



Audit and Risk Management Committee

Date: TUESDAY, 3 NOVEMBER 2020

Time: 2.00 pm

Venue: VIRTUAL PUBLIC MEETING (ACCESSIBLE REMOTELY)

| | | |
|-----------------|---|--|
| Members: | Alexander Barr (Chairman) | Deputy Jamie Ingham Clark (Ex-Officio) |
| | Hilary Daniels (Deputy Chairman - External) | Paul Martinelli |
| | Alderman Ian Luder (Deputy Chairman - Member) | Caroline Mawhood (External Member) |
| | Randall Anderson | Jeremy Mayhew (Ex-Officio) |
| | Chris Boden | Andrien Meyers |
| | Anne Fairweather | John Petrie |
| | Marianne Fredericks (Ex-Officio) | Ruby Sayed |
| | Alderman Prem Goyal | Dan Worsley (External Member) |

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Accessing the virtual public meeting

Members of the public can observe this virtual public meeting at the below link:
<https://youtu.be/TTaaWq9RoCc>

This meeting will be a virtual meeting and therefore will not take place in a physical location following regulations made under Section 78 of the Coronavirus Act 2020. A recording of the public meeting will be available via the above link following the end of the public meeting for up to one municipal year. Please note: Online meeting recordings do not constitute the formal minutes of the meeting; minutes are written and are available on the City of London Corporation's website. Recordings may be edited, at the discretion of the proper officer, to remove any inappropriate material.

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 1 October 2020.

For Decision
(Pages 1 - 8)

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members are asked to note the Committee's Outstanding Actions List.

For Information
(Pages 9 - 10)

5. **COMMITTEE WORK PROGRAMME**

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

For Information
(Pages 11 - 12)

Financial Statements

6. **2019-20 CITY FUND AND PENSION FUND FINANCIAL STATEMENT**

Report of the Chamberlain.

For Decision
(Pages 13 - 308)

7. **CITY'S CASH FINANCIAL STATEMENTS 2019/20 - TO FOLLOW**

Report of the Chamberlain.

For Decision

8. **CITY'S CASH TRUST FUNDS AND SUNDRY TRUST FUNDS ANNUAL REPORT AND FINANCIAL STATEMENTS 2019/20 - TO FOLLOW**

Report of the Chamberlain.

For Decision

Internal Audit

9. INTERNAL AUDIT UPDATE - AMENDED INTERNAL AUDIT PLAN 2020/21

Report of the Head of Audit and Risk Management.

For Information
(Pages 309 - 318)

Anti-Fraud and Corruption

10. ANTI-FRAUD & INVESTIGATIONS - 2020/21 UPDATE REPORT

Report of the Head of Audit and Risk Management.

For Information
(Pages 319 - 328)

Risk Management

11. CORPORATE RISK MANAGEMENT STRATEGY

Report of the Chamberlain.

For Information
(Pages 329 - 364)

12. DEEP DIVE RISK REVIEWS

a) Deep Dive: CR09 Health, Safety and Wellbeing

Report of the Director of Human Resources.

For Information
(Pages 365 - 382)

b) Deep Dive: CR10 Adverse Political Developments

Report of the City Remembrancer.

For Information
(Pages 383 - 388)

13. UPDATE ON SMITHFIELD CANOPIES AND SUBSEQUENT REMEDIAL WORK - TO FOLLOW

Report of the Director of Markets & Consumer Protection.

For Information

- 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**

MOTION, 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 1 October 2020.

For Decision
(Pages 389 - 390)

- 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

Thursday, 1 October 2020

Minutes of the meeting of the Audit and Risk Management Committee held
virtually on Thursday, 1 October 2020 at 2.00 pm

Present

Members:

| | |
|---|--|
| Alexander Barr (Chairman) | Alderman Prem Goyal |
| Hilary Daniels (Deputy Chairman - External) | Deputy Jamie Ingham Clark (Ex-Officio) |
| Alderman Ian Luder (Deputy Chairman) | Paul Martinelli |
| Randall Anderson | Caroline Mawhood (External Member) |
| Chris Boden | Jeremy Mayhew (Ex-Officio) |
| Anne Fairweather | Ruby Sayed |
| Marianne Fredericks (Ex-Officio) | Dan Worsley (External Member) |

In Attendance

Officers:

| | |
|---------------------|--|
| Chloe Rew | - Town Clerk's Department |
| Joseph Anstee | - Town Clerk's Department |
| Hayley Hajduczek | - Town Clerk's Department |
| Rofikul Islam | - Town Clerk's Department |
| Damian Nussbaum | - Town Clerk's Department |
| Kate Smith | - Town Clerk's Department |
| Peter Kane | - Chamberlain |
| Caroline Al-Beyerty | - Chamberlain's Department |
| Karen Atkinson | - Chamberlain's Department |
| Paul Dudley | - Chamberlain's Department |
| James Gibson | - Chamberlain's Department |
| Sean Green | - Chamberlain's Department |
| Aqib Hussain | - Chamberlain's Department |
| Matthew Lock | - Chamberlain's Department |
| Nathan Omane | - Chamberlain's Department |
| Cecilie Booth | - City of London Police |
| Stuart Phoenix | - City of London Police |
| Michael Cogher | - Comptroller and City Solicitor |
| Mark Lowman | - City Surveyor's Department |
| Donald Perry | - Markets and Consumer Protection Department |
| Carolyn Dwyer | - Director of Built Environment |

Also in attendance:

| | |
|------------------------|---------------------------|
| Alderman Alison Gowman | - Court of Common Council |
| Kerry Barnes | - External Auditor, BDO |
| Fiona Condron | - External Auditor, BDO |

| | |
|--------------------|-------------------------|
| James Hay | - External Auditor, BDO |
| Leigh Lloyd-Thomas | - External Auditor, BDO |
| Francesca Palmer | - External Auditor, BDO |

1. **APOLOGIES**

It was proposed by Jeremy Mayhew and seconded by Alexander Barr that Alderman Luder takes the chair.

Apologies were received from Andrien Meyers and John Petrie.

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

There were none.

3. **ORDER OF THE COURT**

Members received the Order of the Court dated 16 July 2020 appointing the Committee and setting its Terms of Reference.

4. **ELECTION OF A CHAIRMAN**

Members elected a Chair in accordance with Standing Order 29.

RESOLVED, that – being the only Member willing to serve, Alexander Barr be elected as Chair for the ensuing year.

5. **ELECTION OF DEPUTY CHAIRMEN**

Members elected a Deputy Chairman (Member) in accordance with Standing Order 30 and a Deputy Chairman (External) in accordance with the convention adopted by the Committee on 6 March 2018.

RESOLVED – that Alderman Luder be elected Deputy Chairman (Member) and Hilary Daniels be elected Deputy Chairman (External) for the ensuing year.

6. **VOTE OF THANKS**

RESOLVED UNANIMOUSLY, that –

Members of the Audit & Risk Management Committee wish to place on record their sincere appreciation to –

ALDERMAN IAN LUDER

for the dedication he has shown in all aspects of his work on their Committee in his three years as Chairman. Ian's experience outside the Corporation has brought valuable expertise to the Committee's work resulting in tangible improvements to the Corporation's audit and risk management processes.

WITH IAN'S LEADERSHIP, the Committee has exercised the highest level of independent challenge and oversight of the adequacy of risk management, internal controls and the financial reporting frameworks.

THROUGH IAN'S GUIDANCE, the Committee has played a key oversight role in ensuring that the Corporation's risk management framework and policies are operating effectively. Through the Chief Officer Risk Challenge Sessions, Ian has led thoughtful and productive discussions with Chief Officers to enhance the maturity of risk management across the Corporation.

UNDER IAN'S CHAIRMANSHIP, the Committee has witnessed a demonstrable increase in engagement with risk management, both with Members through Deep Dive reviews of significant corporate risks, and on the part of officers. Moreover, the Committee has seen improved engagement with the work of internal audit across departments, driving departmental engagement with the internal audit process and with implementation of recommendations.

TO STRENGTHEN THE RELATIONSHIPS with London's Local Authorities, Ian established the London Local Authority Audit Chairs' meetings, which has provided valuable opportunities for Chairs of Audit & Risk Management Committees to share knowledge, experiences, and best practices for audit and risk management oversight across London.

FINALLY, THE COMMITTEE WISHES TO PLACE ON RECORD its sincere thanks to Ian for his commitment to the Committee's cause and for championing the Committee in all areas of his work in the Corporation. His colleagues wish him the very best for the future.

7. **MINUTES**

RESOLVED, that – the minutes of the previous meeting held on 13 July 2020 be agreed as a correct record.

8. **APPOINTMENT TO SUB-COMMITTEES**

Members considered a report of the Town Clerk & Chief Executive relative to appointments to the Nominations Sub-Committee and the Performance & Resource Management Sub-Committee of the Police Authority Board.

Nominations Sub-Committee

In addition to the Chairman and Deputy Chairman (Member), the following Members were appointed to the Nominations Sub-Committee for the ensuing year:

1. Deputy Jamie Ingham Clark
2. Alderman Prem Goyal
3. Caroline Mawhood
4. Dan Worsley

Performance & Resource Management Sub-Committee

The following Members were appointed to the Performance & Resource Management Sub-Committee:

1. Caroline Mawhood
2. Dan Worsley

9. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members received the Committee's outstanding actions list. The following points were noted:

- The Head of Audit and Risk Management provided an update regarding the City of London School for Girls internal audit recommendations. The recommendations were on track to be completed and the action could be stricken from the list.
- Departmental COVID-19 risks were included in the Risk Update at item 13 and the action could be stricken from the list.

10. **COMMITTEE WORK PROGRAMME**

Members received the Committee's work programme.

11. **BRIDGE HOUSE ESTATES ANNUAL REPORT AND FINANCIAL STATEMENTS 2019/20**

Members considered a report of the Chamberlain relative to the Bridge House Estates Annual Report and Financial Statements for 2019/20.

RESOLVED, that – Members:

1. consider the contents of the audit management report issued by BDO;
2. recommend approval of the BHE Annual Report and Financial Statements for the year ended 31 March 2020 to the Finance Committee, subject to the following issues raised:
 - a. p. 46: amend wording to directly reference the 'emphasis of matter' within the auditors opinion as a result of the material valuation uncertainty on investment properties;
 - b. p. 46: consider the disclosures relating to fund managers utilised;
 - c. p. 47: amend wording to reflect that financial investments are not managed to a capital protection mandate;
 - d. p. 80: consider the disclosures relating to the geographical spread of financial investments held;
 - e. p. 80: consider disclosures relating to the nature of financial investments held;
 - f. p. 82: consider table heading within Note 17: Market Risk; and,
3. delegate authority to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, for approval of any material change to the financial statements required before the signing of the audit opinion by BDO.

12. INTERNAL AUDIT UPDATE REPORT

Members received a report of the Head of Audit and Risk Management relative to the Internal Audit Update. It was reported that Internal Audit was satisfied with how the new approach to reviewing implementation of previous audit recommendations was working, and highlighted areas of work that required a second follow up.

RESOLVED, that – the report be received and its contents noted.

13. RISK UPDATE

Members received a report of the Chamberlain relative to the Risk Update, which included the Corporate Risk Register and the COVID-19 risks, as requested at the previous meeting, which were thematic group risks which sat below the corporate risks.

RESOLVED, that – the report be agreed and its contents noted.

14. DEEP DIVE RISK REVIEWS

a) CR29: Information Management Programme Progress Update and CR29 Information Management Deep Dive

Members received a report of the Chamberlain relative to a Deep Dive of CR29: Information Management. The report provided a progress update of the Information Management Programme. It was noted that the transfer to Sharepoint was in the pre-procurement stage. In terms of embedding, this would require a change in mindset across the organisation. The information management campaign had commenced and would be rolled out one department at a time, to be completed by mid-November.

RESOLVED, that –

1. an update be brought to Committee at a future date regarding actions taken to address the risks associated with the Information Management Strategy (2018-2023) not fully being implemented; and,
2. the report be received and its contents noted.

b) CR30: Refresh of CR30 for Implementation Phase of Climate Action Strategy

Members received a report of the Town Clerk & Chief Executive relative to a Deep Dive of CR30 Climate Action, and the implementation phase of the Climate Action Strategy. It was reported that the Strategy would be considered by the Court of Common Council in due course. Chief Officers named as action owners would consider risk ratings and make linkages across related risks.

RESOLVED, that –

1. CR30 Climate Action be brought back to the Committee as a Deep Dive in 6 months' time;
2. CR30 be incorporated into the work programme in order to be regularly considered by the Committee; and,
3. the report be received and its contents noted.

15. ANNUAL SUMMARY OF HMICFRS INSPECTIONS AND REPORTS

Members received a report of the Commissioner of the City of London Police (CoLP) relative to the Annual Summary of Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS) Inspections and Reports, which provide an overview of inspection activity which took place from September 2019 to September 2020. It was noted that due to the COVID-19 lockdown, HMIC suspended most of its activities, and there would be a move to virtual inspections in the future. It was further noted in the overview, only one report related specifically to the CoLP, and the remainder were national reports which the CoLP must have regard to.

RESOLVED, that – the report be received and its contents noted.

16. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were none.

17. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

The Committee considered an urgent matter relative to an incident at Smithfield Market on 15 August 2020 in which a canopy collapsed. Members were concerned that the Committee had not been directly informed of the incident. The Director of Markets & Consumer Protection and the City Surveyor informed the Committee of steps taken since the incident to ensure the structure was safe and noted plans to reopen East Poultry Avenue once safety works were completed. The Committee agreed that the Chairman would write to the Town Clerk expressing concern regarding the communication from Chief Officers to the Committee.

*** Members agreed to extend the meeting ***

18. 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.

19. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

RESOLVED, that – the non-public minutes of the previous meeting held on 14 July be agreed as a correct record.

20. NON-PUBLIC APPENDICES TO THE RISK UPDATE

The non-public appendix was read in conjunction with the Report of the Chamberlain at Agenda Item 13.

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

There were none.

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

There was no other business.

23. **CONFIDENTIAL MINUTES OF THE PREVIOUS MEETING**

RESOLVED, that – the confidential minutes of the previous meeting held on 14 July 2020 be agreed as a correct record.

24. **CONFIDENTIAL QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were none.

25. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND THE COMMITTEE AGREES SHOULD BE CONSIDERED IN CONFIDENTIAL SESSION**

There was no other business.

The meeting ended at 4.15 pm

Chairman

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AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions - November 2020

| Items from meeting held 1 October 2020 | | |
|--|---|---|
| ITEM | Action | Officer and target date |
| 14. Deep Dive – CR29: Information Management | Update to be brought to Committee regarding actions taken to address the risks associated with the Information Management Strategy (2018-2023) not fully being implemented. | Town Clerk/Chamberlain Date: TBC |
| 14. Deep Dive – CR30: Refresh of CR30 for Implementation Phase of Climate Action Strategy | Deep Dive for CR30 Climate Change to be brought back to Committee in 6 months' time | Town Clerk Date: 25 May 2021 |
| | Deep Dive for CR30 Climate Change to be incorporated into the Committee work programme in order to be regularly reviewed by the Committee | Corporate Risk Manager Date: 3 November 2020 |

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Audit & Risk Management Committee - Work Programme: November 2020 – May 2021

| 3 November 2020 | 13 January 2021 | 23 March 2021 | 25 May 2021 |
|--|--|--|---|
| City's Cash Accounts Open Spaces Accounts Sundry Trusts Accounts City Fund and Pension Fund Accounts (moved from October) | | | |
| <u>Deep Dive:</u> 1. CR10 Adverse Political Developments (Remembrancer) 2. CR09 Health & Safety (Town Clerk) | <u>Deep Dive:</u> 1. CR23 Police Funding (Chamberlain's/COLP) 2. CR21 Air Quality (M&CP) | <u>Deep Dive:</u> 1. CR17 Safeguarding (DCCS) 2. CR35 Medium-Term Financial Plan (Chamberlain's) | <u>Deep Dive:</u> 1. TBC – CR34 COVID Recovery (Town Clerk's) 2. TBC – CR28 Action Fraud (Chamberlain's/ CoLP) 3. CR30 – Climate Action (Town Clerk's) |
| Review of Risk Management Strategy City Surveyor/Markets & Consumer Protection Report | Risk Management Update | | Risk Management Update |

* *Deferred Deep Dives*

- CR27: Change Management (Town Clerk) – March 2020
- CR28: Action Fraud (Chamberlain/CoLP) – March 2020
- CR02: Loss of Business Support for the City (Town Clerk) – June 2020
- CR24: Operational Security (Town Clerk) – July 2020

| | | | |
|--|---|--|---|
| Internal Audit Update (6-month plan delivery) Anti-Fraud Update | Internal Audit Update (9-month plan delivery) Draft 2021/22 Internal Audit Plan Audit Report on Operational Buildings | Internal Audit Update (Provisional 12-month plan delivery outturn) | Internal Audit Update (12-month plan delivery) Head of Internal Audit Annual Opinion |
| | External Member Recommendations from the Nominations Sub-Committee | Annual Report of the Committee Annual Review of the Audit Charter | Annual Governance Statement |

| | |
|--|---|
| Committee(s): Audit and Risk Management – For decision Finance Committee – For decision | Date(s): 03-11-2020 10-11-2020 |
| Subject: 2019-20 City Fund and Pension Fund Financial Statement | Public |
| Report of: The Chamberlain | For Decision |
| Report author: Neilesh Kakad, Group Accountant, Chamberlin's Department | |

Summary

The audited City Fund and Pension Fund Statement of Accounts 2019-20 are presented in appendix 1 for approval. This reflects all changes agreed with the auditors at the time of submitting this report. The statutory deadline for approval and publication of these accounts have been revised due to the impact of COVID-19, with 30 November 2020 being the date by which this should now take place.

The audit work is substantially complete, with the findings of this work set out in the audit completion reports in appendix 2 and 3. Our auditors, BDO LLP, are intending to issue an unqualified opinion on both statements, albeit with an “emphasis of matter” paragraph in the City Fund opinion relating to the uncertainty in property valuations at the balance sheet date due to COVID-19. This is uncontentious as it reflects our own views on investment and operational property valuations.

The key points to highlight from the statement of accounts are:

- There have been no significant changes in accounting standards from the previous year.
- The surplus on the provision of services for the year is £85.7m. This reflects the revenue surplus for the year (£42.3m) and the net gains from the disposal of assets (£42.4m), which have been planned as part of the financing strategy for the major projects being delivered by City Fund.
- Unrealised gains on investment property valuations (£30.4m) have also added to the surplus position but have been offset by the IAS19 assessment of pension liabilities accounted for the in provision of services (£28.7m).
- The net assets position for City Fund increased by £195.8m. The primary drivers of this increase are:
 - a) An increase in investment properties values (£30.4m) reflecting the assessment of our external valuers.

b) An increase in the value of short term investments (£127.6m) reflecting the cash proceeds from the disposal of Police premises (£69.8m) and the revenue underspend for the year (£42.3m), which have been accumulated as part of the financing strategy for major projects being delivered through City Fund. The City Corporation is also holding £74.2m of cash balances on behalf of the London Business Rates Pool in our role as Lead Authority. This balance will be distributed in due course to Strategic Investment Project (SIP) lead authorities, in line with their spend on these projects, and on finalisation of 2019-20 business rates audits across London as part of the redistribution mechanism of the pool.

c) a reduction in pension liabilities (£59.1m).

- The pension liability has reduced by £59.1m to £1,258.6m, reflecting small changes in the financial assumptions used by the actuary to determine the value of the liability, which these calculations are sensitive to.
- Usable reserves have increase by £108.6m reflecting the increase in cash balances highlighted above, which will be utilised as part of the financing of the Combined Courts and Museum of London major projects being managed under City Fund.

Recommendations

The Audit and Risk Management Committee are asked to:

- Consider the content of BDO's audit progress report;
- Recommend approval of the 2019-20 City Fund and Pension Fund Statement of Accounts to Finance Committee; and
- Delegate authority to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, approval of any material change to the financial statement required before the signing of the audit opinion by BDO, which is expected by the end of November.

Finance Committee are asked to:

- Consider the resolution from the Audit and Risk Management Committee and, if appropriate, approve the 2019-20 City Fund and Pension Fund Statement of Accounts: and
- Delegate to the Chamberlain, in consultation with the Chairman and Deputy Chairman of Finance Committee, approval of any material changes to the statement of accounts required before the signing of the audit opinion by BDO – which is expected by the end of November.

Main Report

Background

1. The 2019-20 City Fund and Pension Funds Statement of Accounts are set out in appendix 1.
2. Due to the impact of COVID-19, the statutory deadline for approval and publication of the City Fund and Pension Fund accounts have been extended via The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020, which has set 30 November 2020 as the new deadline.
3. Approval of each year's statement of accounts has been delegated by the Court of Common Council to Finance Committee.
4. The statements are prepared in accordance with proper accounting practice as set out in the Code of Practice on Local Authority Accounting 2019-20 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS).

Summary of 2019-20 City Fund Accounts

Revenue

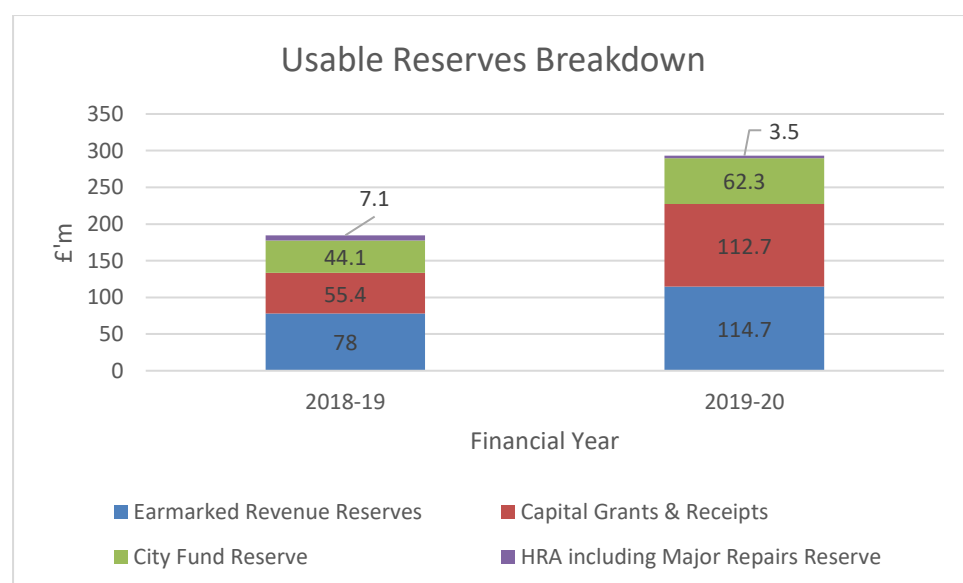
5. The provisional net expenditure for spend against Committee budgets is £6.0m better than budget. More detailed analysis of the outturn compared to budget has been submitted to spending committees. Bringing in funding from taxation and grants, the City Fund was £42.3m better than budget. This is an improved position from the £16.7m budgeted transfer to reserves due additional grant funding to offset the award of business rate reliefs (£6.8m), in-year budget reductions agreed as part of the revised estimate process (£6m) and additional business rate and business rate premium income (£5.6m), the later element reflecting the agreed increase of £0.001p.
6. In accordance with the City's budget management arrangements, requests for the carry forward of City Fund resources totalling £0.9m have been approved by the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee. This will increase the call on the City Fund General Reserve in 2020-21.

Balance Sheet

7. The Balance Sheet net assets have increased by £195.8m from £1,395.1m to £1,590.9m. This increase is primarily due to an increase in investment properties values (£35.2m), short term investments (£127.6m) and a reduction in pension liabilities (£59.1m). Note 17 and notes 23-26 provide details of the changes in investment property and pension liability values.
8. The increase in short term investments is reflective of the cash balances retained at year end, which include the cash proceeds from the disposal of Police

premises (£69.8m) and the revenue underspend for the year (£42.3m), which have been accumulated as part of the capital financial strategy for major projects being delivered through City Fund. The City Corporation is also holding £74.2m of cash balances on behalf of the London Business Rates Pool in our role as Lead Authority. This balance will be distributed in due course to Strategic Investment Project (SIP) lead authorities, in line with their spend on these projects, and on finalisation of 2019-20 business rates audits across London as part of the redistribution of pool funds London.

9. The increase in net assets is also reflected in the reserves position where both usable and unusable reserves have increased by £108.6m and £87.2m respectively.
10. Usable reserves are those relatively liquid reserves that can be applied to fund expenditure or reduce local taxation. They are required over the medium term for the funding of the capital programme and includes sums earmarked, either by statute or as agreed by Members, for specific purposes such as spend on Highways, the Housing Revenue Account and the Police.
11. Unusable reserves hold unrealised gains and losses and differences between the accounting basis and statutory basis for preparing local authority statement of accounts.
12. The £108.6m increase in usable reserves reflects the City Fund underspend for the year as well as a net increase in the capital receipts reserves (£52.1m) following disposal of Police sites. Both elements are part of the financing strategy for the major projects programme over the medium term. In addition, earmarked reserves have also risen largely due to an increase in the Strategic Investment Project (SIP) funds (£21.3m) which the City Corporation administers on behalf of the London Business Rates Pool.



13. The £87.2m year on year increase in unusable reserves from £1,210.5m to £1,297.7m is analysed further in note 31 to the City Fund accounts. The most

significant items contributing to this increase is the increase in investment property valuations (£30.4m) and a reduction of £59.1m in the negative pension reserve to match the reduction in estimated pension liabilities.

