and will continue as department specific GDPR issues and risks arise particularly from the departmental compliance audits.

Third Party Contractors

11. This is an area rated as high priority by the Mazar's audit. The standard data protection clause was revised and has now been incorporated in all new contracts. All existing contractors received a written request for a response to confirm that they are GDPR compliant. 20 departments have been asked to complete a Contracts Register for live contracts with third parties who process personal data on behalf of the City of London Corporation, as a data controller. This register is used to identify key requirements of the GDPR for 3rd parties - if sub-processors are used, if procurement data protection schedules are in place and whether a Data Protection Impact Assessment is required. Of the 20 departments, 8 (40%) have completed the register, 5 (35%) confirmed they do not have such contracts and 7 (25%) departments are still working on the register.
12. A deadline of 31st October 2018 was issued to departments for the completion of and return of this register. The GDPR team will review the returns and determine any further action required (Appendix 3).

Records retention policy and schedules

13. The perceived lack of a record retention schedule was rated as a high priority in the Mazar's audit. The position across the Corporation remains mixed, with some areas of good practice and others needing improvement. The existing model records retention policy and schedule originally devised by the LMA was reviewed, revised and re-issued on the intranet. Departments were requested to complete a more detailed records retention schedule and 64% have done so thus far. Further, 14% of record retention schedules are currently work in progress and 22% of departments have not yet submitted a schedule (Appendix 3).

Information governance

14. Information governance was rated as low risk by the Mazar's report.

15. GDPR Corporate Risk CR 25 was created, agreed by Audit & Risk Committee and continues to be actively management, monitored and reported to both the Corporate Risk Management Group and to committee. The CR 25 Risk report is attached as (Appendix 5).
16. Project delivery is controlled at bi-weekly Project Team stage control meetings which monitor progress, capture GDPR issues and risks, assess required changes and associated corrective action and allocate work packages. The Project Team reports to the Information Board and IS Steering Group, additionally update reports and revised policies are reported to Policy & Resources and Establishment Committees and to IT sub-committee.
17. Regular liaison with IT workstreams is taking place which are reported to the GDPR Project Team for action and to the Information Board.

Training and communication

18. Six half day training sessions for AIN representatives and key staff were by the Comptroller & City Solicitor and Senior Information Compliance Officer all AIN representatives have undertaken the initial training. Further focused training has been provided to the HR Department, Remembrancer's Events Team, EDO. Quarterly AIN representatives' training and networking events have commenced with the first session taking place on 5th October 2018.
19. Five training sessions for Members were delivered, and member guidance substantially revised to incorporate GDPR requirements, template forms issued including RoPA, Privacy notices.
20. A mandatory GDPR e-learning training package was launched on City Learning on 23 April 2018 compliance levels were monitored by the Data Protection Officer and reported to Chief Officers current take up is over 94% (Appendix 4).
21. The GDPR corporate communications plan was agreed with the Communications Team and launched on 8 May 2018, further communications drives will be scheduled.
22. An initial GDPR intranet page has been updated to include guidance, news, policies, procedures, the relevant forms and FAQ's. This will further be updated in due course.

Data Privacy Impact Assessments

23. A data Privacy Impact Assessment template was developed and tested on the corporate CRM project and has now been refined, adopted and incorporated into the corporate project management toolkit and Corporate procurement process.

Policies

- 24. GDPR related policies have been revised to incorporate GDPR requirements including Employee Data Protection Policy, Data Protection Policy, Data Subject Rights Policy, Pupil and Parent Data Protection Policy, Data Breach Policy, Appropriate use of IT Policy, Information Security Policy, Storage of Data Policy, System Vulnerability Scanning Policy, Security Patching Policy and Procedure.
- 25. All staff will be required to re-read the key policies to refresh their knowledge and a MetaCompliance tracking tool will be used to monitor this.

Information Technology Systems

- 26. Requests for Tender have been sent to 4 potential providers of a software discovery tool which would be used to identify where personal data is stored at risk across the entire IT estate. Costs are required to assess the level of funding required.

Data Breaches

- 27. Under GDPR there is a duty to notify the ICO of data breaches posing a risk to individuals rights within 72 hours (where feasible) of becoming aware of the breach. Where there is a high risk to data subjects they must also be informed.
- 28. Since 25th May there have been 23 breaches notified to the DPO. A number of these related to pre-GDPR breaches. 5 were judged to be notifiable to the ICO. The ICO has responded to 3 indicating no action will be taken.
- 29. Of the 5, two related to mechanical problems with payslips/P60s, one to a misdirected email, one to a phishing attack and one to insecure use of post. In all cases Departments have been advised of appropriate steps to be taken to prevent future occurrences. Data subjects were notified in 4 cases.
- 30. The breach notification policy has been revised to provide that the Town Clerk, relevant Chief Officer(s), the Chairman of the IT Sub-committee and the relevant service committee Chairmen are notified of breaches notified to the ICO.
- 31. Members may wish to receive separate and more detailed reports, for example on a six-monthly basis, on data breaches.

Conclusion

- 32. GDPR places significant obligations on the Corporation in relation to the processing of personal data to protect the rights and freedoms of everyone.

33. The GDPR project has made significant progress, baseline compliance with GDPR requirements was achieved in May 2018 further work undertaken has reinforced and enforced compliance with GDPR requirements across departments. A further external audit during 2019 to measure levels of compliance across the Corporation will be considered in due course.

Appendices

1. Mazars Audit Report with management responses
2. Self-Audit Monitor Template and 2a. Guidance
3. Summary of completed Records Retention Schedules and Third-Party Contracts
4. Table: Departments completion of the Data Protection E-Learning Programme, as of 3 October 2018.
5. Pentana Report Risk

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Report to:



GDPR Project Review

2 October 2018

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Status of our reports

This report ("Report") was prepared on the basis of the limitations set out in Appendix 6 by Mazars LLP at the request of City of London Corporation (CoL) and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Mazars have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.



Executive Summary

Background

The City of London Corporation (CoL) provides services such as environment protection, housing, council tax, children and adult social care, to a residential population of approximately 8,000 people. There are however over 400,000 people that commute into the City every day for work and over 10 million visit as tourists every year.

At the request of the CoL, Mazars LLP has undertaken a review of their GDPR Project Plan for the introduction of, and compliance with, the General Data Protection Regulation (GDPR) legislation.

Adopted in April 2016 by the European Union, the GDPR came into effect on 25th May 2018. The legislation is intended to strengthen data protection rights for individuals within the EU.

This legislation also applies to organisations outside the EU that offer goods or services to individuals within the EU. The UK government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR.

Article 5 of the GDPR requires that personal data shall be:

- Processed lawfully, fairly and in a transparent manner in relation to individuals;
- Collected and used for specified, explicit and legitimate purposes;
- Adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
- Accurate and, where necessary, kept up to date (including taking every reasonable step to ensure inaccuracies are erased or rectified);
- Kept in a form which permits identification of data subjects for no longer than necessary (for the purposes of which the personal data is being processed). This includes not storing information for longer than necessary; and
- Processed in a manner that ensures appropriate security over the personal data.

Leading up to May 2018, the CoL has engaged with Mazars to undertake a review of their GDPR Project Plan and a high level overview of the CoL's data privacy governance, to assess the current preparations for compliance.

The ICO's 12 steps guidance includes processes that should already be in place (to comply with the Data Protection Act 1998):

1. **Awareness:** You should make sure that decision makers and key people in your organisation are aware that the law is changing to the GDPR. They need to appreciate the impact this is likely to have.
2. **Information you hold:** You should document what personal data you hold, where it came from and who you share it with. You may need to organise an information audit.
3. **Communicating privacy information:** You should review your current privacy notices and put a plan in place for making any necessary changes in time for GDPR implementation.

4. **Individuals' rights:** You should check your procedures to ensure they cover all the rights individuals have, including how you would delete personal data or provide data electronically and in a commonly used format.
5. **Subject access requests:** You should update your procedures and plan how you will handle requests within the new timescales and provide any additional information.
6. **Lawful basis for processing personal data:** You should identify the lawful basis for your processing activity in the GDPR, document it and update your privacy notice to explain it.
7. **Consent:** You should review how you seek, record and manage consent and whether you need to make any changes. Refresh existing consents now if they don't meet the GDPR standard.
8. **Children:** You should start thinking now about whether you need to put systems in place to verify individuals' ages and to obtain parental or guardian consent for any data processing activity.
9. **Data breaches:** You should make sure you have the right procedures in place to detect, report and investigate a personal data breach.
10. **Data Protection by Design and Data Protection Impact Assessments:** You should familiarise yourself now with the ICO's code of practice on Privacy Impact Assessments as well as the latest guidance from the Article 29 Working Party and work out how and when to implement them in your organisation.
11. **Data Protection Officers:** You should designate someone to take responsibility for data protection compliance and assess where this role will sit within your organisation's structure and governance arrangements. You should consider whether you are required to formally designate a Data Protection Officer.
12. **International:** If your organisation operates in more than one EU member state (i.e. you carry out cross-border processing), you should determine your lead data protection supervisory authority. Article 29 Working Party guidelines will help you do this.

Purpose of Review

The objective of the review is to provide an independent, objective opinion on the Col's GDPR Project Plan and data privacy governance taking into account the implementation in progress.

Scope of Review

- Assessment of plans in place to address GDPR, including identifying responsibility for ensuring that all areas are covered and no gaps are left leading up to the implementation of the new rules;
- Overview of the main areas of risk in relation to the new GDPR regulation; and
- Assessment of general awareness amongst staff in relation to the new regulation.

The Terms of Reference for this review are included in Appendix 5.

Key Findings

Priority	Number of recommendations
HIGH	2
MEDIUM	0
LOW	5
TOTAL	7

Summary of the issues identified as a result of our work

The CoL has achieved material compliance with GDPR, as they have all the necessary measures in place and are in progress of becoming fully compliant (please see 'Good Practices' section below), once all the below points have been fulfilled.

- The review of third party contracts has not been fully completed but there has been good progress to address these sufficiently i.e. contractual clauses for data sharing;
- A final retention policy has not been implemented, although this is currently under review. Furthermore, a formal review of all data stored on computer network drives is required, with the help of proposed diagnostic tools;
- The GDPR Project team and the Access to Information Network (AIN) representatives (reps) have worked and coordinated successfully on implementations tasks; however, the going use of the AIN reps should be regularly reviewed to confirm that their continued use meets the expected requirements;
- A mini gap analysis and follow-up audit is beneficial to ensure the tasks are completed and identify any remaining aspects of the GDPR implementation;
- There is ongoing 'Business As Usual' support by the Governance team to continue with GDPR compliance, alongside engagement with the AIN reps who monitor and support departments. The GDPR e-learning course suggests engagement; however, the remaining 6% out of the 94% completion should be identified in order to establish if they are active staff or not;
- Additional resourcing may be needed to embed compliance more actively in some departments, this could be utilised from the GDPR Project team.

Full compliance can be achieved within the organisation once all the above points have been completely accomplished. In particular the review of all data and successfully updating all third party contracts.

Within the overall findings, two 'high' and 5 'low' recommendations were identified during the course of the review. The rating definitions are outlined in Appendix 4.



Good Practices Identified

Areas of good practice / compliance identified during the review

During the course of this review, a number of good practices were identified, as follows:

- A phase two project plan is in place, which includes:
 - Designing a structured job role for the AIN reps;
 - Updating all third party contracts;
 - Follow-up training sessions, communications and reporting;
 - A mini gap-analysis and a follow-up audits across departments;
 - A final retention policy and diagnostic software (sniffing tool) to be enforced; and
 - Investigation tools and meta compliance tools to assess compliance.
- The GDPR project will continue to embed compliance within phase 2 of the implementation and address all key issues, which will run until the 31 December 2018. The Comptroller and City Solicitor was appointed as the Data Protection Officer (DPO) in September 2017. The DPO is of a legal background and is aware of the importance of GDPR compliance. The DPO has good support from senior staff members.
- The training plan indicates that 94% of staff have completed the training. They are keen to get this figure up to the full 100% and identify who the remaining 8% are against active staff.
- A final retention policy is being considered in order to build a formal review of data, which will be come into force in phase two of the implementation.
- There are AIN's reps within the organisation who are responsible for GDPR implementation tasks in their respective departments. They coordinate with the GDPR Project team to support and encourage compliance throughout departments.
- Since our initial review CoL has demonstrated substantial progress on key areas by taking into account our recommendations, particularly in relation to the size of the organisation.

Findings and Recommendations

Ref	Finding	Recommendation	Management responses	Priority
1	Reviewing third party contracts			
	<p>The reviewing of existing third party contracts has not been fully completed in compliance with the GDPR, particularly contracts with suppliers to ensure data sharing is consistently compliant. It is, however, noted that good progress is being made on the review of third party contracts, in particular updating contractual clauses and data sharing agreements which are yet to be finalised.</p> <p>These contracts must be amended before transferring data to third parties. Moreover, an assessment of contracts that are high risk also need to be completed, by identifying where CoL are controllers or processors, where applicable and taking into account the relevant lawful basis for processing.</p>	<p>The review of the third party contracts requires immediate action if data is transferred between third parties, particularly those that are of high risk where CoL is the data controller and those with suppliers. However, we are aware this is a core focus within phase two of the implementation and it should be flagged as vital to continue processing compliantly.</p> <p>Distinction between where COL is a data controller and data processor is also necessary to determine the responsibility.</p>	<p>Departments have been collating a standard format Contracts Register for live contracts with third parties who process personal data on behalf of the City of London Corporation as a data controller.</p> <p>This has been a time-consuming exercise and progress has been made with 66% of departments in scope submitting returns. A progress report was sent to Chief Officers on 16.10.18 and will be further reported in the GDPR progress report to IT-sub committee on 02.11.2018.</p> <p>When all returns are received, a Corporate Register of contractor GDPR compliance will be created exceptions and non-responses will be reported to Chief Officers for rectification.</p> <p>Responsibility: Departmental Managers supported by departmental AIN reps and the C&CS Information Compliance Team</p> <p>Target Implementation Date: 31 December 2018</p>	High

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Ref	Finding	Recommendation	Management responses	Priority
2	Retention policy			
	<p>A final records retention schedule has not been implemented, which is particularly concerning considering the vast amount of information stored. Although there is a generic records retention policy that forms the basis of the final version this has not yet come into force; it is noted at the time of audit, however, that progress has been made in terms of departments reviewing their own retention schedules as part of the final one.</p> <p>In addition to this, a formal review of the data stored both physically and electronically is necessary to identify what information needs to be retained or deleted. The concerns are around unstructured data, and the 'W Drive' is an example of a server that has a vast amount of information. The Information Management team is encouraged to review and manage the data stored on network drive. Based on the interview with the Deputy IT Director, we understand that this can be achieved using diagnostic software known as 'Sniffing Tools'. The IS team is also investigating tools to identify and manage all unstructured data to ensure compliance with GDPR. Although this is a grey area that has not yet reached full compliance there are good measures in place to satisfy this going forward.</p>	<p>CoL should ensure that the final retention schedule is put into place rapidly, in order to ensure all staff are aware of how long they should potentially keep their physical and electronic data for.</p> <p>A data cleanse or destruction review is essential in managing data throughout the organisation, in order not to keep information 'for longer than is necessary', particularly if the purposes it was collected for has been completed. This will be deemed unnecessary as there is unlikely to be a lawful basis for retention. Ensuring that data is either erased or anonymised when you no longer require it will reduce the risk of it becoming irrelevant, excessive, inaccurate or out of date. This will help comply with the data minimisation and accuracy principles under the GDPR.</p> <p>This should be accessed immediately and followed up on an annual basis, with help from the 'sniffing tool' and any other investigating tools that will assist with this.</p>	<p>a) Records Retention Good progress has been made on departmental records retention schedules but 8 departments are yet to submit schedules. In addition to local schedules, there is the 83 page CoL Model Retention Schedule which has also been updated. For info. there is a draft Records Management policy from 2015 which will be revised and re-issued as part of the corporate Information Management Review.</p> <p>Responsibility: Departmental Managers supported by departmental AIN reps and the C&CS Information Compliance Team</p> <p>Target Implementation Date: 31 December 2018</p> <p>b) Data Storage / Discovery This remains as a red risk on the GDPR plan. Currently awaiting costs from 4 potential suppliers. This should be two separate findings – Records Retention Schedules and Data Discovery & Retention. We have some control over Records Retention but Data Discovery & Retention is largely dependant on a 3rd party service provider. They are separate items on the project plan. Responsibility: IS Department Target Implementation Date: 31.03.2019</p>	High

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Ref	Finding	Recommendation	Management responses	Priority
3	Review of GDPR programme governance arrangements			
	<p>The GDPR project team and AIN reps are responsible for the coordination of implementation tasks throughout the organisation. The governance structure has been regarded as efficient as support has been provided at department level; however, this needs to be finalised in terms of the structured job role for the AIN reps and having the appropriate tools in place to assess and monitor compliance. Moreover, the use of AIN reps should be reviewed to ensure that the process meets the City's success criteria.</p>	<p>Using tools such as Balanced Scorecards should provide granular updates of completion of tasks. Going forward it is beneficial that the GDPR project team will produce reports to keep track of the progress and communicate this with the AIN reps, to monitor progress or take further action where required.</p>	<p>A Self-Audit Compliance Monitor has been developed with input from some AIN Reps and business users. This has been issued to departments for completion in October 2018.</p> <p>Returns will be analysed high risks will be identified and AIN reps advised accordingly to improve compliance standards.</p> <p>AIN reps will provide the base compliance data, the responsibility for managing compliance lies with departmental management teams.</p> <p>A review of the AIN role in the wider context of Information Management will be conducted as part of the IM Review.</p> <p>Responsibility: Departmental Managers supported by departmental AIN reps and the C&CS Information Compliance Team</p> <p>Target Implementation Date: 31.12.2018</p>	Low

Ref	Finding	Recommendation	Management responses	Priority
4	Mini-gap analysis and a follow-up audit			
	There is no further gap analysis or follow-up audit to identify any issues going forward, for the remaining aspects of the GDPR implementation.	<p>A mini-gap analysis and follow-up audit for each department should be undertaken as it will ensure all outstanding tasks have been addressed, particularly due to the size of the organisation.</p> <p>This should be documented on a department level to see where improvements can be made. It will incorporate a direction going forward for phase two of the implementation.</p> <p>We are aware that the above points will be a focus in phase 2 of the GDPR implementation.</p>	<p>A Self-Audit Compliance Monitor has been developed with input from some AIN Reps and business users. This has been issued to departments for completion in October 2018.</p> <p>Returns will be analysed high risks will be identified and AIN reps advised accordingly to improve compliance standards.</p> <p>Responsibility: Departmental Managers supported by departmental AIN reps and the C&CS Information Compliance Team</p> <p>Target Implementation Date: 31 December 2018</p>	Low

Ref	Finding	Recommendation	Management responses	Priority
5	GDPR is not seen as an ongoing 'Business as Usual' (BAU) responsibility			
	Based on staff interviews, there is a concern that individuals in the organisation at all levels do not see GDPR as an ongoing BAU responsibility and that there may not be enough change at an individual level. However, this finding is based only on a small sample of representatives and there has been an ongoing BAU by the Governance team for many years under the previous Data Protection legislation to try and incorporate compliance and will continue throughout the GDPR.	<p>The Governance team, Project team and the AIN reps should continue to communicate with staff on the importance of GDPR under BAU practices. Staff should be regularly informed of their accountability and responsibility when collecting and processing data under the GDPR.</p> <p>A GDPR compliance checklist and Q&A sessions will endure engagement and remain consistent with compliance measures.</p>	<p>The Self-Audit Monitor will help identify areas which need to be managed. Also, the key GDPR policies will be re-issued and tracked by meta-compliance.</p> <p>The DPO has started quarterly AIN Forums to share knowledge and information on GDPR compliance issues and news. This will be supported by more general GDPR comms.</p> <p>Annual GDPR refresher e-learning is scheduled.</p> <p>Further specialist GDPR training will be delivered in response to feedback from AIN reps and where specific risks of non-compliance are identified by the Information Compliance Team.</p> <p>Responsibility: Departmental Managers supported by departmental AIN reps and the C&CS Information Compliance Team</p> <p>Target Implementation Date: 31 December 2018</p>	Low

Ref	Finding	Recommendation	Management responses	Priority
6	GDPR e-learning			
	<p>A GDPR e-learning course was sent out on 24 April and was expected to be completed by 18 May. The initial completion rate reported was 63%. The most recent completion on the GDPR e-learning course increased to 94%, which suggests there has been more engagement around GDPR.</p>	<p>The CoL should identify whether they are active staff that may have potentially affected the results. CoL should also devise a communication strategy or procedure to address the remaining staff whom are yet to complete the GDPR e-learning course. We also suggest that CoL should ensure that GDPR e-learning is integrated with the induction training of all new joiners.</p>	<p>E-learning compliance levels were analysed by departments and reported to Chief Officers on 16.10.2018 and will be further reported to IT sub-committee on 02.11.2018.</p> <p>Annual GDPR refresher e-learning is scheduled.</p> <p>Responsibility: Departmental Managers supported by departmental AIN reps and the C&CS Information Compliance Team</p> <p>Target Implementation Date: 31.03.2019 ongoing thereafter</p>	Low

Ref	Finding	Recommendation	Management responses	Priority
7	Additional resources			
	Based on staff interviews, there were concerns that additional resourcing could be needed to complete certain tasks, such as reviewing third party contracts. As discussed in the closing meeting, the CoL believe they already have the correct resources within the organisation and do not believe additional resourcing will make a big impact.	If there are difficulties meeting the December deadline then additional resources either internally or externally should be considered. Further resources may be necessary, particularly for the Compliance and IS teams. This could be utilised from the GDPR Project team to assist in to embedding GDPR compliance throughout all CoL departments.	<p>The compliance team is correctly resourced to deliver of the CoLC GDPR project phase 2.</p> <p>Ownership of GDPR should transition to BAU by December the Compliance Team will then manage ongoing GDPR governance, undertake follow-up audits, deliver GDPR refresher training, monitor and analyse data breaches and deliver communications and networking.</p> <p>Responsibility: Departmental Managers supported by departmental AIN reps and the C&CS Information Compliance Team</p> <p>Target Implementation Date: 31.12.2019 ongoing thereafter</p>	Low

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Appendix 1 – Glossary

TERM	DEFINITION
DATA	Is: (a) Information which is recorded to be processed by equipment which has been instructed for that purpose; (b) recorded as part of or with the intent of forming part of a relevant filing system; (c) recorded information held by a public authority; or (d) forms part of an accessible record (health, educational, etc.).
PERSONAL DATA	Any information relating to an identified or identifiable natural person ('data subject'); an identifiable natural person is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person.
SENSITIVE DATA	Personal data of the subject consisting of the following information: (a) ethnic origin; (b) political opinions; (c) religious or similar beliefs; (d) membership of trade union(s); (e) physical and mental health; (f) sexual life; (g) commission or alleged commission of any offences; or (h) any court proceedings pertaining to (g).
PROCESSING	Any operation or set of operations which is performed on personal data or on sets of personal data, whether or not by automated means, such as collection, recording, organisation, structuring, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission, dissemination or otherwise making available, alignment or combination, restriction, erasure or destruction.
DATA SUBJECT	To whom the personal data pertains.
DATA CONTROLLER	The natural or legal person, public authority, agency or other body which, alone or jointly with others, determines the purposes and means of the processing of personal data; where the purposes and means of such processing are determined by Union or Member State law, the controller or the specific criteria for its nomination may be provided for by Union or Member State law.
DATA PROCESSOR	Any person other than an employee of the Data Controller who processes data on the Data Controller's behalf.
INACCURATE DATA	Data which is incorrect or factually misleading.
RECIPIENT	A natural or legal person, public authority, agency or another body, to which the personal data are disclosed, whether a third party or not. However, public authorities which may receive personal data in the framework of a particular inquiry in accordance with Union or Member State law shall not be regarded as recipients; the processing of those data by those public authorities shall be in compliance with the applicable data protection rules according to the purposes of the processing.
THIRD PARTY	A natural or legal person, public authority, agency or body other than the data subject, controller, processor and persons who, under the direct authority of the controller or processor, are authorised to process personal data.