Pension Liability

14. The City Fund's total net assets of £1,590.9m are after having deducted net pension liabilities totalling £1,258.6m. The comparator for 31 March 2019 is £1,317.7m. The liabilities arise from applying the requirements of International Accounting Standard (IAS) 19. This accounting standard is complex but is based on the principle that an organisation should recognise liabilities for pension benefits as they are earned, even if the payment of such benefits will be many years into the future. The estimated net liabilities are calculated by independent actuaries, Barnett Waddingham. A breakdown of the liability between the 3 pension schemes operating under City Fund is shown below.

| Net Pension Liability breakdown by scheme | 31 March 2019 | 31 March 2020 |
|--|--------------------------|--------------------------|
| City of London Pension Scheme - City Fund 51% share | (316.7) | (324.1) |
| Police Pension Schemes | (998.1) | (931.7) |
| Judges' Pension Scheme | (2.9) | (2.7) |
| Total | (1,317.7) | (1,258.6) |

15. The Police and Judges' schemes are wholly accounted for by the City Fund but the Local Government Pension Scheme (LGPS), which is open to all other staff who don't qualify for the other schemes, is apportioned on employer's contributions between the City Corporations 3 funds (City Fund, City's Cash and Bridge House Estates) so to present a fairer view of the funds' financial positions than if the deficit were excluded.
16. Pension fund deficits (or surpluses) are relatively sensitive to movements in the underlying assumptions. Details of these assumptions can be found in note 23 of the accounts.
17. It should be noted that the employer's pension contribution rate is a separate issue from the IAS19 calculations. It is considered and determined by Finance Committee following each triennial valuation (updated by any subsequent interim valuations). The triennial valuation considers the period over which the pension deficit should be recovered through employer's contributions and the City Corporation is consulted on the assumptions used by the actuary for these valuations. Following the triennial valuation as at 31 March 2019, Finance Committee agreed to maintain the City of London Corporation's employer's contribution rate at 21% for the years 2020-21 to 2022-23 in order to recover the pension fund deficit over a period of 14 years from 2020-21.

Pension Fund Accounts

18. The Pension Fund Account audit is largely complete and appendix 2 presents the Pension Fund audit finding report. The draft accounts were amended to reflect updated valuations for private equity holdings which were received after draft publication. This reduced the value of pension fund assets by £3.1m.
19. Pension fund liabilities were also updated and increased by £6m following an error in the data provided to the actuary in assessing the liability of the fund.
20. An unqualified opinion is proposed for these accounts.

COVID-19

21. Whilst the impacts of COVID-19 will be largely felt in 2020-21 and beyond, its presence in March 2020 and subsequent “lockdown” initiated by Government in this period has had an impact on the statement of accounts. These have primarily been focused on property valuations, the recovery of outstanding debt and the assessment of going concern.
22. Due to the lack of property transactions and uncertainty in the market, the valuation of investment and operational properties have been caveated with a material valuation uncertainty clause by the valuers. This highlights that whilst valuations were able to be produced as at the balance sheet date, there was a higher level of uncertainty in these valuations due to the circumstances surrounding COVID-19. This clause was included in line with guidance issued by the Royal Institute of Chartered Surveyors (RICS).
23. Whilst circumstance have developed since the valuations were issued, the valuers maintain the need for this material valuation clause and therefore, this has been reflected in the emphasis of matter included in the audit report.
24. Judgements on the recovery of outstanding debts and the going concern assessment have been deemed adequate, albeit with the recommendation that further analysis be carried out when assessing the likelihood of debt recovery in some areas.

Audit Progress

25. BDO commenced its audit on 29 June 2020. At the time of writing the City Fund audit was still underway. Appendix 3 sets out the City Fund audit findings and outstanding areas of work at the time of writing. Any subsequent updates to the City Fund accounts to the version published with this report will be highlighted to the Committee.
26. Representatives from BDO will be in attendance at the Audit and Risk Management Committee to present their progress reports and to clarify any points and provide an update on the outstanding areas of work. It is anticipated that the audit will be concluded satisfactorily to enable BDO to issue an unqualified opinions, albeit with an “emphasis of matter” statement in relation to

the uncertainty in investment and operational property valuations undertaken at the 31 March 2020, linked to circumstance surrounding COVID-19. This is uncontentious and is in line the with assessments made by our internal and external valuers that material uncertainty still exists. Enhanced disclosures setting out the impact of this material uncertainty will be included in note 2 of the City Fund accounts.

Conclusion

27. BDO is expecting to sign its audit opinion by the end of November. Should any material adjustments to the statement of accounts be required before that position is reached, it is recommended that authority to approve such amendments should be delegated to the Chamberlain in consultation with the Chairmen and Deputy Chairmen of the Audit and Risk Management and Finance Committees.
28. As soon as reasonably possible after the conclusion of the audit, and in any event by 30 November 2020, the City is required to publish the 2019-20 City Fund and Pension Fund Statement of Accounts including the Audit Opinion on its website. The final management letters from BDO on its audit will be presented to the Court of Common Council for information.

Appendices

- Appendix 1 – 2019-20 Statement of Accounts for the City Fund and Pension Fund
Appendix 2 - BDO's Pension Fund Audit Completion Report
Appendix 3 - BDO's City Fund Audit Completion Report

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THE CITY OF LONDON CORPORATION

Audited Statement of Annual Accounts for the City Fund Year Ended 31 March 2020

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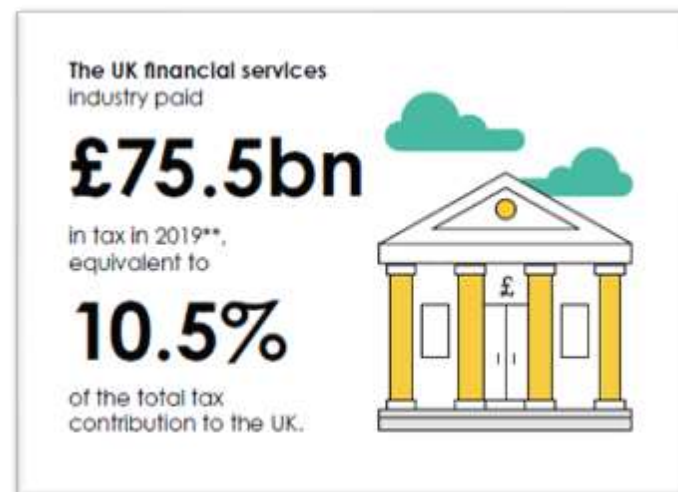
Preface

AN INTRODUCTION TO THE CITY OF LONDON CORPORATION

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

The City Corporation is responsible for managing three funds, City Fund, City's Cash and Bridge House Estates. Bridge House Estates funds the maintenance of Tower, London, Southwark, Millennium and Blackfriars Bridges; and the work of City Bridge Trust (London's largest independent charitable funder) and City's Cash allows us to provide services that are of importance to Greater London as well as to the City at little or no cost to the public. More information about the City Fund is given in the following pages.

As the governing body of the Square Mile, we are responsible for delivering the functions of a local authority and a police authority for our residents, workers, learners and visitors, as well as being the port health and animal health authorities for London. There are approximately 7,500 residents living in the Square Mile. However, we have a high daytime population in the Square Mile made up of approximately 513,000 workers daily and approximately 19 million visitors annually.



CORPORATE STRATEGY

In 2018-19 the City Corporation launched a new Corporate Plan for 2018-23. It sets out our three aims which in turn are broken down into 12 outcomes (shown below). Our Plan commits us to strengthening the character, capacity and connections to the City, London and the UK for the benefit of residents, workers, learners and visitors. This Plan will guide our thinking and decision-making, providing us with the focus to achieve sustainable systemic change during what is likely to be another period of significant change on a global, national and regional level, bringing both threats and opportunities. These include preventing climate change, terrorism and cyber-crime, and countering their effects, which will all remain high priorities for the organisation. So too will retaining the UK's competitiveness, in the context of Brexit; increases in the cost of living; reductions in public sector spending and recovering from the impacts of COVID-19. We are also ensuring that we can support our residents, workers, visitors, partners and our own organisation to respond effectively to these disruptive changes.



Contribute to a flourishing society

1. People are safe and feel safe.
2. People enjoy good health and wellbeing.
3. People have equal opportunities to enrich their lives and reach their full potential.
4. Communities are cohesive and have the facilities they need.



Support a thriving economy

5. Businesses are trusted and socially and environmentally responsible.
6. We have the world's best legal and regulatory framework and access to global markets.
7. We are a global hub for innovation in finance and professional services, commerce and culture.
8. We have access to the skills and talent we need.



Shape outstanding environments

9. We are digitally and physically well-connected and responsive.
10. We inspire enterprise, excellence, creativity and collaboration.
11. We have clean air, land and water and a thriving and sustainable natural environment.
12. Our spaces are secure, resilient and well-maintained.

The Plan is designed to be used as a strategic framework for the organisation. It has therefore been aligned to corporate strategies, service level business plans, team plans and staff appraisal forms. This 'golden thread' allows us to monitor the impact of everything we do has on the aims and outcomes we have identified.

As an organisation we are committed to being relevant, responsible, reliable and radical – acting strategically and at pace in order to ensure everyone can share in the benefits we aim to create. This means that we must be open: to unlocking the full potential of our many assets – our people, heritage, green and urban spaces, funds, data and technology; to trying new things and learning as we go; and to working with our stakeholders and partners who share our aims. To deliver this we have developed a number of key strategies:

- **Responsible Business Strategy, 2018-25:** committing us to creating a positive impact and reducing negative impact across all our activities and decisions – encouraging those we work with externally to do the same.
- **Social Mobility Strategy, 2018-28:** committing us to bridge and reduce the social and economic divides that may be experienced by people during their lifetime, by maximising and promoting social mobility within businesses, organisations, central and local government and educational and cultural institutions.
- **Digital Skills Strategy, 2018-23:** committing us to equipping people and businesses across the City, London and beyond to take full advantage of digital technologies and innovations to help themselves and their economies thrive.
- **Apprenticeships Strategy, 2018-23:** committing us to a workforce and organisation that thrives through high-quality and wide-ranging apprenticeships that welcomes diverse talent and develops relevant skills.
- **Education, Skills and Cultural and Creative Learning Strategies, 2018-23:** Committing us to preparing people to flourish in a rapidly changing world through exceptional education, cultural and creative learning and skills which link to the world of work.
- **Transport Strategy 2019-2044:** provides a 25 year framework for future investment in and management of the City's streets, as well as measures to reduce the social, economic and environmental impact of motor traffic and congestion.

OUR FUNDING STRUCTURE

In common with other local authorities, the City Fund received funding via grants from central government, a share of business rates income and the proceeds of the local council tax. The City Fund generates rental and interest income to help finance its activities. A breakdown of these amounts for 2019-20 is shown below in the financial summary for the year.

Whilst collecting more than £1.2bn in business rate income, the City Fund retains only a small proportion of the amounts collected from its area, in accordance with the national arrangements. The remainder is paid over to central government and is redistributed to local authorities throughout the country. Due to its special circumstances – notably its very low resident population and high daytime population – the City of London is allowed uniquely to set its own business rate. It may

set this rate, subject to certain constraints, at a higher or lower level than the National Non-Domestic Rate determined by central government for the rest of the country. More information on the role and ongoing work of the City Corporation, can be found on the City's website at www.cityoflondon.gov.uk¹

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

PERFORMANCE

Our recognised achievements in 2019-20 include awards within a range of schemes and categories:



Risk Management and Priorities for the Coming Year

Our risk management processes help us identify and manage the most significant risks to the organisation, by significant we mean those that could stop us achieving our strategic objectives or have a significant detrimental impact on the City of London Corporation. The Audit and Risk Management Committee maintains oversight for risk management and is ultimately responsible for ensuring that satisfactory arrangements are in place for this. The Committee endorsed a new Risk Management strategy for the City Corporation in January 2020.

The key risks to the organisation relate to managing the impact of the Covid-19 pandemic in both the short and medium term, Brexit, maintaining a safe and healthy environment and ensuring the financial sustainability of our operations. In the case of this last, the Covid-19 pandemic has had a significant impact and work is in hand to effectively manage this and other financial challenges to ensure the continued relevance of the services we provide to London and the UK.

OTHER DISCLOSURES

The Trade Union Regulations 2017 requires public authorities to disclose trade union activity as part of their annual accounts. The below tables set out the information required under this regulation. It outlines the volume of union activity as well as the annual cost to the City where union activity is carried out during working hours.

Trade Union representatives and full-time equivalents

| | |
|--|----|
| Number of trade union representatives (people) | 36 |
| FTE trade union representative | 35 |

Total pay bill and facility time costs 2019-20

| | £m |
|--|-------|
| Total City of London pay bill | 217.3 |
| Total cost of facility time | 0.1 |
| Percentage of pay spend on facility time | 0.04% |

Percentage of working hours spend on facility time by union representative

| | |
|-----------------------------|-----------|
| 0% of working hours | 25 |
| 1% to 50% of working hours | 9 |
| 51% to 99% of working hours | 2 |
| 100% of working hours | 0 |
| Total | 36 |

Paid trade union activities 2019-20

| | |
|---|---------|
| Hours spend on paid facility time | 3,179.5 |
| Hours spend on trade union activities | 0.0 |
| Time spend on paid trade union activities as a percentage of total paid facility time | 0.0% |

FINANCIAL OUTLOOK

The City Corporation is about to embark on an ambitious programme of investment across its funds aimed at fulfilling its strategic aims and continuing to make the City the place people want to live, work and enjoy. For the City Fund these major projects include the Combined Courts project, which will relocate the Magistrates court to a new world class facility and the relocation of the Museum of London to a new purpose-built facility. These programmes require significant financial investment at a time where the City Fund is facing a number of threats to its funding and pressures on its services. These include:

- **Spending Review** – expected during 2020, there is unlikely to be significant additional government funding for local government, with the most likely outcome being a further squeeze.
- The **Fair Funding Review** of local government funding could shift resources away from London.
- **Business Rates** – the expected changes to the Business Rate Retention System have been delayed to 2021-22, but still present a significant risk to the City Corporation as this is a major source of funding for City Fund activity.
- **COVID-19** – The consequences of global pandemic are yet to fully unfold, but the estimated financial impact on City Fund stands at a deficit of £20.8m. A large number of the workers who travel into the City are working from home, reflecting the restrictions the Government has put in place to combat the spread of the virus. Changes will be required to the City's streets to enable social distancing as the restrictions on travel are gradually lifted. These, and other impacts, will be reflected upon and incorporated into our medium term financial plan, which will be reviewed over the summer.