Appendix 2 – Documents Reviewed

List of documents reviewed as part of the engagement

- GDPR Project Plan;
- List of people in the GDPR project board;
- GDPR project board minutes;
- Contact details and job description of the Data Protection Officer;
- Records of processing activities (information register or data mapping);
- Data transfers register;
- Privacy Notices;
- Templates of terms and conditions of employment;
- Employee handbook;
- Employee Data protection policy;
- Data retention policy;
- Data breach policy;
- Data breach notification templates;
- Information security policy;
- Data protection and data breach training material to employees;
- Standard data sharing agreement template used with third parties;
- Evidence of marketing changes regarding consent;
- Back-up policy;
- Vulnerable scanning policy;
- Use of IT posters; and
- Audit and Risk Management Committee papers.

Appendix 3 – Staff interviewed

Name	Title
Daniel Mckee	Comptrollers
Jimmy Maravala	Community and Children's Services
Terry Morris	HR
Carol Simpson	HR
Matt Gosden	IS
Colin Tharby	IS

Mazars LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and cooperation.

Appendix 4 – Rating Definitions

Recommendation significance

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Priority Level	Definition
HIGH	Major issues for the attention of senior management. Such issue must imperatively be addressed before the 25 th May 2018 as it can lead to an important fine or serious reputational damage.
MEDIUM	Important issues to be addressed by management in their areas of responsibility. Such issue must be included in the GDPR compliance project plan to be implemented as soon as possible, preferably before the 25 th May 2018.
LOW	Minor issues that, although not essential, should be included in the GDPR compliance project plan as a matter of good practice and be implemented by the end of the year 2018.

The risks in this report have been assessed by considering the two levels of fines introduced in the GDPR, as shown in the table on the next pages.

Additional consideration is given when assessing the risks when processing activities involve special categories of data, as defined in Article 9 of the GDPR, or data relating to criminal conviction and offences, as defined in Article 10 of the GDPR. Such personal data must be processed with particular attention under the GDPR, especially in respect of data subjects' rights, legal basis for processing, international transfers, and implementation of proportionate security measures. The ICO's case law and the Article 29 Group's guidelines have also been taken into consideration to assess the risks.

Maximum administrative fines for non-compliance with GDPR Articles below and to which entity apply:	Up to €20m or 4% of global annual turnover, whichever is higher	Up to €10m or 2% of global annual turnover, whichever is higher
Art. 5 - Principles relating to processing of personal data	Controller	
Art. 6 - Lawfulness of processing	Controller	
Art. 7 - Conditions for consent	Controller	
Art. 8 - Conditions applicable to child's consent in relation to information society services		Controller
Art. 12 to 22 – Rights of data subjects	Controller	
Art. 25 - Data protection by design and by default		Controller
Art. 26 – Agreements between joint controllers		Controller
Art. 27 – Designation of representatives of controllers or processors not established in the Union		Controller and Processor
Art. 28 – Controller engagement of processors		Controller
Art. 29 – Processors acting only under the consent and instructions of the controller		Processor

Maximum administrative fines for non-compliance with GDPR Articles below and to which entity apply:	Up to €20m or 4% of global annual turnover, whichever is higher	Up to €10m or 2% of global annual turnover, whichever is higher
Art. 30 – Written records of processing activities		Controller and Processor
Art. 31 - Cooperation with the supervisory authority		Controller and Processor
Art. 32 - Security of processing (technical and organisational measures)		Controller and Processor
Art. 33 – Data breach reporting		Controller and Processor
Art. 34 – Data breach communication		Controller
Art. 35 – Conduct data protection impact assessments		Controller
Art. 36 – Consultation supervisory prior to processing after data protection impact assessment indicates high risk		Controller
Art. 37-38-39 – Appointment Data Protection Officer		Controller and Processor
Art. 44 to 49 - Transfers of personal data to third countries or international organisations	Controller and Processor	
Art 58 – Failure to comply with an order or with an investigation imposed by supervisory authorities	Controller and Processor	

Appendix 5 – Objectives and Scope

Background:

The new General Data Protection Regulation (GDPR) comes into force on 25 May 2018. Through GDPR, the European Commission seeks to strengthen and unify data protection for natural persons situated within the EU. An early, high level assessment will be made of CoL's plans and readiness to address the new requirements, to continue being compliant after 25 May 2018.

Audit objective and scope:

The primary purpose of this review is to provide an independent, objective assessment of CoL compliance with the GDPR requirements, and status of project plans CoL has in place.

Scope:

The primary purpose of this review is to provide an independent, objective assessment of CoL's readiness for the forthcoming GDPR requirements, and status of project plans CoL has in place.

This review will focus on the following areas:

- An assessment of the plans in place to meet with GDPR which came into force from May 2018. The audit will identify appropriate responsibility and plans to ensure that all areas are covered and no gaps are left;
- To review progress of CoL's GDPR risk assessment; and
- An assessment of general awareness amongst CoL's staff and Senior Management in relation to the new regulation.

We will bring to the attention of management any significant matters relating to these or other areas that come to our attention during the course of the review.

Approach

Our approach to the review will be as follows:

- Review progress of the work towards GDPR compliance via documentation review and discussions with appropriate personnel;
- Validate the risks identified and assess the project plans in place;
- Identify gaps for the areas under review; and
- Hold closing meetings with relevant key personnel to discuss audit findings and recommendations.

Type of Report:

A final report will be provided which will entail an executive summary of the key findings.

The report will also include detailed issues with agreed action plans assigned to the relevant individuals and agreed timeframes.

All issues raised in the final reports are monitored and issues falling overdue will be escalated to the Audit Committee.


Date of fieldwork:

It is proposed that fieldwork will start on 7 May 2018 and resource requirements are estimated at 4 days with 1 day to write and review the report. Total resources are therefore estimated to be 5 days.

Key contacts:

Engagement Director	Mark Towler	mark.towler@mazars.co.uk
Senior Manager, Data Privacy	Vincent Rezzouk-Hammachi	vincent.rezzouk@mazars.co.uk
Data Privacy Consultant	Safeena Tariq	safeena.tariq@mazars.co.uk
Data Privacy Consultant	Liam McKenzie	liam.mckenzie@mazars.co.uk
Data Privacy Consultant	Paul Seseri	paul.seseri@mazars.co.uk

Deliverable	Dates
Fieldwork start	07/05/2018
Fieldwork completion	25/05/2018
Exit meeting	31/05/2018
Draft report issued	28/06/2018
Final report issued	TBC



Appendix 6 – Statement of Responsibility

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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DUMMY INFORMATION - DEMO PURPOSES ONLY



Please update the form for your department and return to information.officer@cityoflondon.gov.uk by the 7th of the reporting period.

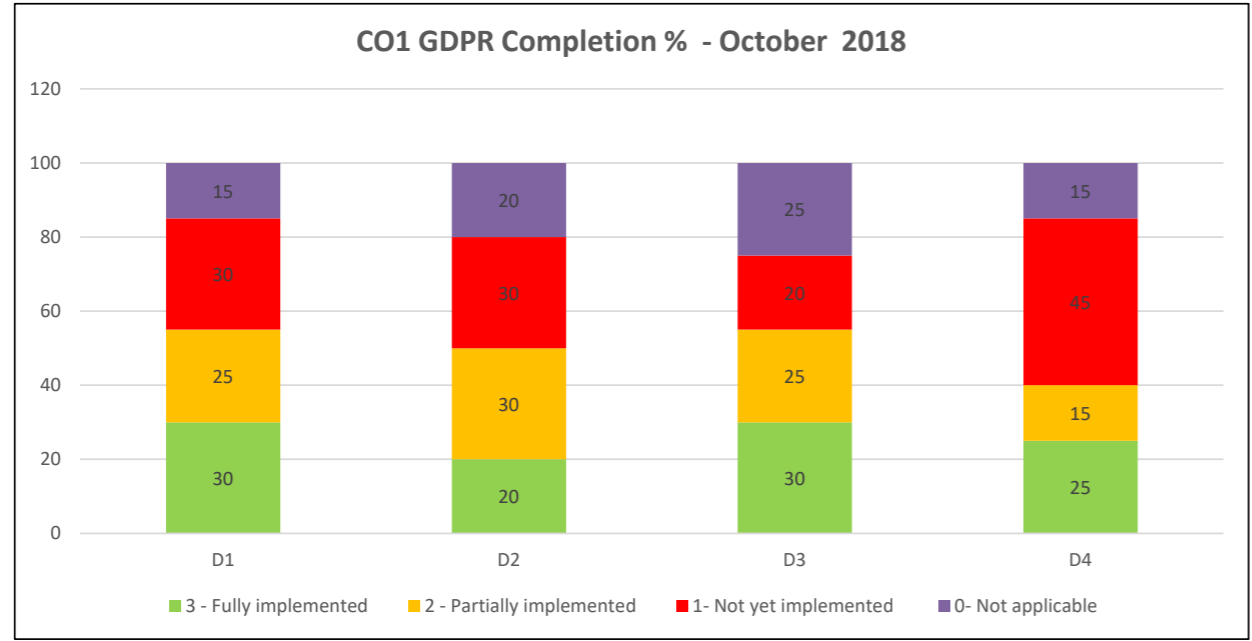
GDPR Departmental Self-Audit Monitor					Exceptions
Department : Reporting Period: October 2018	Sub Dept.1	Sub Dept.2	Sub Dept.3	Sub Dept.4	
Compliance Action	Enter a number between 0-3 using the definitons below against each compliance action				
GDPR Risks					
Key risks to compliance understood and notified to Compliance team. i.e 3rd party contracts not GDPR compliant, no record of consent from the data subject, no records retention schedule in place, procesess do not comply with data subjects rights.	1	3	2	1	
Awareness - Communication & Guidance					
Any job-specific training needs are identified and being managed	2	1	1	3	
All staff are aware of the GDPR issues and queries process	1	1	0	3	
ROPA and Records Management					
Records Retention Schedule in place	1	3	3	1	
Process for updating Retention Schedule is in place	2	2	3	1	
ROPA in place	3	1	3	3	
Process for updating ROPA is in place	3	1	2	1	
Communicating privacy information					
Process for updating and communicating privacy notices (how the City of London Corporation as a data controller collects and uses personal information) is in place	3	2	2	2	
Lawful basis for processing personal data - consent					
Records are kept for where consent has been received from the data subject	3	2	1	1	
Contracts					
There are written agreements in place with all third party service providers and processors, including those who process personal data on behalf of the City of London Corporation as a data controller, that ensure the personal data that they access and process is protected and secure.	3	0	0	2	
Data Subjects Rights					
All relevant staff are aware of the process for an individuals' requests to access their personal data (SAR , Right to Access)	2	2	3	3	
Guidance is in place to respond to individuals' other rights Right to rectification Right to Erasure Right to Restriction Right to Data Portability Right to Object Right to Object to Automated Decision Making / Profiling	1	2	3	2	

Guidelines for processing children's data are in place	0	0	0	0	
Data Protection					
All staff have read the CoL Data Protection Policy 2018	1	1	1	1	
All staff are aware of the Data Protection Impact Assessment procedure and guidance	1	1	1	1	
All staff are aware of the process for identifying and reporting a Data Protection breach	2	2	3	3	
Electronic communications conform to PECR (Privacy and Electronic Communications Regulations) i.e marketing by phone, email, text or fax; use of cookies or a similar technology on the CoL website; or comping a telephone directory (or a similar public directory	0	0	0	1	
Guidance in place for transferring data securely outside of the EU	2	3	2	1	
Guidance in place for transferring data securely between CoL and 3rd parties	3	3	2	0	
All staff have read the CoL Information Security Policy and the Security Policy - People	0	0	0	0	Note: This policy document and guidance will be formally issued very soon.

	DO NOT ENTER DATA IN THESE CELLS			
Count	D1	D2	D3	D4
3 - Fully implemented	30	20	30	25
2 - Partially implemented	25	30	25	15
1- Not yet implemented	30	30	20	45
0- Not applicable	15	20	25	15

Supplementary Notes
These questions and definitions are largely taken from the ICO GDPR self-assessment tool

Compliance Graph



GDPR SELF AUDIT MONITOR

What is the GDPR Self-Audit Report ?

The GDPR Self-Audit Report is an excel document that records and summarises and measures a department's scores against a number of GDPR compliance actions. It has been developed with input from some AIN representatives, the business and the Audit & Risk Team.

3 - Fully implemented
2 - Partially implemented
1- Not yet implemented
0- Not applicable

How Will It Be Used ?

The report will be used to ;

- Identify by individual department the % of Compliance Actions that are fully implemented, partially implemented etc. and summarise this by function in a graph.
- Identify where departments need to focus attention to improve compliance levels and reduce risk.
- Allow function heads to look for comparisons and trends amongst their collective departments.
- Provide updates on GDPR compliance to Directors, Managers, Staff and the Data Protection Officer and Committees.

How to Complete It

Each department should decide their own internal steps for completing the report. In discussions held with some AIN representatives and business users, the following was proposed as good practice.

- A master copy should be placed on a shared folder.
- A person from each of the relevant sub-departments (i.e. The Commons and Epping Forest will be sub-departments of Open Spaces) will access and update the report by entering a score between 0 and 3 against the action.
- The "Exceptions" column should be used to add supporting comments.
- When all sub-departments are complete, the file should be saved as an overall summary for the department, in this case Open Spaces.
- The completed report will be saved to the shared folder and sent to the GDPR Compliance team. information.officer@cityoflondon.gov.uk
- Subsequent reports will be produced by cutting and pasting the latest version scores into the previous version.
- The graphs will be completed by the Compliance team.

When to Complete It

A first report should be sent to the Compliance Team by the 7th November. Thereafter the report should be sent to the Compliance Team by the 7th December, 7th January etc..

As this is a self-assessment report; random checks will be carried out to obtain supporting evidence for the scores.

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Appendix 3

Summary of Completed Records Retention Schedules and Third Party Contracts

v0.1 16.10.18

Records Retention Schedules	
<i>Completed Schedules</i>	
1	C&CS
2	Chamberlains
3	City of London Police
4	City Surveyors
5	CoL School Boys
6	CoL School Girls
7	Community and Childrens Services
8	Community Safety
9	Corporate CRM
10	DBE
11	Electoral Services
12	Freemens
13	GSMD - Higher Education - Student
14	GSMD - Junior - Pupils
15	GSMD - Junior - Staff
16	HR
17	IT
18	LMA (Retention by Function)
<i>WIP</i>	
19	Open Spaces
20	Remembrancers
21	Markets and Consumer Protection
22	City Bridge Trust
<i>Nil Returns</i>	
23	Barbican
24	ED
25	Corp Strategic and Performance
26	Corporate Comms
27	Contact Centre
28	Mansion House and CCC

Contracts Registers	
<i>Completed Registers</i>	
1	Audit & Risk
2	C&CS
3	City Surveyors
4	Commercial
5	Electoral Services
6	HR
7	IT
8	TCD - Business Support
<i>WIP</i>	
9	Barbican
10	CoL School Girls
11	CoL School Boys
12	GSMD
13	Freemens
14	TCD - Culture
15	DBE
<i>Nil Returns</i>	
16	Corporate Communications
17	EDO
18	Open Spaces
19	Remembrancers
20	Markets and Consumer Protection

Assumes GSMD will submit 1 register

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Appendix 4 Table: Departments completion of the Data Protection E-Learning Programme, as of 19 October 2018.

Department	Complete	Percentage	In Progress	Percentage	Not yet started	Percentage	Exempt	Percentage	Temporary Exempt**	Percentage	Total	Overall Percentage***
Barbican	351	81.25%	14	3.24%	36	8.33%	21	4.86%	10	2.31%	432	88.43%
CCC/Mansion House	143	97.28%	1	0.68%	1	0.68%	2	1.36%	0	0.00%	147	98.64%
Chamberlain's	292	95.42%	1	0.65%	4	1.31%	6	1.96%	3	0.98%	306	98.37%
City Surveyors Department	238	88.81%	2	0.75%	6	2.24%	18	6.72%	4	1.49%	268	97.01%
Comptroller's and City Solicitors	60	96.77%	0	0.00%	0	0.00%	1	1.61%	1	1.61%	62	100.00%
Dept. of the Built Environment	247	97.63%	3	1.19%	0	0.00%	2	0.79%	1	0.40%	253	98.81%
Dept. Communities and Children's Services	332	81.77%	4	0.99%	8	1.97%	57	14.04%	5	1.23%	406	97.04%
Guildhall School of Music and Drama	260	88.74%	9	3.07%	19	6.48%	4	1.37%	1	0.34%	293	90.44%
Markets and Consumer Protection	254	91.03%	0	0.00%	3	1.07%	20	7.16%	2	0.72%	279	98.91%
Misc.****	18	45.00%	2	5.00%	20	50.00%	0	0.00%	0	0.00%	40	45.00%
Open Spaces	331	69.25%	4	0.84%	28	5.86%	113	23.64%	2	0.42%	478	93.31%
Remembrancers	28	93.33%	0	0.00%	1	3.33%	1	3.33%	0	0.00%	30	96.67%
Schools*	507	89.89%	15	2.65%	25	4.43%	14	2.48%	8	1.41%	569	93.78%
Town Clerks Department	389	92.18%	4	0.95%	7	1.66%	9	2.13%	13	3.08%	422	97.39%
Total	3439		61		165		270		51		3986	

* The totals provide for schools, is a combined total for the City of London School, City of London School for Girls and the City of London Freeman's School.

** Those marked temporary exempt will need to complete the course on their return to work, for example they are on a period of long term absence, maternity leave, etc.

*** The overall percentage is a combined total of those who have completed the course, have been made exempt or are temporarily exempt.

**** Anyone who has not been assigned a department e.g. Contractors

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Appendix 5

CR 25 GDPR Project Phase 2

Risk no, Title, Creation date, Owner		Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR25 General Data Protection Regulation Project phase 2 <div>01-Dec-2017 Michael Cogher</div>	Cause: Inadequate departmental systems and procedures are in place which meet the additional requirements of GDPR legislation. Event: CoL is unable to comply with GDPR requirements - poor, non-secure and non-compliant processing of personal data. Effect: CoL exposed to adverse publicity, reputational damage, financial penalties imposed by the Information Commissioners Office. Increased volume of Subject Access Requests.	<div> <div>Likelihood</div> <div>Impact</div> </div>	6	Progress on high risk areas identified in the Mazars audit: <ul style="list-style-type: none"> Significant progress has been made toward facilitating departmental compliance with GDPR requirements - see actions. Significant progress has been made toward ensuring contractor compliance with GDPR requirements - see actions. An overarching CoLC retention schedule is in place and 75% of departments have responded with detailed retention schedules. The management of unstructured data constitutes a significant GDPR compliance risk. Four potential suppliers have been identified - see actions 03 Oct 2018	<div> <div>Likelihood</div> <div>Impact</div> </div>	4	31-Dec-2018	<div> <div>Constant</div> </div>

Appendix 5

CR 25 GDPR Project Phase 2

Action no, Title,			Action owner	Latest Note Date	Due Date
CR25g GDPR Project Phase 2 governance	<ol style="list-style-type: none"> 1. Report to Summit Group 2. report to Audit & Risk Committee 3. Report to IT sub-committee 4. GDPR Project Team meetings 	<ul style="list-style-type: none"> • Project meetings held bi-weekly are effectively monitoring project outputs • Report to Summit October 2018 • Report to Audit & Risk Committee scheduled for 15.11.18 • Report to IT sub-committee 02.11.18 	Michael Cogher	03-Oct-2018	31-Dec-2018
CR25h Departmental Records Retention Schedules	<ul style="list-style-type: none"> • Departments to supply existing records retention schedules to supplement the CoLC corporate retention schedule. • GDPR compliance team to advise and review departmental retention schedules. 	Departmental record retention schedules included in departmental compliance monitor. 64% of departments have responded with details of their retention schedules	Michael Cogher	03-Oct-2018	31-Oct-2018
CR25i Departmental Compliance Audits	<ul style="list-style-type: none"> • Investigation of use of meta compliance tool • If 1 unsuccessful create audit template for departments to complete • GDPR compliance Team review returns and advise departments on non-compliance issues 	<ul style="list-style-type: none"> • Departmental compliance audits issued to depts in September. • Meetings with departmental AIN reps ongoing. • Departmental responses to compliance audits being analysed. 	Michael Cogher; Nick Senior	03-Oct-2018	30-Nov-2018
CR25j Data Privacy Impact Assessment	<ul style="list-style-type: none"> • Refine existing draft DPIA template • Road test • Incorporate into CoLC projects and procurement processes 	Data privacy impact assessments now mainstreamed into CoLC project management methodology and in toolkit on intranet.	Michael Cogher	03-Oct-2018	30-Sep-2018
CR25k GDPR Contractor Compliance	<ul style="list-style-type: none"> • Standard contract clauses developed and applied to all new contracts • Template for departmental use to record and monitor compliance • Will be tested by GDPR compliance Team as part of departmental GDPR audits 	A number of departments have responded supplying details of contractor compliance. Assessment of departmental compliance included in compliance monitor - departments will be chased by DPO in this issue.	Michael Cogher; Nick Senior	03-Oct-2018	31-Dec-2018
CR25l Management of unstructured personal data	<ul style="list-style-type: none"> • Paper to summit group on deletion of W drive data. • Data discovery tool procurement 	Software to identify unstructured personal data is being scoped. Potential suppliers are now set up on Capital esourcing and we await their costs to provide a software data discovery tool to identify where data might be stored at risk (i.e. freely accessible) across the entire CoLC IT estate.	Matt Gosden	03-Oct-2018	31-Dec-2018

Committee(s)	Dated:
Audit and Risk Management Committee	06/11/2018
Subject: Anti-Fraud & Investigations – Half Yearly Update	Public
Report of: The Chamberlain	For Information

Summary

This report provides Members with an update on the activity of the Anti-Fraud and Investigation team during the 2018/19 reporting year to date. It also provides Members with an update against our key anti-fraud initiatives for the year.

In total 31 investigations, across all disciplines, have been completed during the first half of 2018/19, with an associated value of £314,476.

A successful tenancy fraud prosecution at Inner London Crown Court, and a successful claim for possession at Clerkenwell and Shoreditch County Court have been secured following complex tenancy fraud investigations.

Three further cases are currently with the Comptroller & City Solicitor for prosecution, along with one further civil possession case for action, whilst 19 live cases are currently subject to investigation.

Three additional referrals have been received as a direct result of our support for the full tenancy audit across the City's housing estates.

A detailed overtime investigation recently concluded by the team resulted in disciplinary action, with the issue of final written warnings to four officers. The subsequent management report has made nine recommendations to improve the control framework and mitigate the opportunities for fraud of this nature happening in the future.

Data has recently been submitted to the Cabinet Office's National Fraud Initiative, with matches released for investigation in January 2019. The roll-out of the NFI AppCheck Corporation wide has gone well, with 15 applications identified where fraud concerns exist, and seven applications cancelled as a direct result of intelligence from the AppCheck product.