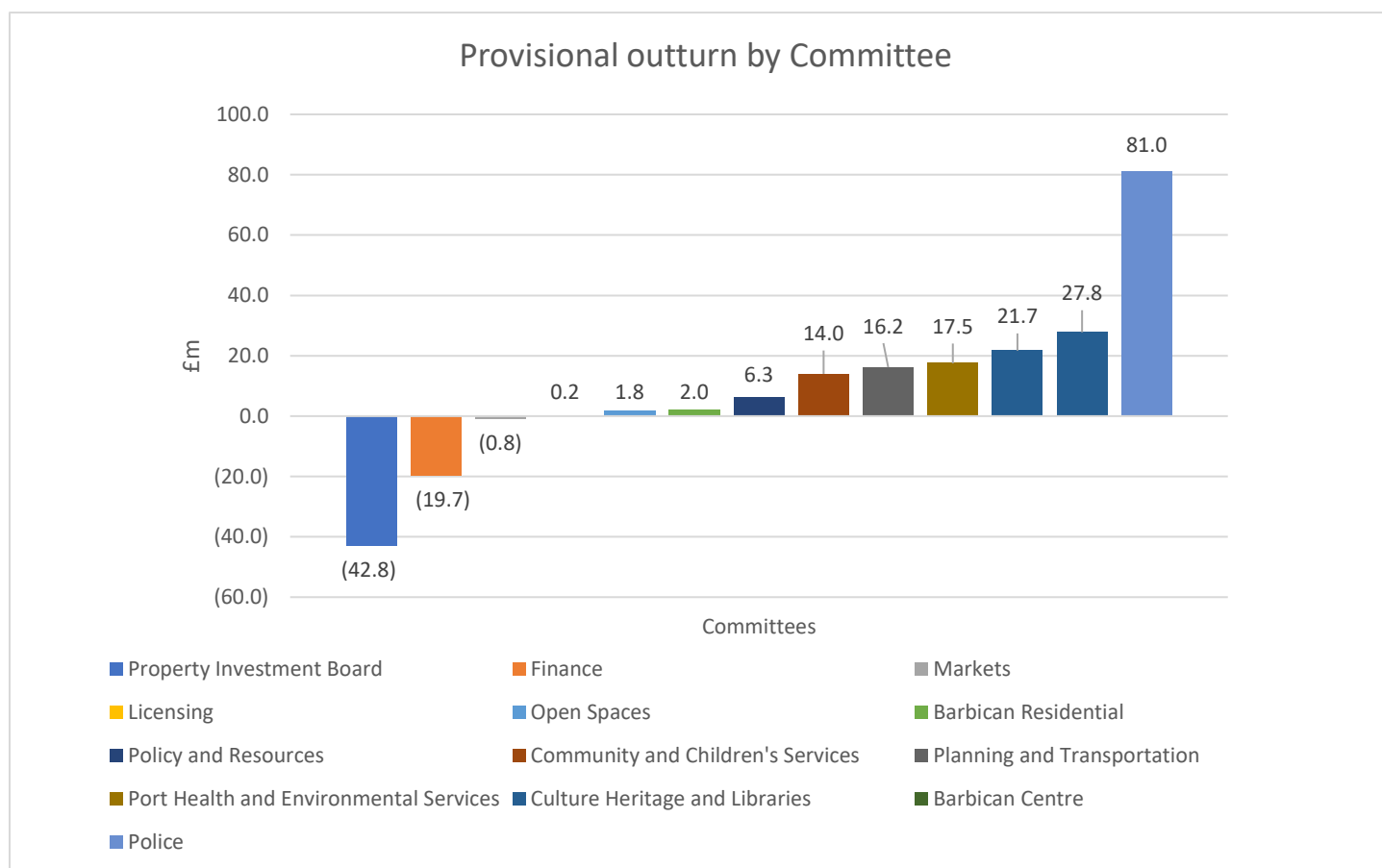
The below table sets out the current financial projections for City Fund across the medium-term planning horizon, prior to factoring in the impact of the COVID-19 pandemic. This highlights the financial challenge facing the City Fund. The City Corporation has already committed to undertake a fundamental review of its activities in light of the forecast deficit position, which will now have added emphasis in response to the impact of COVID-19 to ensure the City Corporation is in a financially sustainable position to deliver its corporate plan. The City Fund maintains adequate levels of both general and earmarked reserves (£178.1m) to support its functions across the short to medium term as these impacts become clearer.

| City Fund Medium Term Forecast | 20/21 | 21/22 | 22/23 | 23/24 |
|---|-------------|---------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| City Fund – (non Police) before Major Project financing costs | 32.7 | (2.2) | 0.5 | (0.8) |
| Police Forecast Deficit | (5.4) | (8.6) | (8.8) | (8.8) |
| Surplus/(Deficit) before Major project financing | 27.3 | (10.8) | (8.3) | (9.6) |
| Major project financing | 0.0 | (4.4) | (14.3) | (21.4) |
| City Fund Total Surplus/(Deficit) | 27.3 | (15.2) | (22.6) | (31.0) |
| Deficit Funding from City Fund reserve | 0.0 | 15.2 | 4.8 | 0.0 |
| Additional Savings Required | 0.0 | 0.0 | 17.8 | 31.0 |

2019-20 FINANCIAL SUMMARY

Revenue Budget

Our budget for 2019-20 was agreed by the Court of Common Council (the City Corporations primary decision-making body) in March 2019 for both capital and revenue expenditure. The below chart sets out the revenue outturn by Committee, which reflects the operational areas of City Fund activity. The City Fund's largest area of spend is the City of London Police which is largely funded via grants from government along with a contribution from the business rate premium, which for 2019-20 was set at 0.6p. The City Corporation also benefits from a large property investment portfolio, managed by the Property Investment Board, which generates additional income to fund our services.



The adjacent table compares each committee outturn to its final budget for 2019-20. Taking into account service expenditure and funding from taxation and grants, the City Fund recorded a £43.4m underspend for the year. The most material variances and the reason for these are:

- Finance Committee – underspend due to slippage on supplementary revenue projects (SRP) and unspent contingencies.
- Port Health and Environmental Services – the underspend has been mainly due to additional income from the Heathrow Animal Reception Centre and reduced cyclical works programmes costs.
- Property Investment Board – the overspend is due to additional provisions for bad debt being made, reflecting on the anticipated impact of COVID-19 on businesses.

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

| 2019-20 Budget v Outturn - City Fund Summary by Committee | | | |
|--|--------------|---------------|--------------------------|
| | Budget | Provisional | Variation (Better)/Worse |
| <i>Net Expenditure (Income)</i> | Net | Outturn | Total |
| | £m | £m | £m |
| Barbican Centre | 26.9 | 27.8 | 0.9 |
| Barbican Residential | 2.5 | 2.0 | (0.5) |
| Community and Children's Services | 14.2 | 14.0 | (0.2) |
| Culture Heritage and Libraries | 21.6 | 21.7 | 0.1 |
| Finance | (13.8) | (19.7) | (5.9) |
| Licensing | 0.1 | 0.2 | 0.1 |
| Markets | (0.7) | (0.8) | (0.1) |
| Open Spaces | 2.0 | 1.8 | (0.2) |
| Planning and Transportation | 16.9 | 16.2 | (0.7) |
| Police | 80.7 | 81.0 | 0.3 |
| Policy and Resources | 7.2 | 6.3 | (0.9) |
| Port Health and Environmental Services | 18.7 | 17.5 | (1.2) |
| Property Investment Board | (45.1) | (42.8) | 2.3 |
| City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves. | 131.2 | 125.2 | (6.0) |
| Transfer from City of London Police Reserve | | (0.3) | |
| Funding from Taxation and Grants | | (167.2) | |
| 2019-20 Transfer to City Fund Balance | | (42.3) | |

2019-20 was the second year of the London Business Rate Pool Pilot, which has been entered into by all 32 London Boroughs, the Greater London Authority (GLA) and the City Corporation, enabling the region to retain a greater share business rate income growth.

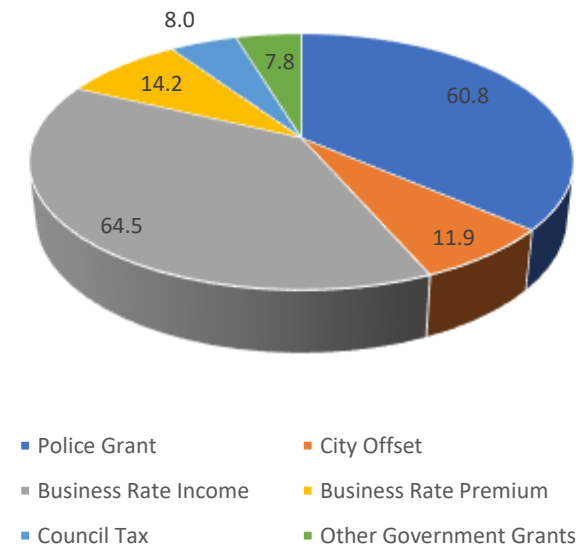
The City Corporation has acted as lead authority for the pool managing the cashflows between participating authorities and the pool benefit distribution model which has been agreed by all in the scheme. The 2019-20 pool is based on 75% growth being retained by London and has created an additional £210.9m of funding being retained in London compared to participating authorities acting individually. Of this gain, £179.3m has been distributed directly to participating authorities, of which the City Fund received £6.4m, whilst £31.6m has been retained in a Strategic Investment Pot (SIP) to fund sub-region projects to support sustainable growth of London's economy and growth in business rates income.

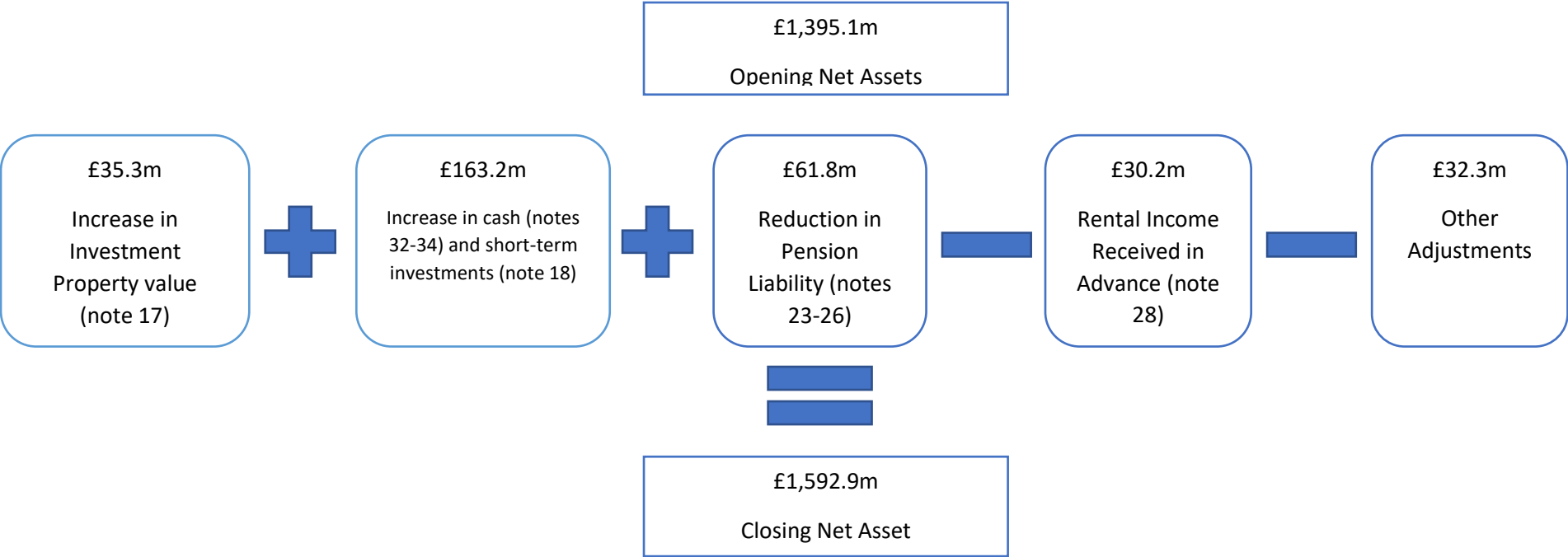
As the City Corporation is the final decision maker for the allocation of SIP funds, these amounts have been included in the Comprehensive Income and Expenditure Statement (CI&ES). Payments of £10.9m due to successful projects are shown on the face of the CI&ES so not to confuse year on year comparison with Committee lines. An unallocated SIP balance of £21.3m has been taken to earmarked reserves pending future allocation to projects.