Recommendation(s)

- Members are asked to note the report.

Main Report

Background

1. This report provides Members with an update on the activity of the Anti-Fraud and Investigation team during the first half of the 2018/19 reporting year. It also provides Members with an update against our key anti-fraud initiatives for the year.

Investigation Activity Summary

2. An analysis of the number of cases investigated during the first half of this reporting year has been included as Appendix 1 to this report, showing all fraud types along with the value of frauds detected. The associated value of identified fraud from the 31 completed investigations during the first half of this year – 1 April 2018 to 1 October 2018, amounts to £314,476.

Social Housing Tenancy Fraud

3. Social housing tenancy fraud remains a key fraud risk area for the City. The team continues to provide investigative support across all aspects of housing, from initial applications, to the investigation of tenancy breaches and right to buy screening. During the first half of this year, 15 successful outcomes have been secured, including the conclusion of cases at Inner London crown court and Clerkenwell and Shoreditch County Court County Court. The associated value of these cases is £270,000.
4. A summary of our work to date in this area, during 2018/19, is detailed in Appendix 2 to this report, where Members will note that there are currently 19 live cases, and four further cases with the Comptroller and City Solicitor for prosecution action and/or for civil recovery action through the County Court.
5. Where illegal occupation of City housing stock is identified and recovered, the tenancies have now been re-let to those in greater need of affordable housing.
6. The volume of Right to Buy (RTB) applications referred to the team for screening has dropped considerably. We have been liaising with the Home Ownership Manager who confirmed that there has been a significant reduction in RTB applications from tenants during the first half of this year.
7. Case studies detailing several successful social housing tenancy fraud cases, including the successful prosecution at Inner London Crown Court, and possession claim at Clerkenwell and Shoreditch County Court, dealt with by the team during 2017/18 are attached at Appendix 3.
8. In our May 2018 Anti-Fraud & Investigations Update report to this Committee, we advised that the Anti-Fraud & Investigation team were supporting colleagues in the Housing Division to undertake a full tenancy audit of all City Corporation tenanted properties. This work is underway and has generated an additional three referrals, all currently subject to investigation, where fraud concerns have been identified as a direct result of the tenancy audit.

Corporate Anti-Fraud & Investigation Activity

9. Corporate investigations are defined as fraud, corruption or conduct cases which relate to employee fraud or conduct, or other third-party fraud. A total of 13 corporate referrals have been concluded during the first half of this year with an associated value of £25,901. Where Corporate investigations identify wrongdoing by staff, we support Senior Management and colleagues in HR to take appropriate action under the City's disciplinary procedure.

10. A corporate fraud case, involving alleged overtime fraud by four officers has recently concluded. The investigation, undertaken jointly with Departmental Management, identified that these officers were claiming overtime for hours not worked and failure to fulfil contracted hours over a period of four months. Disciplinary action was instigated, and the four officers were each issued a final written warning. A management report has since been issued to the Department Director, with nine recommendations made to improve the control framework and mitigate the opportunities for fraud of this nature happening in the future.

Whistleblowing

11. The City's Whistleblowing Policy identifies the Head of Audit & Risk Management as one of the main contacts for reporting a concern. The number of referrals received via whistleblowing channels is relatively low; however, when referrals are received they are generally of high significance leading to further investigation.
12. During the 2018/19 reporting year to date, five whistleblowing referrals (as defined in the policy) have been received. Four cases received in the current reporting year and one case from 2017/18 have now been concluded, whilst a further complex case remains subject to investigation by the team.
13. A review of the City's Whistleblowing arrangements is planned for later in the reporting year, which will include a review of the Policy, Communication and Publicity. As part of this review, we will seek to garner best practice from both the public and private sectors to help shape our whistleblowing arrangements across the City Corporation.

National Fraud Initiative (NFI) & NFI AppCheck

14. The NFI is a statutory bi-annual exercise, managed by the Cabinet Office and designed to identify fraud and error across departments ranging from housing, benefits and employment, through to pensions and duplicate payments. Data-sets for the NFI have now been securely uploaded to the NFI secure site, and the release of matches resulting from the subsequent data-matching will be made available to the City for review in January 2019. We will update Members with the progress on the City's NFI 2018/19 participation as part of future update reports.
15. Members were previously advised that funding to procure NFI AppCheck organisation wide was secured earlier in the year. NFI AppCheck is designed to identify fraud at the point of access to services and employment, and has now been rolled-out to colleagues in Housing (rents, benefits and allocations), Blue Badge administration and HR. The table below sets out the volume of searches, along with the outcomes since 1 April 2018 to date.

AppCheck Searches	144
Cleared – No Issue	129
Fraud Identified	7
Application Under Review	8
Total	144

Blue Badge Fraud

16. A City Corporation issued blue badge was recently identified to be fraudulently used by Parking Wardens in the London Borough of Tower Hamlets. The Anti-Fraud team supported prosecution action instigated by Tower Hamlets, where on 17 August 2018, the defendant was found guilty of misuse of the blue badge and was fined £600 and ordered to pay £2,100 in costs. A replacement badge has since been issued to the holder, with a condition that any further identified misuse will result in the badge being cancelled and no replacements issued.

Conclusion

17. The team continue to provide a professional and robust anti-fraud and investigation service across the organisation. 31 investigations, across all disciplines, have been completed during the first half of 2018/19, with an associated value of £314,476.

18. Data has recently been submitted to the Cabinet Office's National Fraud Initiative, with matches released for investigation in January 2019. The roll-out of the NFI AppCheck Corporation wide has gone well, with 15 applications identified where fraud concerns exist, and seven applications cancelled as a direct result of intelligence from the AppCheck product.

19. Successful outcomes in the Crown Court and County Court have been secured during the first half of 2018/19, following complex tenancy fraud investigations. Three additional referrals have been received as a direct result of our support for the full tenancy audit across the City's housing estates.

20. A detailed overtime investigation resulted in disciplinary action against four officers and nine recommendations to improve the control framework and mitigate the opportunities for fraud of this nature happening in the future.

Appendices:

Appendix 1: Analysis of cases investigated during 2018/19 YTD

Appendix 2: Housing tenancy fraud caseload 2018/19 YTD

Appendix 3: Social housing tenancy fraud case studies 2018/19 YTD

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Appendix 1 - Analysis of the number of cases investigated during the current reporting year 01 April to 01 October vs 2017/18.

1. The chart below provides a detailed analysis of the number of completed investigations, during the first half of 2018/19 (01/04/2018 – 01/10/2018), against the previous reporting year, showing all fraud and investigation types along with the value of investigated cases, including where these can be quantified, the value of corporate and whistleblowing investigations.
2. The nature of the concerns raised under the City's whistleblowing channels mean that not all investigations completed under this discipline result in a financial value, as other outcomes such as disciplinary action, or control environment recommendations result from our whistleblowing investigations.

Activity	Completed Investigations 2017/18	Investigation Value (£'s) 2017/18		Completed Investigations April 2018 to 01 Oct 2017	Investigation Value (£'s) 2017/18
Social Housing Tenancy Fraud ¹	16	288,000		13	234,000
Right to Buy ²	7	756,000		0	0
Housing Application Fraud ¹	5	90,000		2	36,000
Disabled Parking	1	575		1	575
Corporate Investigations ³	15	35,762		10	25,901
Council tax investigations	1	103		0	0
Whistleblowing Referrals	5	Nil		5	18,000
Total	50	1,170,440		31	314,476

Notes:

¹ Successful possession gained and housing application fraud identified valued at £18,000 per property/application, in-line with nationally accepted values associated with social housing tenancy fraud.

² RTB discount value: £108,000 2017/18, per property.

³ Corporate Fraud Investigations include cases of fraud, corruption, theft or conduct investigated directly by Internal Audit and/or investigation supported by Internal Audit.

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Appendix 2 – Housing Tenancy Fraud Caseload Analysis 2018/19 YTD vs 2017/18

Housing Tenancy Fraud Case Referrals	01 April 2018 – 01 Oct 2018	April 2017 to March 2018
Housing tenancy fraud referrals received in current year	30	51
Right to buy referrals received in current year	3	23
Housing application referrals received in current year	3	13
Cases carried forward from previous year (all disciplines)	14	23
Total	50	110
Cases/referrals currently under investigation	19	14
Cases/referrals closed with no further action	12	59
Cases with Comptroller & City Solicitor for prosecution	3	3
Cases with Comptroller & City Solicitor for civil recovery	1	3
Cases with City Police for Financial Investigation	0	2
Cases where possession order granted	2	0
Cases where successful possession gained ¹	10	16
Cases where successful prosecution action taken	1	1
Cases where fraudulent application identified	2	5
Right to buy fraud successfully identified	0	7
Total	50	110
Value where successful possession gained, housing application cancelled or right to buy fraud identified ²	£270,000	£1,134,000

Notes:

¹ Cases where successful possession has been gained will be considered for criminal action where suitable, and where offences committed are serious enough to warrant proceedings under the Prevention of Social Housing Fraud Act 2013 and/ or the Fraud Act 2006.

² Successful possession gained value of £18,000 per property sourced from Audit Commission value of national average temporary accommodation costs to Local Authorities for one family.

RTB discount value £103,000 - 2016/17, per property. £108,000 - 2017/18, per property.

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Appendix 3 - Housing Tenancy Fraud Case Study's 2018/19 YTD

Case Study 1

The City secured both a successful criminal prosecution and recovery of a property at Lammas Green on the City's Sydenham Hill Estate, following an investigation into a now former social housing tenant. Our investigation commenced following a staff referral following a Right to Buy application submitted by the tenant and her partner. On a birth certificate provided for their daughter, the home address stated for the tenant was a property other than her social housing tenancy. The investigation that followed revealed a multi-faceted fraud including.

- When making her original housing application the tenant had failed to provide accurate records of the address she was residing at, made false declarations and submitted a forged doctors letter in order to conceal the actual address she was living in at the time.
- Failed to declare joint ownership of the property, credit checks evidenced her to be living at, including a joint mortgage with her Mother.
- Failed to reveal being a home owner when submitting a transfer application to obtain a larger social housing property, that was subsequently successful, due to the birth of her child.
- Sub-letting her first social housing property at Centre Point, on the City's Avondale Square Estate, for more than 2 years for financial gain.

The tenant was Interviewed Under Caution on two occasions, where she claimed that she did not know that she was a home owner, and if she had signed mortgage documents she had done so unwittingly when she was younger and experiencing high levels of stress. She provided a convoluted account of her living arrangements before being housed and refused to answer if the doctors letter she had provided had been forged. She also denied sub-letting the Centre Point property, stating that she had allowed friends to stay with her and just asked them to contribute towards living costs.

On the 25th July 2018, at Inner London Crown Court, the defendant was sentenced to 12 months imprisonment, suspended for 12 months and was ordered to undertake 180 hours of unpaid work.

The defendant also paid £11,700 in compensation to the City of London – being the criminal value she obtained through sub-letting the Centre Point property – prior to her hearing, and a submission has been made for prosecution costs.

The defendant also has a £18,796.72 housing benefit overpayment to repay, for a period she fraudulently claimed housing benefit, whilst subletting the Centre Point property.

The property is now let to others in far greater need of affordable housing.

Case Study 2

The City secured a successful recovery of a flat at Great Arthur House on the Golden Lane Estate following a successful investigation. Our investigation commenced following receipt of an email from Estates Officers at The Golden Lane Estate, advising that the Police had attended a disturbance at the flat, following an allegation from a

Appendix 3 - Housing Tenancy Fraud Case Study's 2018/19 YTD

suspected sub-tenant, that he was being assaulted by another individual at the property. After attending, Police Officers gave an account that a man was being asked to leave the property by the tenant, as it was considered to be a sub-letting arrangement that had become acrimonious. A witness statement was obtained from the relevant Police Officer and further checks revealed a linked address in Haringey for the tenant, his wife and children.

The tenant attended an Interview Under Caution and made a series of accusations about the Police Officer who attended the disturbance, accusing him of verbally abusing him, telling him what account to provide and of overall intimidation and threatening behaviour. The tenant claimed that he had been letting a friend stay with him and that any connections with his wife's address in Haringey were historical, despite the evidence all suggesting recent links. Notices to Quit and Seeking Possession were sent to the property and the Police Officer provided a witness statement and confirmed that he would provide evidence at court.

Faced with the prospect of legal action, it is thought that the tenant decided it was not sensible to make unsubstantiated claims against the Police Officer involved in court and returned possession of the property to The City.

The property is now let to others in far greater need of affordable housing.

Case Study 3

The City secured a successful recovery of a property at Tovy House, on the City's Avondale Square Estate, following an investigation into the social housing tenancy of a now former housing tenant. Our investigation commenced following a review of a Right to Buy application submitted by the tenant and his partner, by the Anti-Fraud Team.

Intel checks undertaken revealed an unknown linked address in Gravesend, where the tenant and his partner were liable for Council tax. Further evidence obtained from banks, telecommunications providers and credit reference agencies all suggested the Gravesend property was the tenants principle home. Local Authority records further demonstrated that the tenant's children went to school in Gravesend.

Our investigation found that the tenant was renting the Gravesend property from a private landlord and a copy of the tenancy agreement was obtained. During our interview with the Letting Agents, we established that the tenant had provided false information to them in order to secure the tenancy, stating that his social housing property at Tovy House was a private tenancy, and a fictitious landlord and contact details had been provided. This was done in order to avoid detection that he was living in social housing and checks being made which would reveal his fraudulent intentions.

A visit to the tenants social housing property at Tovy House revealed that other persons were in situ at the property, although no evidence could be obtained of sub-rental being paid.

Appendix 3 - Housing Tenancy Fraud Case Study's 2018/19 YTD

The tenant attended an Interview Under Caution and stated that his wife lived at the property in Gravesend with their children, that he visited them regularly, but remained living at Tovy House and was allowing persons to stay with him.

Notices to quit and seeking possession were issued to the tenant, but he refused to leave, and a possession hearing was therefore heard at Clerkenwell County Court on the 24th July 2018. After a full days hearing, the Judge accepted the City's case and ordered the tenant to return possession of the property to the City of London Corporation within 14 days.

The judge also made an order for the tenant to pay costs to The City of London amounting to £3,127.50.

The property is now let to others in far greater need of affordable housing.

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Committee(s)	Dated:
Audit and Risk Management Committee	06/11/2018
Subject: London Counter Fraud Hub - Onboarding	Public
Report of: The Chamberlain	For Decision

Summary

The London Counter Fraud Hub (LCFH) is a pan-London data-matching solution that uses data provided by local authorities and from other sources, along with advanced analytics to increase the detection and prevention of fraud across London, and to create opportunities for cross-boundary co-operation to reduce fraud.

The current cost model upon which the LCFH primarily works is on a payment by results basis; however, we understand that CIPFA are currently considering implementing a subscription model as an alternative, which is being monitored by Internal Audit.

The upfront costs of onboarding to the hub are expected to be limited to internal system developments for data extraction and automation to deal with referrals as appropriate.

The LCFH is designed to complement, not replace, current methods for detecting and preventing fraud, or to replace the City's participation in the National Fraud Initiative exercise.

The Comptroller and City Solicitor has advised that there is no major legal impediment to the City of London signing the Deed of Adherence and becoming a "Participating Authority" to the Services Agreement between the London Borough of Ealing and CIPFA Business Limited.

On-going internal consultation with the Revenues, Housing, Insurance and Legal teams continues to ensure that the City is fully prepared for the LCFH.

The City of London is aiming to on-board to the LCFH in January 2019, subject to the proof of concept phase being completed and signed-off.

Recommendation(s)

- It is recommended that Members delegate authority to the Chamberlain to sign the Deed of Adherence with the London Borough of Ealing for the City of London to onboard to the London Counter Fraud Hub.

Main Report

Background

1. The London Counter Fraud Hub (LCFH), is a pan-London data-matching solution that uses data provided by local authorities and from other sources, along with advanced analytics to increase the detection and prevention of

fraud across London, and to create opportunities for cross-boundary co-operation to reduce fraud.

2. In October 2015, the City of London signed a Memorandum of Understanding, along with the 32 London Boroughs, demonstrating London's commitment to using the Hub.
3. Members were advised of the City's progress in preparing for the LCFH in our Anti-Fraud & Investigations Annual report to this Committee on 29^h May 2018.
4. The London Borough of Ealing are the lead authority for the LCFH and in 2015 launched a competitive dialogue procurement procedure in accordance with the Public Contracts Regulations 2015 (as amended) (PCR 2015).
5. Regulation 38 of the PCR 2015 permits contracting authorities such as Ealing Council to jointly procure services in its own right and on behalf of other named contracting authorities.
6. Following the conclusion of a competitive dialogue procurement procedure in 2016, CIPFA Business Ltd were awarded a contract to develop and provide the LCFH data-matching solution, along with their partner, BAE Systems.
7. The initial datasets that the City would be expected to provide to the LCFH are Council Tax, Business Rates and Housing Tenancy; it is expected that further datasets will be added as the LCFH matures.

Current Position

8. Four pilot authorities, the London Boroughs of Ealing, Croydon, Camden and Islington have been working with CIPFA over the past 18 months to test the LCFH and develop the proof of concept. The proof of concept phase is nearing completion when we expect the results to be shared with the City of London and other London Boroughs.
9. CIPFA are currently developing a timeframe for London Boroughs to on-board to the LCFH. At this point, the City is aiming to on-board to the LCFH, subject to the proof of concept phase being completed and signed-off, in January 2019.
10. On-boarding to the LCFH is undertaken via a Deed of Adherence with the London Borough of Ealing.
11. As part of our preparations for on-boarding to the LCFH, we are working with colleagues in the Revenues and Housing teams to ensure that data in the specified format can be extracted from our internal data-bases and provided to CIPFA for the purposes of data-matching. Likewise, we have been consulting with colleagues in the Information Team, Insurance Team, and the Comptroller and City Solicitors Department.
12. Resources will be reviewed periodically as the City's participation in the LCFH develops, and appropriate steps will be taken as necessary.

13. The LCFH is designed to complement, not replace, current methods for detecting and preventing fraud, or to replace the City's participation in the National Fraud Initiative exercise.

Cost Implications

14. The current cost model upon which the LCFH primarily works is on a payment by results basis; however, we understand that this model is currently under review by CIPFA, and that consideration is being given to implementing a subscription model as an alternative, this will be monitored by Internal Audit and cost implications reviewed.
15. Some up-front on-boarding costs are likely to be necessary to develop, for example, in-house systems to enable the City to provide data in the required format, and to develop automation where appropriate.

Data Protection & Legal Position

16. A data privacy impact assessment has been completed and agreed with the City's Information Team; likewise, the LCFH has been listed on our Record of Processing Activities.
17. The contract documents for the LCFH have been reviewed by the Comptroller & City Solicitor, who advise that there is no major legal impediment to the City of London signing the Deed of Adherence and becoming a "Participating Authority" to the Services Agreement between the London Borough of Ealing and CIPFA Business Limited.
18. A small number of queries surrounding insurance indemnities and data retention periods are being worked on with the City's Insurance Team and the London Borough of Ealing respectively. We expect these to be resolved prior to the City on-boarding to the LCFH.

Proposal

19. It is proposed that the Chamberlain is given delegated authority to sign the Deed of Adherence on behalf of the City of London, enabling the City to on-board to the LCFH in January 2019, subject to the proof of concept phase being completed and signed-off.
20. The LCFH has been designed to be a sophisticated tool to assist in the prevention and detection of fraud and is expected identify fraud in local Government across London, whilst also enabling authorities to prevent fraud at point of access by verifying application data. The success of the LCFH is dependent on London Borough's and the City of London on-boarding to the Hub.
21. Should the City not sign-up to the LCFH, we risk not identifying fraud that may otherwise have been identified through participation in the LCFH.

Corporate & Strategic Implications

22. The City of London is committed to tackling fraud across the services that it provides as set-out in its Anti-Fraud & Corruption Strategy. It is anticipated that the LCFH will be a valuable tool in detecting fraud that may otherwise have gone undetected.
23. Participation in the LCFH to tackle pan-London fraud aligns to a primary objective in the City of London's Corporate Plan - to contribute to a flourishing society by tackling terrorism, violent and acquisitive crime, **fraud**, cyber-crime and anti-social behaviour and facilitate justice.

Conclusion

24. The LCFH will provide an additional tool in the fight against fraud across London by providing a sophisticated data-matching tool to the City of London and other London Borough's, which is designed to identify in-boundary, and cross-boundary fraud that may otherwise go undetected by current and traditional anti-fraud and investigation activities.
25. The current cost model upon which the LCFH primarily works is on a payment by results basis, however we understand that CIPFA are currently considering implementing a subscription model as an alternative; this is being monitored by Internal Audit.
26. Internal consultation continues with the Revenues, Housing, Insurance and Legal Teams, to ensure that the City is ready for on-boarding in January 2019, subject to the proof of concept phase being completed and signed-off.
27. The Comptroller & City Solicitor has advised that there is no major legal impediment to the City of London signing the Deed of Adherence to join the LCFH.

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Committee(s)	Dated:
Barbican Residents Consultation Committee Barbican Residential Committee Audit and Risk Management Committee	10 September 2018 17 September 2018 6 November 2018
Subject: Fire Safety Update	Public
Report of: Director of Community & Children's Services	For Information
Report author: Paul Murtagh Assistant Director Barbican & Property Services	

Summary

The purpose of this report is to update Members on the progress that has been made in relation to fire safety matters since the last update report submitted to Committee in March 2018.

Recommendation

Members are asked to note, consider and comment on the report.

Main Report

Background

1. Following the tragic fire at Grenfell Tower in West London on 14 June 2017, which killed 72 people, concerns were, understandably, raised by the City of London Corporation's (CoLC) Members and residents about the safety of our homes and the possibility of a similar incident in one of our tower blocks.
2. In September 2017, a detailed report was brought to this Committee to update Members on the City Corporation's approach to fire safety on the Barbican Estate and, following the tragic fire at Grenfell Tower, to inform Members on the subsequent actions taken by the CoLC. This report outlined:
 - Fire safety measures in place prior to the Grenfell Tower fire;
 - Our immediate response to the Grenfell Tower fire;
 - The next phase of work to be undertaken;
 - Issues for consideration for possible future inclusion in programmes of work.
3. Subsequently, further update reports were brought back to Committee in November 2017 and March 2018. In addition, at its meeting on 4 June 2018, the

Committee received a further report entitled 'Fire Safety Review', which informed Members of the work that has been done on potential improvement works to enhance the safety of the CoLC's Barbican Residential Estate and its residents in the event of fire. The report also sought guidance from Members on the strategic direction the CoLC should take in its future approach to fire safety.

4. This paper is intended as a further update.

Fire Risk Assessments

5. Frankham Risk Management Services Limited was commissioned to carry out new Fire Risk Assessments (FRA's) for each of our residential blocks including those on the Barbican. These new FRA's are much more detailed than in previous years covering, not only those areas previously inspected, but also other areas of concern raised since the Grenfell Tower fire.
6. Previous FRA's carried out on Barbican have been Type 1 FRA's as required by legislation. The new FRA's are Type 3, which go beyond the requirements of the Regulatory Reform (Fire Safety) Order 2005, covering all that is required for a Type 1 FRA but also providing for an assessment of the arrangements for means of escape and fire detection (i.e. smoke alarms) within a sample of the properties (typically around 10%). A Type 3 FRA is a non-destructive survey but, the fire resistance of doors to rooms and compartmentation within the property is considered.
7. The Type 3 FRA's for the Barbican have now been completed and following analysis by staff in Property Services, Estate Management and by the City's Fire Safety Advisor for accuracy and detail, have been published on the City's website.
8. As part of the new FRA process, urgent recommendations, though very few, have been addressed as a priority and a detailed Action Plan has been developed to help us plan, programme and implement all other recommendations as appropriate. The Action Plan is attached at Appendix A to this report.