Balance Sheet

The City Corporation maintains a strong balance sheet position with net assets totalling £1,592m at year end, an increase of £198m from the previous year. The key movements contributing to this increase are shown below which also signposts the relevant notes to the accounts, which can provide more details about these movements.

2019-20 Funding from Taxation and Grants
£m





2019-20 STATEMENT OF ACCOUNTS

The 2019-20 Statement of Accounts have been prepared in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2019-20. The accounts have been structured to support the reader in understanding the local authority account framework, however, this remains a complex document, combining International Finance Reporting Standards (IFRS) alongside the statutory framework set by Government, which overrides these accounting standards.

There have been no significant changes to accounting standards or framework this year. However, on 23 March 2020, the UK Government initiated a “lockdown” in response to the COVID-19 pandemic, resulting in all non-essential activities ceasing and restricting being put in place on the movement of people. Whilst much of the impact from COVID-19 will be felt in 2020-21, the following areas have been impacted in 2019-20:

- **Valuation of property assets** – The City Corporation maintains a substantial portfolio of operational and investment property assets which are subject to valuation on an annual basis. The restriction put in place in response to COVID-19 has disrupted the property market, which has made the valuation process more challenging. To reflect these circumstances our valuers have placed a “material valuation uncertainty” caveat to their valuations, which states that their valuation carries a greater degree of judgement than would previously be the case due to the unprecedented circumstance being faced.
- **Recovery on outstanding debt** – Due to the economic impact of the lockdown measures, assumptions on the recovery of debt have been lowered, leading to an increase in the bad debt provision held, especially for outstanding rental income and parking enforcement fines.
- **Service operations** – in response to the restriction put in place by the Governments, the City Corporation has adopted a work from home policy where possible and revised its governance processes to ensure the City Corporations activities can continue. In most cases services have continued to be delivered, however due to the restrictions in place, activity at the Barbican Centre has been significantly curtailed and is unlikely to fully resume until 2021. This, and other impacts, will be reflected in the update MTFP produced over the summer.

The City of London Corporation's Responsibilities

The City of London Corporation is required to:

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

The Chamberlain's Responsibilities

The Chamberlain is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 ("the Code").

In preparing this Statement of Accounts, the Chamberlain has:

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

The Chamberlain has also:

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

Chamberlain's Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the City Fund and the Pension Funds of the City of London Corporation at the reporting date and of its expenditure and income for the year ended 31 March 2020.



Dr Peter Kane

Chamberlain

Date: XX Novemeber 2020

Page held pending formal approval from Finance Committee

Core Financial Statements

Comprehensive Income and Expenditure Statement

| 2018-2019 | | | | Notes | 2019-2020 | | |
|-------------------|----------------|---------------------------|---|-------|-------------------|----------------|---------------------------|
| Gross Expenditure | Gross Income | Net Expenditure/ (Income) | | | Gross Expenditure | Gross Income | Net Expenditure/ (Income) |
| £m | £m | £m | | | £m | £m | £m |
| | | | Services | | | | |
| 132.2 | (61.0) | 71.2 | Police | | 140.0 | (66.2) | 73.8 |
| 56.2 | (25.3) | 30.9 | Barbican Centre | | 58.4 | (28.6) | 29.8 |
| 28.9 | (13.3) | 15.6 | Community & Children's Services | | 29.4 | (14.1) | 15.3 |
| 28.3 | (16.1) | 12.2 | Housing Revenue Account (HRA) | | 21.1 | (15.8) | 5.4 |
| 35.9 | (34.5) | 1.4 | Planning & Transportation | | 40.4 | (33.8) | 6.6 |
| 28.2 | (14.7) | 13.5 | Port Health & Environmental Services | | 31.1 | (15.0) | 16.1 |
| 24.9 | (2.9) | 22.0 | Culture, Heritage and Libraries | | 25.2 | (2.9) | 22.3 |
| 25.3 | (14.0) | 11.3 | Finance | | 25.1 | (14.5) | 10.6 |
| 13.2 | (14.2) | (1.0) | Barbican Residential | | 14.2 | (15.8) | (1.6) |
| 14.0 | (6.3) | 7.7 | Policy & Resources | | 18.9 | (7.5) | 11.4 |
| 2.5 | (0.6) | 1.9 | Open Spaces and City Gardens | | 2.6 | (0.5) | 2.1 |
| 1.6 | (0.6) | 1.0 | Property Investment Board | | 1.5 | (0.5) | 1.0 |
| 1.0 | (0.8) | 0.2 | Licensing | | 1.0 | (0.8) | 0.2 |
| 46.8 | 0.0 | 46.8 | London NNDR Pool Strategic Investment Pot | | 10.9 | 0.0 | 10.9 |
| 18.6 | 0.0 | 18.6 | Pension Past Service Cost | | 0.6 | 0.0 | 0.6 |
| 9.7 | 0.0 | 9.7 | Major Project Cost | | 12.0 | 0.0 | 12.0 |
| 467.3 | (204.3) | 263.0 | Cost of Services | | 432.5 | (216.0) | 216.5 |
| | | (2.3) | Other Operating Income | 7 | | | (41.3) |
| | | (52.0) | Financing & Investment Income & Expenditure | 7 | | | (43.8) |
| | | (243.3) | Taxation & Non-Specific Grant Income | 7 | | | (217.1) |
| | | (34.6) | (Surplus)/Deficit on the Provision of Services | | | | (85.7) |
| | | (27.4) | Surplus on the Revaluation of Property, Plant & Equipment | 13 | | | (22.3) |
| | | 13.4 | Remeasurements of the Pensions Liability | 26 | | | (87.8) |
| | | 0.2 | Gain/Loss on Financial Instruments | 18 | | | 0.0 |
| | | (13.8) | Other Comprehensive (Income) & Expenditure | | | | (110.1) |
| | | (48.4) | TOTAL COMPREHENSIVE (INCOME) & EXPENDITURE | | | | (195.8) |

An additional line has been added to the CI&ES to reflect a material items of spend that have occurred during 2019-20 which is for Major project costs in relation to the Museum of London relocation. Pension past service costs have been separately identified due to the McCloud employment tribunal judgement, which found the Governments pension reform to be discriminatory. This resulted in a material increase in pension past service costs in 2018-19.

Movement in Reserves Statement

| | Notes | City Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | Total Usable Reserves | Unusable Reserves | Total Reserves |
|--|-------|-------------------|-------------------------|--------------------------|--------------------------|-----------------------|-----------------------|-------------------|----------------|
| | | £m | £m | £m | £m | £m | £m | £m | £m |
| Balance at 31 March 2019 carried forward | | (122.1) | (3.8) | (21.6) | (33.9) | (3.2) | (184.6) | (1,210.5) | (1,395.1) |
| Movement in reserves during 2019-20 | | | | | | | | | |
| Total Comprehensive Income & Expenditure | | (91.3) | 5.6 | 0.0 | 0.0 | 0.0 | (85.7) | (110.1) | (195.8) |
| Adjustments between accounting basis & funding basis under regulations | 11 | 36.4 | (1.9) | (52.1) | (5.1) | (0.2) | (22.9) | 22.9 | 0.0 |
| (Increase) or decrease in 2019-20 | | (54.9) | 3.7 | (52.1) | (5.1) | (0.2) | (108.6) | (87.2) | (195.8) |
| Balance at 31 March 2020 carried forward* | | (177.0) | (0.1) | (73.7) | (39.0) | (3.4) | (293.2) | (1,297.7) | (1,590.9) |

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

| | Notes | City Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | Total Usable Reserves | Unusable Reserves | Total Reserves |
|--|-------|-------------------|-------------------------|--------------------------|--------------------------|-----------------------|-----------------------|-------------------|----------------|
| | | £m | £m | £m | £m | £m | £m | £m | £m |
| Balance at 31 March 2018 carried forward | | (122.3) | (4.5) | (26.2) | (27.1) | (8.5) | (188.6) | (1,158.1) | (1,346.7) |
| Movement in reserves during 2018-19 | | | | | | | | | |
| Total Comprehensive Income & Expenditure | | (45.5) | 10.9 | 0.0 | 0.0 | 0.0 | (34.6) | (13.8) | (48.4) |
| Adjustments between accounting basis & funding basis under regulations | 11 | 45.7 | (10.2) | 4.6 | (6.8) | 5.3 | 38.6 | (38.6) | 0.0 |
| (Increase) or decrease in 2018-19 | | 0.2 | 0.7 | 4.6 | (6.8) | 5.3 | 4.0 | (52.4) | (48.4) |
| Balance at 31 March 2019 carried forward** | | (122.1) | (3.8) | (21.6) | (33.9) | (3.2) | (184.6) | (1,210.5) | (1,395.1) |

** The City Fund balance of £122.1m comprises unallocated revenue funds of £44.1m and earmarked revenue reserves of £78.0m (see note 12)

Balance Sheet

The Statement of Accounts was authorised for issue by the Chamberlain on 30 June 2020. Events after the balance sheet date and up to XX November 2020 have been considered in respect of material impact on the financial statements.

The COVID-19 pandemic has resulted in large scale changes in how people and organisation operate. For City Fund, the main impact has been on its income generating areas. Restrictions in the operations at the Barbican Centre and its open spaces have led to projected losses in 2020-21. Income generated through the investment property portfolio and interest on cash balances have also been impacted. City Fund has also incurred additional costs in managing the impact of COVID-19 in the local area.

Through additional financial support from Government, further management of costs and utilisation of reserves were required, we will seek to manage through the current conditions.

We do not judge these factors to have changed materially the balances at the balance sheet date; and have therefore treated the COVID 19 impacts as non-adjusting post balance sheet events.

| 31 March 2019 | | Notes | 31 March 2020 |
|------------------|--|-------|------------------|
| £m | | | £m |
| 937.0 | Property, Plant and Equipment | 13 | 940.0 |
| 9.0 | Heritage Assets | 14 | 9.0 |
| 1,586.2 | Investment Property | 17 | 1,621.5 |
| 0.6 | Intangible Assets | | 0.4 |
| 17.2 | Long-Term Debtors | 16 | 16.9 |
| 2,550.0 | Long-Term Assets | | 2,587.8 |
| | | | |
| 688.3 | Short-Term Investments | | 815.9 |
| 0.5 | Assets Held for Sale | | 1.0 |
| 0.5 | Inventories | | 0.6 |
| 0.2 | Intangible Current Assets | | 0.0 |
| 184.0 | Short-Term Debtors | 20 | 158.4 |
| 38.5 | Cash and Cash Equivalents | | 74.1 |
| 912.0 | Current Assets | | 1,050.0 |
| | | | |
| (363.1) | Short-Term Creditors | 21 | (382.0) |
| (72.7) | Provisions | 22 | (49.2) |
| (435.8) | Current Liabilities | | (431.2) |
| | | | |
| (1,317.7) | Pensions Liability | 23 | (1,258.6) |
| (108.9) | Capital Grants and Contributions Received in Advance | 27 | (108.6) |
| (166.3) | Rents Received in Advance | 28 | (196.5) |
| (38.2) | Other Long-Term Liabilities | 29 | (52.0) |
| (1,631.1) | Long-Term Liabilities | | (1,615.7) |
| 1,395.1 | NET ASSETS | | 1,590.9 |
| | | | |
| (184.6) | Usable Reserves | | (293.2) |
| (1,210.5) | Unusable Reserves | 31 | (1,297.7) |
| (1,395.1) | TOTAL RESERVES | | (1,590.9) |

Cash Flow Statement

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

| 2018-19 | | Notes | 2019-20 |
|---------------|---|-------|---------------|
| £m | | | £m |
| (34.6) | Net (surplus)/deficit on the provision of services | | (85.7) |
| (132.5) | Adjustments for non-cash movements | 32 | (71.8) |
| 33.0 | Adjustments for items that are investing and financing activities | 32 | 92.4 |
| (134.1) | Net cash (inflows)/outflows from operating activities | | (65.1) |
| 33.9 | Investing activities | 33 | 74.6 |
| 116.9 | Financing activities | 34 | (45.1) |
| 16.7 | Net (increase)/decrease in cash and cash equivalents | | (35.6) |
| (55.2) | Cash and cash equivalents at the beginning of the reporting period | | (38.5) |
| (38.5) | Cash and cash equivalents at the end of the reporting period | | (74.1) |

Notes to the Core Financial Statements

1. Critical Judgements in Applying Accounting Policies

In applying accounting policies authorities may have to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement that management considers will have a material effect on the amounts recognised in the financial statements is the net deficit on the City of London Pension Fund and the future levels of local government and police funding.

The Pension Fund is the responsibility of the City Corporation as a whole rather than the specific responsibility of any of its three funds. Therefore, the City Fund does not have an exclusive relationship with the Pension Fund and the portion of the Pension Fund net deficit relating to City Corporation employees engaged on City Fund activities is not separately identifiable. An apportionment is made based on employer's pension contributions paid by each of the three funds into the Pension Fund.

The Local Government funding regime is currently uncertain due to the delays in enacting reforms and the significant impact on the public sector financial outlook resulting from the COVID-19 pandemic. A Spending Review is expected to be completed during 2020 setting out the future funding arrangements for the sector. Whilst the outcome is uncertain, it is unlikely to see any significant increase in funding. In addition, the impact of the pandemic on the City Fund funding streams and costs is not yet clear. Whilst these uncertainties are in place, the City Corporation has not deemed it necessary to impair its assets linked to potential service changes at this point in time. Whilst there is uncertainty we would continue to regard ourselves as a going concern, linked to the level of reserves held, a history of prudent financial management and the Government funded activities we carry out, which can not be altered without statutory prescription.

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

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

(a) **Business Rates**

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates in their proportionate share. Therefore, a provision has been recognised for the best estimate of successful appeals up to 31 March 2020. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of submitted appeals alongside an analysis of appeals trends which may lead to an appeal but has not yet been submitted. In making this judgement a number of assumptions have been made which include:

- The data used for the calculations is based on the VOA listings of submitted appeals available as close to 31 March of each year.

- Estimated appeal losses are based on previous losses incurred on similar properties, the codes of appeal that has been submitted and trends seen on the rating list.
- No adjustment is made for the awarding of reliefs or exemptions.

The total value of the appeals provision is £101.1m, of which the City Corporation holds £49.2m (see note 22 for more information). This is however an estimate and is subject to the actions of business rate payers submitting appeals and the judgement of the VOA is assessing the validity and impact of claims. A 5% variance in our assessment would result in a +/- £5m change in our provision.

Due to the impact of COVID-19 the collection rate for business rates could potentially be impacted due to the failure of businesses. An assessment on the collection of outstanding debt has been carried out based in historic trends, with an £11m provision being set side to against £28m of outstanding debt.

(b) Pension Benefits

Estimation of the net liability to pay pensions depends on a number of complex adjustments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. The actuarial firm Barnett Waddingham LLP have been appointed as the City Corporation's actuary to provide the City Fund with expert advice about the assumptions to be applied.

The effect of changes in individual assumptions on the net pension liability can be measured but are complex and interact in a complex manner. For example the actuary determines the appropriate discount rate at the end of each year after taking account of the yield from a high quality bond of appropriate duration, a 0.1% decrease in the discount rate assumption across all 3 pension schemes (LGPS, Police and Judges') would result in an increase in the pension liabilities of City Fund of some £33.0m. Other key assumptions for pension obligations are based in part on current market conditions and demographic data. Additional information on pension schemes is given in notes 23 to 26.

(c) Property Valuations

The carrying values of property, plant and equipment and investment properties are primarily dependent on judgements of such variables as the state of the property market, location, asset lives, condition of the property, indices etc. Valuation is an inexact science with assessments provided by different surveyors rarely agreeing and with prices subsequently realised diverging from valuations. COVID-19 disrupted the property market ahead of valuations being carried out for the 2019-20 statement of accounts. Due to this disruption, our external valuers have inserted "material valuation uncertainty" clauses into their valuation report. Whilst valuation have been provided for all properties that it has been requested, these values are less certain than normal due to the market disruption.

A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. For example, a 1% reduction in the value of investment properties would result in a £16.2m debit to "Financing and Investment Income and Expenditure" in the Comprehensive Income and Expenditure Statement. Conversely, an increase in operational property values would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and/or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

Market movement are being monitored to ensure valuations are within reasonable tolerances. Additional information on investment property asset valuation is provided in note 17.

(d) Arrears

At 31 March 2020, the City Fund had a balance for rents, trade and sundry debtors of £53.6m (2018-19: £55.2m). A review of the length of time past due, progress on recovery action and forward look on economic factors which could influence recovery of the debt, including the impact of COVID-19, suggests that an impairment allowance for expected credit losses and doubtful debts of £10.5m (2018-19: £7.9m) was appropriate. If collection rates and/or economic factors were to deteriorate an increase in the amount of the impairment allowance would be required. Further details on the provision rates applied can be found in note 19.



Notes to the Comprehensive Income and Expenditure Statement

3. Expenditure and Funding Analysis

| 2018-19 | | | | 2019-2020 | | |
|--|-------------------|-----------------------------|---|--|-------------------|-----------------------------|
| Net Expenditure Chargeable to City Fund and HRA Balances | Total Adjustments | Net Expenditure in the CIES | | Net Expenditure Chargeable to City Fund and HRA Balances | Total Adjustments | Net Expenditure in the CIES |
| £'m | £'m | £'m | | £'m | £'m | £'m |
| | | | Committees | | | |
| 79.7 | (8.5) | 71.2 | Police | 80.4 | (6.6) | 73.8 |
| 29.2 | 1.7 | 30.9 | Barbican Centre | 27.6 | 2.2 | 29.8 |
| 14.4 | 1.2 | 15.6 | Community and Children's Services | 14.5 | 0.8 | 15.3 |
| 0.8 | 11.4 | 12.2 | HRA | 3.3 | 2.1 | 5.4 |
| 3.7 | (2.3) | 1.4 | Planning and Transport | 8.9 | (2.3) | 6.6 |
| 13.8 | (0.3) | 13.5 | Port Health and Environmental Services | 17.5 | (1.4) | 16.1 |
| 30.6 | (8.6) | 22.0 | Culture, Heritage and Libraries | 20.9 | 1.4 | 22.3 |
| 10.1 | 1.2 | 11.3 | Finance | (19.7) | 30.3 | 10.6 |
| 3.4 | (4.4) | (1.0) | Barbican Residential | 2.0 | (3.6) | (1.6) |
| 7.3 | 0.4 | 7.7 | Policy and Resources | 10.9 | 0.5 | 11.4 |
| 1.8 | 0.1 | 1.9 | Open Spaces and City Gardens | 2.0 | 0.1 | 2.1 |
| (43.9) | 44.9 | 1.0 | Property Investment | (42.5) | 43.5 | 1.0 |
| 0.2 | 0.0 | 0.2 | Licensing | 0.1 | 0.1 | 0.2 |
| (0.9) | 0.9 | 0.0 | Markets | (0.7) | 0.7 | 0.0 |
| (12.8) | 59.6 | 46.8 | London NNDR Pool Strategic Investment Pot | (21.3) | 32.2 | 10.9 |
| 0.0 | 18.6 | 18.6 | Pension Past Service Cost | 0.0 | 0.6 | 0.6 |
| 0.0 | 9.7 | 9.7 | Major Project Cost | 0.0 | 12.0 | 12.0 |
| 137.4 | 125.6 | 263.0 | Net Cost of Services | 103.9 | 112.6 | 216.5 |
| (136.5) | (161.1) | (297.6) | Other Income and Expenditure | (155.1) | (147.1) | (302.2) |
| 0.9 | (35.5) | (34.6) | (Surplus) or Deficit on the Provision of Services | (51.2) | (34.5) | (85.7) |
| (126.8) | | | Opening City Fund and HRA Balances | (125.9) | | |
| 0.9 | | | Add (Surplus) or Deficit on City Fund and HRA Balance in Year | (51.2) | | |
| (125.9) | | | Closing City Fund and HRA Balances at 31 March* | (177.1) | | |

* For a split of this balance between the City Fund and the HRA – see the Movement in Reserves Statement; page 19

Further information on the City Corporation's Committees can be found on the website at : <http://democracy.cityoflondon.gov.uk/mgListCommittees.aspx?bcr=1>

4. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the City Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

| 2018-19 | | | | | | 2019-20 | | | | |
|----------------------------------|-------------------------------------|------------------------------------|-------------------|-------------------|---|----------------------------------|-------------------------------------|------------------------------------|-------------------|-------------------|
| Adjustments for Capital Purposes | Net Changes for Pension Adjustments | Collection Fund Adjustment Account | Other Adjustments | Total Adjustments | Committees | Adjustments for Capital Purposes | Net Changes for Pension Adjustments | Collection Fund Adjustment Account | Other Adjustments | Total Adjustments |
| £'m | £'m | £'m | £'m | £'m | | £'m | £'m | £'m | £'m | £'m |
| 3.8 | (13.0) | 0.0 | 0.7 | (8.5) | Police | 4.5 | (11.2) | 0.0 | 0.1 | (6.6) |
| 0.0 | 1.3 | 0.0 | 0.4 | 1.7 | Barbican Centre | 0.0 | 1.9 | 0.0 | 0.3 | 2.2 |
| 0.0 | 0.5 | 0.0 | 0.7 | 1.2 | Community and Children's Services | 0.0 | 0.7 | 0.0 | 0.1 | 0.8 |
| 11.0 | 0.3 | 0.0 | 0.1 | 11.4 | HRA | 1.3 | 0.5 | 0.0 | 0.3 | 2.1 |
| 0.1 | 0.8 | 0.0 | (3.2) | (2.3) | Planning and Transport | 0.2 | 1.2 | 0.0 | (3.7) | (2.3) |
| 0.0 | 0.9 | 0.0 | (1.2) | (0.3) | Port Health and Environmental Services | 0.0 | 1.2 | 0.0 | (2.6) | (1.4) |
| 0.0 | 0.6 | 0.0 | 0.5 | (8.6) | Culture, Heritage and Libraries | 12.0 | 0.8 | 0.0 | (11.4) | 1.4 |
| (12.1) | 0.5 | 0.0 | 12.8 | 1.2 | Finance | 16.8 | 0.1 | 0.0 | 13.4 | 30.3 |
| 0.0 | 0.3 | 0.0 | (4.7) | (4.4) | Barbican Residential | 0.0 | 0.4 | 0.0 | (4.0) | (3.6) |
| 0.0 | 0.4 | 0.0 | 0.0 | 0.4 | Policy and Resources | 0.0 | 0.7 | 0.0 | (0.2) | 0.5 |
| 0.0 | 0.1 | 0.0 | 0.0 | 0.1 | Open Spaces and City Gardens | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 |
| 0.1 | 0.0 | 0.0 | 44.8 | 44.9 | Property Investment | 0.1 | 0.0 | 0.0 | 43.4 | 43.5 |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Licensing | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 |
| 0.0 | 0.1 | 0.0 | 0.8 | 0.9 | Markets | 0.0 | 0.2 | 0.0 | 0.6 | 0.8 |
| 0.0 | 0.0 | 0.0 | 59.6 | 59.6 | London NNDR Pool Strategic Investment Pot | 0.0 | 0.0 | 0.0 | 32.2 | 32.2 |
| 0.0 | 18.6 | 0.0 | 0.0 | 18.6 | Pension Past Service Cost | 0.0 | 0.6 | 0.0 | 0.0 | 0.6 |
| 0.0 | 0.0 | 0.0 | 0.0 | 9.7 | Major Project Cost | 0.0 | 0.0 | 0.0 | 12.0 | 12.0 |
| 2.9 | 11.4 | 0.0 | 111.3 | 125.6 | Net Cost of Services | 34.9 | (2.8) | 0.0 | 80.5 | 112.6 |
| (58.3) | 32.1 | (24.9) | (110.0) | (161.1) | Other Income and Expenditure | (105.8) | 31.5 | 3.4 | (76.2) | (147.1) |
| (55.4) | 43.5 | (24.9) | 1.3 | (35.5) | Difference between the City Fund and HRA surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | (70.9) | 28.7 | 3.4 | 4.3 | (34.5) |

Adjustments for Capital Purposes

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

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

Net Changes for Pensions Adjustments

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

Collection Fund Adjustment Account

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

Other Adjustments

This column includes:

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

The above adjustments net to nil overall. The net difference remaining relates to annual leave entitlement and financial instrument adjustments.