Communication with residents

9. Detailed information, in the form of 'Frequently Asked Questions' bulletins, was produced specifically for the Barbican Estate. This was distributed to all House Groups and to residents through our email broadcast service and has also been posted on the Housing Fire Safety pages on the City's website.
10. There have been no new significant fire safety issues raised by residents since the last update report in November 2017. Detailed information on fire safety is available on the City's website.
11. Once we have completed our research into fire safety improvements and have all the relevant information, we will write to residents again to outline the City's position regarding retrofitting sprinklers, fire alarms and new fire doors.

Automatic Water Fire Suppression Systems (Sprinklers)

12. At its meeting on 4 June 2018, Members considered the outcome of a detailed independent feasibility study into the fitting of sprinkler systems into the CoLC's eight tower blocks (including three on the Barbican). The study was carried out by Butler & Young Associates, a specialist independent firm of mechanical and electrical consulting engineers. The firm's findings are attached as Appendix 1 to this report.
13. We have identified a number of front entrance doors from our residential blocks of flats that are being tested for fire resistance. Some of these have been, or will be sent away to the Building Research Establishment (BRE) but, due to capacity issues, the BRE has a turnaround period in excess of 20 weeks. Once the testing has been done and the reports received, we will be able to decide whether or not the doors on the Barbican Estate require upgrading and, if they do, we can properly prioritise, plan and cost a door replacement programme.
14. As part of all the projects included in our Major Works Programme, including those on the Barbican, fire safety has been given the highest priority. New methods of containment to protect fire escape routes have been introduced and fire stopping is being checked and improved wherever necessary.
15. The feasibility study into the potential installation of sprinkler systems in our tower blocks has now been received from our consultant, Butler & Young Group Ltd and has been analysed by staff in the Property Services Team. It is intended that once the work on the new FRA's is complete, along with our research into fire alarms, sprinklers and fire doors, a detailed holistic report on fire safety will be brought back to this Committee outlining proposals for fire safety improvements on the Barbican Estate.

Estate Management

16. Barbican Estate staff continue their work to ensure that balconies, walkways and exits are kept clear from hazards. This includes the removal of combustible material from outside properties, along with any items which might cause a trip hazard for residents or firefighting crews in the event of an emergency.
17. A further review of estate walkabouts and checks has been carried out, with a view to improving consistency and monitoring, and to introducing an automated system for recording data and follow up actions.

Inspections by the LFB

18. As part of the government's response to the Grenfell Tower tragedy, fire services across the country have been instructed to carry out ad-hoc inspections on residential flat blocks to ensure that they comply with the requirements of the

Regulatory Reform (Fire Safety) Order 2005 and to ensure that appropriate FRAs are being carried out.

19. The LFB has carried out several ad-hoc inspections on the City Corporation's residential blocks in the last few months. Subsequently, we have received Fire Safety Deficiency Notices on a number of our premises but, only one of those was on the Barbican Estate. The Deficiency Notice issued for Willoughby House was challenged by the City's own Fire Safety Advisor as being incorrect and we are currently awaiting a response.

Resources

20. As Members will appreciate the level of work relating to fire safety that has arisen, and continues to arise, in the aftermath of the Grenfell Tower fire has been unprecedented. The vast burden of this work has fallen on the existing staff within the Housing Property Services and Housing and Barbican Estate Management teams. Staff have responded commendably to the challenge that this considerable amount of extra work has thrown up and their efforts have been reflected in the positive feedback we have received from residents in dealing with, and allaying, their fears in relation to fire safety in their homes.
21. We have recently appointed a new Health and Safety Manager within DCCS, whose main priority is to co-ordinate our work around fire safety with particular focus on the FRA process and the implementation of the resulting Action Plans.
22. We have previously alerted Members to the potential need for additional resources to ensure that we are able to deal effectively with the fire safety improvement measures that we are considering and have committed to with particular regard to:
- Door replacement programme;
 - Installation of fire suppression systems (sprinklers);
 - Fire safety management planning;
 - Communications and website development.
23. At this stage, until we have the results of the fire resistance testing, feasibility study into sprinklers, completion of the new round of FRA's and information from government in relation to changes in Building Regulations and guidance from the Grenfell Tower enquiry, we are not in a position to properly identify any additional resources that may be required. We will naturally keep Members informed on this matter, and seek the necessary approvals, when we are in a position to do so.

Corporate & Strategic Implications

24. Clearly, as well as the resources issue outlined above, there are further serious financial implications for the City in carrying out the fire safety improvements included and outlined in this report. There will also likely be a financial impact on homeowners on the Barbican Estate if these works are undertaken.

25. The City must also be mindful of the reputational damage should it decide not to take reasonable measures to improve fire safety. The key issue for Members will be to decide what action and expenditure is reasonable and proportionate to the risk.

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Appendices

Report and Appendices to Housing Management and Almshouses Sub Committee –
September 2018

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Committees:	Dates:
Housing Management and Almshouses Sub Committee	24 September 2018
Subject: Fire Safety Update – HRA Properties	Public
Report of: Director of Community & Children's Services Report author: Paul Murtagh Assistant Director Barbican and Property Services	For Information

Summary

The purpose of this report is to update Members on the progress that has been made in relation to fire safety matters since the last update report submitted to Committee on 5 June 2018.

Recommendations

Members are asked to note, consider and comment on the report.

Main Report

Background

1. In July 2017, an initial detailed report was presented to this Committee, the Community & Children's Committee and the Audit and Risk Management Committee updating Members on the City of London Corporation's (CoLC) approach to fire safety in its social housing portfolio and, following the tragic fire at Grenfell Tower, the subsequent actions that we had taken. This report informed Members of the progress we had made with matters such as:
 - fire risk assessments,
 - communication with residents,
 - estate management,
 - fire safety maintenance and improvement works,
 - inspections by the London Fire Brigade (LFB),
 - potential future improvement works.
2. Subsequently, further update reports were brought back to this Committee and the Community & Children's Committee in January and February 2018. In addition, at its meeting on 5 June 2018, this Committee received a further report entitled 'Fire Safety Review', which informed Members of the work that has been done on potential improvement works to enhance the safety of the CoLC's social housing estates and its residents in the event of fire.

3. This report is intended as a further update.

Considerations

Automatic Water Fire Suppression Systems (Sprinklers)

4. At its meeting on 11 May 2018, Members of the Community & Children's Committee agreed a recommendation from its Director to retro-fit automatic water suppression systems in each of its five social housing high-rise tower blocks below:
 - Great Arthur House, Golden Lane;
 - Petticoat Tower, Middlesex Street;
 - West Point, Avondale Estate;
 - Central Point, Avondale Estate;
 - East Point, Avondale Estate.
5. Further discussions have been held with colleagues in the CoLC's Planning Team in relation to Great Arthur House, which Members agreed was the priority as a result of the compartmentation issues. A Gateway 1-4 report has been prepared and will be submitted first to the next meeting of the Corporate Projects Board on 15 October 2018.

Fire Doors

6. As Members will be aware from previous reports, recent random sample testing of a number of front entrance doors to individual flats in our residential blocks has been carried out. This destructive testing indicated an average fire resistance of 16 minutes. Although this is in line with what was predicted for doors in their original state, it gives serious cause for concern when set against the recommendations from many of the 2018 Fire Risk Assessments.
7. The CoLC is committed to replacing all front entrance doors in its residential blocks of flats with fire doors that give up to 60 minutes fire resistance (30 minutes as an absolute minimum). The estimated cost of this programme is in the region of £4million.
8. Members may be aware of the recent concerns raised by the Ministry of Housing, Communities and Local Government (MHCLG), which found that a glazed, composite fire door from Grenfell Tower failed a 30-minute fire resistant test after 15 minutes. Further investigations highlighted similar problems with doors from a further four high-profile specialist fire door manufacturers. These findings have caused considerable uncertainty in the industry with manufacturers desperately trying to recover their credibility. It has also led to a shortage in suppliers to satisfy the demand from housing associations and local authorities seeking to upgrade the doors to their homes.
9. We have been working closely with GERDA Security Products Limited, a specialist door manufacturer (not implicated by the recent MHCLG investigations), to develop a prototype replacement doorset that has been rigorously tested to provide 60 minutes fire resistance and has passed appropriate door smoke tightness tests.

The prototype door set has been manufactured and fitted in one of our homes in Petticoat Tower, Middlesex Street and it has been very well received.

10. It is intended, subject to final agreement from City Procurement, that the GERDA prototype will be specified for the remainder of the Door Replacement Programme at Petticoat Tower, which is due to commence at the end of October 2018.
11. Officers are currently finalising the programme and delivery schedule for the remainder of the main Door Replacement Programme, which will be spread over the next 18 to 24 months and will likely need to be subject to a fully compliant OJEU procurement process.

Fire Risk Assessments (FRAs)

12. As Members will be aware, Frankham Risk Management Services Limited has recently completed new FRAs for each of our residential blocks of flats. These new FRAs are of a Type 3, which cover everything required for the previously used Type 1 FRA's but also provide for an assessment of the arrangements for means of escape and fire detection (smoke alarms, heat detectors, etc.) within a sample of the flats (typically around 10%). The new Type 3 FRA's, as agreed by Members, were published on the CoLC's website in June this year.
13. At its meeting on 5 June 2018, Members were presented with the recently agreed 'Specific Hazard Identification and Action Plan Template for Fire Risk Assessments', which lists the recommendations from all the FRA's on our residential blocks. Officers continue to work on the various recommendations contained within the Action Plan and the following notable areas of fire safety work have been commissioned or carried out:
 - Specific 'Fire Safety Signage Surveys' have commenced on our residential blocks of flats with a view to ensuring that the deficiencies noted in the FRA's are rectified and the signage in all our blocks is accurate, up-to-date and complies fully with the legislative requirements and best practice.
 - Tenders have been sought for the compilation of Fire Safety Management Plans (FSMP) for 20 of our residential blocks of flats. These FSMP's will cover detailed inspections into the levels of compartmentation and protection to fire escape routes, common areas, plant rooms, voids, service ducts, refuse chutes and risers and doors. Further invasive testing of vertical and horizontal structures providing fire compartmentation will also be undertaken.
 - A specialist fire engineering consultant has been appointed to carry out a sample number of Type 4 surveys to address specific concerns raised in the FRA's relating to fire stopping.
 - Periodic electrical testing of our tenanted properties has been enhanced to ensure that all homes have been tested, and all necessary remedial works completed, within the next 12 months.
 - A detailed document audit has been carried out to ensure information relating to testing of emergency lighting, gas safety inspections and alarms is readily available for inspection and verification.

- The installation of 2500 heat, smoke and carbon monoxide detectors in our tenanted properties.
- The introduction of Portable Appliance Testing (PAT) initiative that tests the 'white' goods in the homes we carry out electrical testing (this has already identified 16 faulty and potentially dangerous appliances on the Golden Lane Estate including washing machines, refrigerators and cookers).
- A successful pilot installation of a new 60-minute fire door at Petticoat Tower, which will provide the basis of the specification for the main door replacement programme;
- Work is underway to change the electrical consumer units in our high-rise blocks of flats to comply with the new 18th Edition of the Electrical Regulations.

14. There have been further discussions with Frankhams in relation to some of the recommendations and timescales contained in the FRA's. As a result of these discussions, and due to the amount of work that has been done, or is being done, the Fire Safety Action Plan is being revised and updated to provide a more inclusive and robust document on a block-by-block basis and this will be presented to this Committee at its next meeting.