5. Expenditure and Income Analysed by Nature

City Fund income and expenditure included in the net cost of services is analysed below. The includes £10.9m of expenditure related to the London NNDR SIP, which is included under other service expense, and £32.2m of SIP income, which is recognised under government grant and other grants, contribution and reimbursements. It should also be noted that the 2019-20 amounts recognised under the business rate tariff and levy payments to Government and the business rate and council tax income lines have reduced due to the proportion of business rate income the City Corporation accounts for moving from 64% to 48%, with a corresponding reduction in tariff payments to Government. These changes are as a result of the London 75% Business Rates Pool Pilot.

| 2018-19 | | 2019-20 |
|------------------|--|----------------|
| £'m | | £'m |
| | Expenditure | |
| 197.4 | Employee expenses | 186.3 |
| 211.6 | Other service expenses | 200.4 |
| 38.0 | Support service recharges | 36.3 |
| 46.1 | Depreciation, amortisation and impairments | 42.1 |
| 31.6 | Interest payments | 31.0 |
| 0.5 | Precepts and levies | 0.5 |
| 590.0 | Business rates tariff and levy payments to Government | 443.3 |
| 0.4 | Payments to Government's housing capital receipts pool | 0.1 |
| (3.8) | Gain on the disposal of assets | (42.4) |
| 1,111.8 | Total expenditure | 897.6 |
| | | |
| | Income | |
| (180.8) | Fees, charges and other service income | (184.4) |
| (8.5) | Interest and investment income | (10.0) |
| (753.2) | Business rates and council tax income | (607.7) |
| (171.0) | Government grants and other grants, contributions and reimbursements | (150.8) |
| (32.9) | Unrealised gains on revaluation of investment properties | (30.4) |
| (1,146.4) | Total Income | (984.4) |
| (34.6) | (Surplus) or Deficit on the Provision of Services | (85.7) |

6. Grant Income

| 2018-19 | Credited to Services | 2019-20 |
|---------|--|---------|
| £m | Revenue Grants (Government) | £m |
| | Home Office | |
| (19.5) | Police Pensions | (17.1) |
| (6.2) | Counter Terrorism | (6.7) |
| (5.3) | National Cyber Security Programme | (6.3) |
| (0.4) | National Enabling Programme | (2.3) |
| (4.0) | National Fraud Intelligence Bureau | (4.3) |
| (2.5) | National Lead Force for Fraud | (2.3) |
| (1.0) | Other | (2.1) |
| (5.5) | Action Fraud Managed Services | (5.2) |
| (1.1) | Economic Crime Capability | (3.2) |
| (1.2) | National to Local Fraud & Cyber Data Sharing | (0.6) |
| | Department for Work and Pensions | |
| (4.5) | Housing and Council Tax Benefit | (4.1) |
| 0.0 | Other | (0.1) |
| (5.5) | HM Courts and Tribunals Service | (6.2) |
| | Department for Education | |
| (2.8) | Dedicated Schools Grant | (3.0) |
| (1.2) | Other | (0.8) |

| 2018-19 | Credited to Services | 2019-20 |
|---------------|---|---------------|
| £m | Revenue Grants (Government) Continued | £m |
| | Ministry of Housing, Communities and Local Government | |
| (2.0) | Cost of Collection Allowance | (2.0) |
| (1.9) | Other | (2.3) |
| | Department for Health | |
| (1.6) | Public Health | (1.6) |
| (0.3) | Other | (0.3) |
| (3.3) | Transport for London | (3.2) |
| (1.6) | Intellectual Property Office | (1.9) |
| (0.9) | Greater London Authority | (1.2) |
| (0.2) | Department for International Development | (0.2) |
| (0.4) | Arts Council England | (0.5) |
| (1.4) | Other revenue grants (Government) | (2.1) |
| | <u>Non-Government revenue grants and contributions</u> | |
| (2.2) | S106/S278 and other developer contributions | (3.6) |
| (2.3) | UK Payments Administration Ltd | (2.5) |
| (3.6) | Association of British Insurers | (3.8) |
| (7.4) | Other | (7.5) |
| | <u>Capital Grants and contributions (funding revenue expenditure under statute)</u> | |
| (1.2) | Other | (1.2) |
| (91.0) | Total | (98.2) |

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

7. Income and Expenditure below Cost of Services

| 2018-19 | | 2019-20 |
|---------------------------|--|---------------------------|
| Net Expenditure/ (Income) | | Net Expenditure/ (Income) |
| £m | | £m |
| (3.7) | Net Gain on Disposal of Fixed Assets | (42.4) |
| 0.4 | Inner and Middle Temple Precepts | 0.4 |
| 0.1 | Local levies | 0.1 |
| 0.4 | Payment to Government Housing Capital Receipts Pool | 0.1 |
| 0.5 | Pension Fund Administration Expenses | 0.5 |
| (2.3) | Total Other Operating Income and Expenditure | (41.3) |
| | Investment Properties | |
| (44.1) | Operational | (44.5) |
| (32.9) | Gain on revaluation | (30.4) |
| (8.5) | Interest receivable and similar income | (10.0) |
| 31.6 | Pension Interest Cost | 31.0 |
| (0.7) | Contribution from Trading Services | (0.5) |
| 2.4 | Impairment gains/losses | 6.5 |
| 0.2 | Financial Instrument gains/losses | 4.1 |
| (52.0) | Total Financing and Investment Income and Expenditure | (43.8) |

Operational Investment Properties is comprised of income of (£62.1m) and operating expenses of £17.6m.

Contribution from Trading Services comprises a turnover of (£8.0m) and expenditure of £7.5m.

| 2018-19 | | 2019-20 |
|----------------|--|----------------|
| Income | | Income |
| £m | | £m |
| (67.9) | Retained National Business Rates | (62.5) |
| (12.2) | City Fund Non-Domestic Rates Premium | (14.2) |
| (11.6) | City Fund Offset | (11.9) |
| (7.5) | Council Tax Income | (7.7) |
| | Non Ringfenced Government Revenue Grants | |
| (56.8) | Police Core Grant | (60.8) |
| (7.3) | Other | (7.3) |
| (59.6) | London NNDR Pool Strategic Investment Pot | (31.6) |
| | Capital Grants & Contributions | |
| (0.4) | Home Office | (0.4) |
| (0.3) | Greater London Authority | (0.3) |
| (2.2) | Transport for London | (1.6) |
| (1.1) | Ministry of Justice | (1.3) |
| (10.2) | Section 106/278 Contributions | (11.0) |
| (5.4) | Community Infrastructure Levy | (6.4) |
| (0.6) | Department for Education | 0.0 |
| (0.2) | Other Capital Grants and Contributions | (0.2) |
| (243.3) | Total Taxation and Non-Specific Grant Income | (217.1) |
| (297.6) | Total Income and Expenditure below Cost of Services | (302.2) |

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

8. Dedicated Schools Grants

In 2019-20, the City Fund received a specific grant from the Department for Education, the Dedicated Schools Grant (DSG), of £3.23m (2018-19: £2.98m). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2019. The Schools Budget includes elements for a range of education services provided on an authority-wide basis and for the Individual School Budget for maintained schools.

Details of the deployment of DSG receivable for 2019-20 are as follows:

| 2018-19 | Schools Budget Funded by DSG | | |
|--|------------------------------|--------------------------|------------|
| | Central Expenditure | Individual School Budget | Total |
| | £m | £m | £m |
| Final DSG for 2018-19 before Academy recoupment | 1.0 | 2.0 | 3.0 |
| Academy Figure recouped for 2018-19 | 0.0 | 0.0 | 0.0 |
| Total DSG after Academy recoupment for 2018-19 | 1.0 | 2.0 | 3.0 |
| Plus: Brought forward from 2017-18 | 0.5 | 0.0 | 0.5 |
| Less: Carry forward to 2019/20 agreed in advance | 0.0 | 0.0 | 0.0 |
| Agreed initial budgeted distribution in 2018-19 | 1.5 | 2.0 | 3.5 |
| In year adjustments | 0.0 | 0.0 | 0.0 |
| Final budgeted distribution for 2018-19 | 1.6 | 2.0 | 3.5 |
| Less: Actual central expenditure | (0.8) | 0.0 | (0.8) |
| Less: Actual ISB deployed to schools | 0.0 | (2.0) | (2.0) |
| Plus: Local authority contribution for 2018-19 | 0.0 | 0.0 | 0.0 |
| Carry forward to 2019-20 | 0.7 | 0.0 | 0.7 |

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

9. Remuneration and Exit Packages of Employees

Tables 1 to 3 set out the information required in accordance with the Accounts and Audit Regulations 2015 for 2019-20 and 2018-19 respectively.

The number of officers whose remuneration, excluding employer's pension contributions, were £50,000 or more grouped in rising bands of £5,000 is set out in Table 1 (only bands which include officers are shown in the table). Officers have been classified between those employees charged wholly to the City Fund, including Police officers, and those employees charged partly to the City Fund and partly to other funds of the City Corporation. The numbers include those officers required to be separately disclosed and set out in Table 2.

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

Table 3 relates to the Exit Packages of employees.

Table 1 – Remuneration in Bands

| Proportion to City Fund | | | | Proportion to City Fund | | |
|-------------------------|-------|-------------------|---------------|-------------------------|-------|-------------------|
| Wholly charged | | Partially Charged | | Wholly charged | | Partially Charged |
| 2018-19 | | | Salary Range | 2019-2020 | | |
| Police Officers | Other | | £ | Police Officers | Other | |
| 145 | 62 | 84 | 50 - 54,999 | 182 | 68 | 121 |
| 98 | 61 | 99 | 55 - 59,999 | 96 | 53 | 90 |
| 60 | 20 | 49 | 60 - 64,999 | 60 | 19 | 50 |
| 37 | 19 | 39 | 65 - 69,999 | 45 | 20 | 52 |
| 21 | 13 | 27 | 70 - 74,999 | 13 | 15 | 27 |
| 9 | 8 | 20 | 75 - 79,999 | 8 | 11 | 16 |
| 6 | 4 | 11 | 80 - 84,999 | 3 | 2 | 14 |
| 3 | 0 | 4 | 85 - 89,999 | 7 | 5 | 9 |
| 4 | 0 | 7 | 90 - 94,999 | 4 | 1 | 4 |
| 2 | 3 | 3 | 95 - 99,999 | 2 | 1 | 3 |
| 2 | 2 | 0 | 100 - 104,999 | 0 | 4 | 3 |
| 0 | 0 | 3 | 105 - 109,999 | 1 | 0 | 0 |
| 0 | 0 | 6 | 110 - 114,999 | 0 | 1 | 8 |
| 0 | 2 | 3 | 115 - 119,999 | 0 | 1 | 4 |
| 1 | 1 | 2 | 120 - 124,999 | 0 | 0 | 2 |
| 0 | 0 | 2 | 125 - 129,999 | 0 | 1 | 2 |
| 0 | 0 | 0 | 130 - 134,999 | 0 | 0 | 1 |
| 0 | 0 | 0 | 135 - 139,999 | 1 | 0 | 0 |
| 0 | 2 | 2 | 140 - 144,999 | 0 | 0 | 1 |
| 0 | 0 | 0 | 145 - 149,999 | 0 | 1 | 1 |
| 1 | 0 | 0 | 150 - 154,999 | 0 | 0 | 0 |
| 0 | 0 | 1 | 155 - 159,999 | 0 | 1 | 1 |
| 0 | 0 | 1 | 160 - 164,999 | 0 | 0 | 0 |
| 0 | 0 | 2 | 175 - 179,999 | 0 | 0 | 2 |
| 0 | 0 | 1 | 180 - 184,999 | 0 | 0 | 1 |
| 1 | 0 | 1 | 185 - 189,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | 190 - 194,999 | 1 | 0 | 1 |
| 0 | 1 | 0 | 200 - 204,999 | 0 | 0 | 1 |
| 0 | 0 | 0 | 205 - 209,999 | 0 | 1 | 0 |
| 0 | 0 | 0 | 230 - 234,999 | 0 | 0 | 1 |
| 0 | 0 | 0 | 255 - 259,999 | 0 | 0 | 0 |
| 0 | 0 | 1 | 260 - 264,999 | 0 | 0 | 0 |
| 0 | 0 | 0 | 375 - 379,999 | 0 | 0 | 1 |
| 0 | 0 | 1 | 385 - 389,999 | 0 | 0 | 0 |
| 390 | 198 | 369 | Total | 424 | 205 | 416 |

Table 2 - Senior Officer Remuneration

| 2019-20 | Proportion charged to Local or Police Authority Activities | Total Salary | Salary (including fees & allowances) | Bonus | Benefits in Kind | Other Payments (Police Officers only) | Total Remuneration excluding pension contributions | Pension Contributions | Total Remuneration including Pension Contributions |
|--|--|--------------|--------------------------------------|-------|------------------|---------------------------------------|--|-----------------------|--|
| | % | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Salary is £150,000 or more a year | | | | | | | | | |
| Town Clerk & Chief Executive - J. Barradell | 55% | 258 | 142 | 7 | 58 | 0 | 207 | 31 | 238 |
| Chamberlain - P. Kane | 60% | 190 | 114 | 1 | 0 | 0 | 115 | 24 | 139 |
| Police Commissioner - I. Dyson | 100% | 193 | 193 | 0 | 0 | 7 | 200 | 0 | 200 |
| Managing Director Barbican Centre - N. Kenyon | 100% | 199 | 199 | 6 | 0 | 0 | 205 | 43 | 248 |
| Comptroller & City Solicitor - M.Cogher | 65% | 168 | 109 | 5 | 0 | 0 | 114 | 24 | 138 |
| City Surveyor - P Wilkinson | 40% | 154 | 62 | 10 | 0 | 0 | 72 | 15 | 87 |
| Executive Director of Mansion House & Old Bailey - V Annells | 30% | 178 | 53 | 2 | 0 | 0 | 55 | 11 | 66 |
| Director of Built Environment - C.Dwyer | 100% | 155 | 155 | 4 | 0 | 0 | 159 | 33 | 192 |
| Salary is between £50,000 and £150,000 | | | | | | | | | |
| Director of Community & Children's Services | 100% | 127 | 127 | 0 | 0 | 0 | 127 | 27 | 154 |
| Director of Markets & Consumer Protection | 55% | 110 | 61 | 2 | 0 | 0 | 63 | 13 | 76 |
| Director of Open Spaces | 30% | 111 | 33 | 0 | 0 | 0 | 33 | 7 | 40 |