Great Arthur House

15. As Members will be aware, due to the unique nature of the building and its issues, Great Arthur House is being dealt with as a 'special project' in terms of the fire safety works. Further detailed investigation work has been carried out that has confirmed initial concerns about the level of compartmentation in the service ducts. We have appointed Checkmate Fire Solutions Limited, a specialist nationwide 3rd party accredited building fire safety, installation and compliance services company to carry out a full compartmentation audit of Great Arthur House to identify the full extent of the issues and to prepare a schedule of remedial works to be put out to tender.

16. Approval has been obtained under the Gateway process to facilitate the removal and replacement of two front entrance 'screens' and doors to individual flats. These will be replaced to replicate the ones removed and the units taken out will be used for destructive testing to assess their level of fire resistance, one in its original condition and the second in an upgraded condition. This will allow us to determine the extent of work required to upgrade the compartmentation of the front entrance doors and screens to the rest of the flats in the block. At the time of writing this report, we are still awaiting a date for the destructive testing.

17. Members will be aware that there has been a significant amount of work done at Great Arthur House to address initial concerns with compartmentation including:

- the installation of a permanent hard-wired fire alarm system to the whole of the building.
- the delivery, and installation where required, of individual smoke detectors to all flats in Great Arthur House.

- the introduction of a 'Waking Watch', a team of four security staff patrolling the building at all times, whose role is to alert residents in the event of a fire and to assist in any evacuation process.
 - the completion of a detailed 'fire safety signage survey' and subsequent upgrading of all fire safety signage to reflect the new evacuation arrangements and to pick up the deficiencies noted in the FRA's, to ensure, that the signage in the block is accurate, up-to-date and compliant.
 - the introduction of an evacuation process for residents in the event of a fire.
18. The Waking Watch provision is expensive and it has always been intended that once the hard-wired fire alarm system was installed and commissioned, the Waking Watch would be removed. Although we have recently achieved access to all flats in Great Arthur House and all detection units have now been installed, we have decided that the removal of the Waking Watch will be 'phased' to allow us to give adequate notice to the residents. It should be noted however, that depending on the advice given in relation to the new compartmentation issues, it may be necessary to retain the Waking Watch for a further period of time.

Estate Management

19. Since the last meeting of this Committee on 5 June 2018, there have been several tasks completed and processes implemented by our estate management team that will go some way to ensuring the safety of residents in our social housing estates. Attached as Appendix 1 to this report is the 'Housing & Neighbourhoods Fire Safety Improvement Action Plan Summary 2017-19', which outlines the tasks completed and processes implemented.
20. Members will be aware that the biggest area of work by far for the Housing & Neighbourhoods Team is the Tenancy Visits Project, which is the subject of a separate report to this Committee.

Inspections by the LFB

21. As part of the government's response to the Grenfell Tower tragedy, fire services across the country have been instructed to carry out ad-hoc inspections on residential flat blocks to ensure that they comply with the requirements of the Regulatory Reform (Fire Safety) Order 2005 and to ensure that appropriate FRAs are being carried out. Since the last meeting of this Committee, an impromptu fire safety inspection was carried out at the Holloway Estate. The Fire Safety Inspecting Officer advised that he was satisfied that everything was in order although, he sought clarification on the timescales for implementing three of the recommendations included in the recent FRA. This has been provided.

The Hackitt Review

22. Following the Grenfell Tower fire, the Home Secretary, Amber Rudd and the Communities Secretary, Sajid Javid, commissioned Dame Judith Hackitt to conduct a review into building regulations and fire safety. The review, which was carried out independently of government, has a particular focus on regulations as they apply to high-rise residential buildings.

23. Dame Judith Hackitt's 'Independent Review of Building Regulations and Fire Safety' was published on 17 May 2018. The review is 156 pages long. There are 53 recommendations contained in the review, some of the key ones are summarised at Appendix 2 to this report.
24. It is fair to say that the Hackitt review has been met with something of a mixed reaction by professionals within the industry. Some think the report is underwhelming and those who expected the review to provide the answers, are largely disappointed.
25. The biggest change in thinking in the Hackitt Review is the creation of a two-tier system, whereby high-rise buildings will be subject to a different system to other buildings which, creates an arbitrary 10-storey cut off point. This has drawn considerable criticism as, by inference, blocks of less than 10 storeys are 'overlooked' and if fails to take into consideration other high risk buildings such as hospitals, schools and even nursing homes.
26. The Hackitt Review has also been widely criticised for failing to recommend a ban on combustible cladding although, in her response, somewhat surprisingly, Dame Judith said that it was not in her remit to look at Grenfell.
27. We are still some way from understanding the full impact of the Hackitt Review and the resulting legislative changes that may be brought about. The Ministry of Housing Communities & Local Government is presently consulting on the clarification of Approved Document B – Fire Safety in line with the Secretary of State's commitment in Parliament on 17 May 2018 to consult on clarifying building regulations fire safety guidance. The consultation closes on 11 October and it will likely be some time before we know the outcome.

Appendices

Appendix 1: Housing & Neighbourhoods Fire Safety Improvement Action Plan
Summary 2017-19

Appendix 2: Summary of the Hackitt Review

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APPENDIX 1

HOUSING & NEIGHBOURHOODS FIRE SAFETY IMPROVEMENT ACTION PLAN SUMMARY 2017-19

ACTION	DEADLINE	PROGRESS
Produce leaflet on fire safety for residents	Jan 2017	Complete
Produce poster on basic fire safety	Jan 2017	Complete
Sign up process amended to include fire safety advice	Jan 2017	Complete
Check and update records of vulnerable residents	July 2017	Complete (and ongoing)
Revise fire action and evacuation posters and include local variations as appropriate.	Sept 2017	Complete
Investigate presence and maintenance of lightening conductors	Sept 2017	Confirmed conductors are inspected annually by Nimbus Lightening Protection Ltd.
Have new notices installed in all blocks	Nov 2017	Complete Interim notices were installed in Autumn 2017. A separate project, to create permanent notices is being initiated by Property Services.
Review fire safety advice in Tenancy Handbook	Sept 2017	Complete. Review shows no inaccuracies. Relevant sections in handbook to be revisited as part of overall handbook review in late 2018
Develop communications programme on fire safety, including newsletter items, letters, Facebook posts, website updates, events etc	Oct 2017	Programme complete and being implemented
Write to all residents in City, telling them not to put out rubbish until day of collection as fire risk	Sept 2017	Complete. Included in FAQs
Secure funding for programme of tenancy visits	Nov 2017	Complete. Funding agreed
Revise fire safety protocol to include all communal areas. Develop standard procedure and enforcement letters	Dec 2017	Complete
Plan and implement tenancy visits project	July 2018	Team recruited and trained, visits have commenced and regular reports being presented to Housing Management & Almshouses Sub-Committee

Last revised August 2018

APPENDIX 1

Create Cigarette disposal comms campaign	August 2018	Piece to go in Autumn newsletter, highlighting recent fire
Review fire log books and make recommendations	Sept 2018	Log books being reviewed and updated as per FRA recommendations
Review sheds and garages agreement to be clear about storage of combustible items. Revise procedure to include inspections and key changes.	Sept 2018	Complete
Set up monthly FRA Monitoring Meeting with Property Services	Sept 2018	To begin shortly
Enhanced of programme of on-site training for cleaners	Oct 2018	Checklists for daily inspections being revised based on FRAs – training will to cover this.
Review and republish schedule of risk assessments and establish system for quality assuring	Dec 2018	Part of Estate Services Review
Review quality and monitoring of walkabouts and review daily, weekly, monthly checklists	Dec 2018	Part of Estate Services Review
Establish new process for updating information on vulnerable households and put into place any support plans needed	Dec 2018	Part of Estate Services Review and Tenancy Visits Project

APPENDIX 2

Dame Judith Hackitt's 'Independent Review of Building Regulations and Fire Safety' was published on 17 May 2018. There are 53 recommendations contained in the review, some of the key ones are summarised below:

1. New regulatory framework

A new regulatory framework for buildings more than 10 storeys high which, includes the creation of a Joint Competent Authority (JCA) made up of Local Authority Building Standards, fire and rescue authorities and the Health and Safety Executive. The JCA will hold a database of all high-risk residential buildings (HHRBs), whether in construction or already occupied. It will oversee the sign-off of HHRBs with dutyholders having to show that their plans are "detailed and robust".

High-rise residential buildings are defined as being 10 storeys and higher, rather than 18m. The Review also calls for many key recommendations to be extended to other multiple occupancy residential buildings covered by the Fire Safety Order, and some other institutional residential buildings where people sleep, including care homes

2. Clear responsibilities

Hackitt warns that a lack of clarity on roles and responsibilities when it comes to building safety was one of the circumstances that led to the Grenfell Tower disaster. She is recommending a clear and identifiable "dutyholder" with responsibility for building safety for the whole building. That dutyholder will have to present a safety case to the JCA at regular intervals. The key roles that are most important initiating, overseeing and influencing activity throughout the procurement, design and construction of a building should also be identified. The key roles for prioritising building safety will be the same as those identified in the Construction Design and Management (CDM) Regulations 2015 to avoid confusion.

3. Three 'gateways'

There should be three 'gateway' points where those responsible for a building's safety will have to prove to the new JCA that they are complying with regulations. The first gateway point is to satisfy the JCA that the building is accessible by the fire service, which must be determined before the building gets planning permission. Secondly, the dutyholder must satisfy the JCA that key building safety risks are understood and will be managed and that "robust" processes are in place, before building work can start. Thirdly, the JCA must be satisfied that the signed-off design has been followed before occupation can start.

4. More rigorous enforcement

More rigorous enforcement powers. A wider and more flexible range of powers will be created to focus incentives on the creation of reliably safe buildings from the outset. Stronger enforcement powers should align with the Health and Safety at Work Act. The JCA/Local Authority Building Standards should have additional powers to issue

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improvement and prohibition notices, as well as clear powers to require changes to work that meet Building Regulations. Time limits for bringing prosecutions should be increased to five or six years for "major deficiencies".

5. Higher levels of competency

The construction sector and fire safety sector will have to demonstrate more effective leadership for ensuring building safety among key roles including an overarching body to provide oversight of competency requirements. The aim is to move towards a system where ownership of technical guidance rests with the industry as the intelligent lead in delivering building safety and providing it with the flexibility to ensure that guidance keeps pace with changing practices.

6. More effective product testing

A clearer, more transparent and more effective specification and testing regime of construction products must be developed, including products as they are put together as part of a system. There should be clear statements on what systems products can and cannot be used for, with their use made essential. The scope of testing, the application of products in systems, and the resulting implications must be more clearly communicated in plain, consistent and non-technical information. Additional test houses should be established and certified, while test methods and standards should be maintained under a periodic review process.

7. Better information

The review identifies four "key information products" integral to oversight on building safety. They are:

- the digital record,
- the fire and emergency file,
- full plans, and
- the construction control plan.

Hackitt recommends that the creation, maintenance and handover of relevant information should be an "integral part" of the legal responsibilities of clients, principal designers, and principal contractors undertaking works on HRRBs.

For existing buildings, the duty holder must undertake an information-gathering exercise to build a record of how the building is constructed and how safety should be managed. This may require invasive building surveys. A phased programme for this should be developed by the JCA.

Whole-building Fire Risk Assessments (FRAs) should be carried out annually until the JCA has reviewed a building's safety case documents, at which point an appropriate routine can be agreed between the JCA and duty holder.

8. Residents

Residents should have the right to access FRA's and safety case documents. Duty holders should have a resident engagement strategy setting out how information will be shared with residents.

Residents should have clearer obligations to maintain their flat's safety and should cooperate with the duty holder and building safety manager. The intention of this recommendation relates to access to residents' properties where there are safety concerns.

9. Better procurement

Principal contractors and clients for HHRBs should devise contracts that specifically state that safety requirements must not be compromised for cost reduction. Tenders should set out how the proposed solution will produce safe building outcomes. Contracting documentation relating to the safety aspects of the building should be included in the digital record.

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