| 2018-19 | Proportion charged to City Fund | Total Salary | City Fund Proportion of Salary (including fees & allowances) | Bonus | Benefits in Kind | Other Payments (Police Officers only) | Total Remuneration excluding pension contributions | Pension Contributions | Total Remuneration including Pension Contributions |
|--|---------------------------------|--------------|--|-------|------------------|---------------------------------------|--|-----------------------|--|
| | % | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Salary is £150,000 or more a year | | | | | | | | | |
| Town Clerk & Chief Executive - J. Barradell | 55% | 253 | 139 | 7 | 67 | 0 | 213 | 31 | 244 |
| Chamberlain - P. Kane | 60% | 181 | 109 | 0 | 0 | 0 | 109 | 23 | 132 |
| Police Commissioner - I. Dyson | 100% | 182 | 182 | 0 | 0 | 7 | 189 | 0 | 189 |
| Managing Director Barbican Centre - N. Kenyon | 100% | 195 | 195 | 7 | 0 | 0 | 202 | 43 | 245 |
| Comptroller & City Solicitor - M.Cogher | 65% | 155 | 101 | 5 | 0 | 0 | 106 | 22 | 128 |
| City Surveyor – P. Wilkinson | 40% | 151 | 60 | 10 | 0 | 0 | 70 | 15 | 85 |
| Executive Director of Mansion House & Old Bailey – V. Annells | 30% | 174 | 52 | 1 | 0 | 0 | 53 | 11 | 64 |
| Salary is between £50,000 and £150,000 | | | | | | | | | |
| Director of Built Environment | 100% | 139 | 139 | 3 | 0 | 0 | 142 | 31 | 173 |
| Director of Community & Children's Services | 100% | 120 | 120 | 0 | 0 | 0 | 120 | 25 | 145 |
| Director of Markets & Consumer Protection (until 31st December 2018) | 55% | 90 | 50 | 1 | 0 | 0 | 51 | 11 | 62 |
| Interim Director of Markets & Consumer Protection (started 1st January 2019) | 55% | 27 | 15 | 0 | 0 | 0 | 15 | 3 | 18 |
| Director of Open Spaces | 30% | 106 | 32 | 0 | 0 | 0 | 32 | 7 | 39 |

Table 3 - Exit Packages charged to City Fund

| 2018-19 | | | | | 2019-20 | | | |
|---|---|--|--|---------------------|---|---|--|--|
| Number of Compulsory Redundancies (FTE No.) | Number of Other Departures Agreed (FTE No.) | Total Number of Exit Packages by Cost Band (FTE No.) | Total Cost of exit Packages in Each Band (£'000) | | Number of Compulsory Redundancies (FTE No.) | Number of Other Departures Agreed (FTE No.) | Total Number of Exit Packages by Cost Band (FTE No.) | Total Cost of exit Packages in Each Band (£'000) |
| 8.0 | 7.0 | 15.0 | 150.7 | £0 - £20,000 | 6.0 | 7.0 | 13.0 | 89.1 |
| 1.0 | 4.0 | 5.0 | 132.0 | £20,001 - £40,000 | 2.0 | 0.0 | 2.0 | 65.2 |
| 0.0 | 2.0 | 2.0 | 86.3 | £40,001 - £60,000 | 0.0 | 0.0 | 0.0 | 0.0 |
| 0.0 | 0.0 | 0.0 | 0.0 | £60,001 - £80,000 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1.0 | 0.0 | 1.0 | 93.9 | £80,001 - £100,000 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1.0 | 0.0 | 1.0 | 119.2 | £100,001 - £150,000 | 1.0 | 0.0 | 1.0 | 112.6 |
| 0.0 | 0.0 | 0.0 | 0.0 | £150,001 - £200,000 | 0.0 | 0.0 | 0.0 | 0.0 |
| 0.0 | 0.0 | 0.0 | 0.0 | £200,001 - £250,000 | 0.0 | 0.0 | 0.0 | 0.0 |
| 0.0 | 0.0 | 0.0 | 0 | £250,001 - £300,000 | 0.0 | 0.0 | 0.0 | 0.0 |
| 11.0 | 13.0 | 24.0 | 582.1 | Total | 9.0 | 7.0 | 16.0 | 266.9 |

10. Audit Fees

Costs incurred in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the City Fund's external auditor, BDO LLP are set out in the adjacent table. Audit Fees of £22,000 (2018-19: £22,000) in respect of the City of London Pension Fund are met by the Pension Fund and are not included in the table.

The 2018-19 fees have been updated to reflect agreed additional fees of £61,000. The additional fees comprise statutory audit fees 2018-19 of £48,000 (original fee £80,000) and certification of grant claims 2018-19 of £13,000 (original fee £10,000).

| 2018-19 | | 2019-20 |
|--------------|---|--------------|
| £'000 | | £'000 |
| 128.0 | External audit services carried out by the appointed auditor under the National Audit Office Code of Audit Practice in accordance with the Local Audit and Accountability Act 2014. | 108.0 |
| 23.0 | Certification of grant claims and returns by the appointed auditor | 18.0 |
| 4.0 | Non-audit fees - other grant and certification fees | 4.0 |
| 155.0 | | 130.0 |

Notes to the Movement in Reserves Statement

11. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

City Fund Balance

This is the statutory fund into which all receipts are required to be paid and out of which all liabilities are to be met in respect of the City Fund's activities as a local authority, police authority and port health authority, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the City Fund unallocated reserve, which is not necessarily in accordance with proper accounting practice. The City Fund Balance is not available to fund Housing Revenue Account (HRA) services. With this exception, the City Fund Balance therefore summarises the resources that the City Fund is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the City Fund is required to recover) at the end of the financial year.

Housing Revenue Account (HRA) Balance

The HRA Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund the City Fund's HRA landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Capital Receipts Reserve

This reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

This reserve holds the grants and contributions received towards capital projects which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Major Repairs Reserve

The City Fund is required to maintain this reserve, which controls an element of resources limited to being used on capital expenditure on HRA assets or the financing of historic capital expenditure by the HRA. The balance shows the resources that have yet to be applied at the year-end.

| 2019-20 | | | | | | |
|---|-------------------|-------------------------|--------------------------|--------------------------|-----------------------|-------------------------------|
| | Usable Reserves | | | | | Movement in Unusable Reserves |
| | City Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | |
| | £m | £m | £m | £m | £m | £m |
| Adjustments to the Revenue Resources | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements | | | | | | |
| Pensions costs (transfers to or from the Pensions Reserve) | (28.2) | (0.5) | | | | 28.7 |
| Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account) | (3.4) | | | | | 3.4 |
| Holiday pay (transfers to or from the Accumulated Absences Reserve) | (0.2) | | | | | 0.2 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (transfers to or from the Capital Adjustment Account) | (17.9) | (5.1) | | | | 23.0 |
| Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account | 6.6 | | | (6.6) | | 0.0 |
| Transfer to the Pooled Investment Reserve | (4.1) | | | | | 4.1 |
| Total Adjustments to Revenue Resources | (47.2) | (5.6) | 0.0 | (6.6) | 0.0 | 59.4 |
| Adjustments between Revenue and Capital Resources | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 69.8 | 0.5 | (70.3) | | | 0.0 |
| Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve) | (0.4) | | 0.4 | | | 0.0 |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | (0.1) | | 0.1 | | | 0.0 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 14.3 | | | | | (14.3) |
| Posting of HRA resources from revenue to the Major Repairs Reserve | | 3.2 | | | (3.2) | 0.0 |
| Total Adjustments between Revenue and Capital Resources | 83.6 | 3.7 | (69.8) | 0.0 | (3.2) | (14.3) |
| Adjustments to Capital Resources | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | | | 18.4 | | | (18.4) |
| Use of the Major Repairs Reserve to finance capital expenditure | | | | | 3.0 | (3.0) |
| Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account) | | | | 1.5 | | (1.5) |
| Cash payments in relation to deferred capital receipts | | | (0.7) | | | 0.7 |
| Total Adjustments to Capital Resources | 0.0 | 0.0 | 17.7 | 1.5 | 3.0 | (22.2) |
| Total Adjustments | 36.4 | (1.9) | (52.1) | (5.1) | (0.2) | 22.9 |

| 2018-19 | | Usable Reserves | | | | | Movement in Unusable Reserves |
|--|-------------------|-------------------------|--------------------------|--------------------------|-----------------------|--|-------------------------------|
| Comparative Figures | City Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | | |
| | £m | £m | £m | £m | £m | | £m |
| Adjustments to the Revenue Resources | | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements | | | | | | | |
| Pensions costs (transfers to or from the Pensions Reserve) | (43.3) | (0.3) | | | | | 43.6 |
| Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account) | 24.9 | | | | | | (24.9) |
| Holiday pay (transfers to or from the Accumulated Absences Reserve) | (1.2) | | | | | | 1.2 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (transfers to or from the Capital Adjustment Account) | 8.6 | (12.2) | | | | | 3.6 |
| Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account | 7.6 | | | (7.6) | | | 0.0 |
| Total Adjustments to Revenue Resources | (3.4) | (12.5) | 0.0 | (7.6) | 0.0 | | 23.4 |
| Adjustments between Revenue and Capital Resources | | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 8.4 | 1.8 | (10.2) | | | | 0.0 |
| Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve) | (0.1) | | 0.1 | | | | 0.0 |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | (0.4) | | 0.4 | | | | 0.0 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 41.8 | | | | | | (41.8) |
| Posting of HRA resources from revenue to the Major Repairs Reserve | | 0.5 | | | (0.5) | | 0.0 |
| Other adjustments | (0.6) | | 0.4 | 0.1 | | | 0.1 |
| Total Adjustments between Revenue and Capital Resources | 49.1 | 2.3 | (9.3) | 0.1 | (0.5) | | (41.7) |
| Adjustments to Capital Resources | | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | | | 14.6 | | | | (14.6) |
| Use of the Major Repairs Reserve to finance capital expenditure | | | | | 5.8 | | (5.8) |
| Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account) | | | | 0.7 | | | (0.7) |
| Cash payments in relation to deferred capital receipts | | | (0.7) | | | | 0.7 |
| Total Adjustments to Capital Resources | 0.0 | 0.0 | 13.9 | 0.7 | 5.8 | | (20.4) |
| Total Adjustments | 45.7 | (10.2) | 4.6 | (6.8) | 5.3 | | (38.6) |

12. Transfers (to)/from Earmarked Revenue Reserves

This note sets out the amounts set aside within the City Fund Balance in earmarked revenue reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet City Fund expenditure in 2019-20.

| | Notes | Balance at 31 March 2018 | Transfers Out 2018-19 | Transfers In 2018-19 | Balance at 31 March 2019 | Transfers Out 2019-20 | Transfers In 2019-20 | Balance at 31 March 2020 |
|-----------------------------|-------|--------------------------------|-----------------------------|----------------------------|--------------------------------|-----------------------------|----------------------------|--------------------------------|
| | | £m | £m | £m | £m | £m | £m | £m |
| Highway Improvements | (i) | (29.9) | 6.8 | (13.7) | (36.8) | 5.0 | (10.9) | (42.7) |
| London NNDR Pool SIP | (ii) | 0.0 | 0.0 | (12.8) | (12.8) | 0.0 | (21.3) | (34.1) |
| Major Projects Reserve | (iii) | 0.0 | 38.4 | (46.7) | (8.3) | 15.6 | (24.2) | (16.9) |
| Police Future Expenditure | (iv) | (6.9) | 5.9 | (0.7) | (1.7) | 0.3 | (1.5) | (2.9) |
| Crime Reduction Initiatives | (v) | (3.0) | 0.5 | 0.0 | (2.5) | 1.5 | (0.4) | (1.4) |
| Other Earmarked Reserves | (vi) | (15.7) | 2.1 | (2.3) | (15.9) | 1.8 | (2.6) | (16.7) |
| Total | | (55.5) | 53.7 | (76.2) | (78.0) | 24.2 | (60.9) | (114.7) |

- (i) Highway Improvements - Created from on-street car parking surpluses to finance future highways related expenditure and projects as provided by section 55 of the Road Traffic Regulation Act 1984, as amended by the Road Traffic Act 1991.
- (ii) Unallocated London NNDR Pool Strategic Investment Pot (SIP) – This relates to yet to be allocated SIP funds generate through the London NNDR Pool. The City Corporation acts a lead authority for the pool and in that role has the final say on the allocation of SIP funds.
- (iii) Major Projects Reserve – This reserve has been established to fund the 2 major projects funded from City Fund resources, the Combined Criminal Court and the Museum of London Relocation. £24.2m has been transferred in from the City Fund general reserve with £15.6m funding works on these projects during 2019-20.
- (iv) Police Reserve - Revenue expenditure for the City Police service is cash limited. The net position each year is taken from/to this reserve to fund future service costs.
- (v) Under the guidelines of the Proceeds of Crime Scheme funds received by the City Police must be ring fenced for “crime reduction initiatives”.
- (vi) Other Earmarked Reserves – The total for all other reserves set aside for specific purposes including service projects, VAT, the School’s reserve and renewals and repairs.

Notes to the Balance Sheet

13. Property, Plant and Equipment

| Movements on Balances 2019-20 | Council Dwellings | Other Land & Buildings | Leasehold Improvements | Vehicles, Plant & Equipment | Infrastructure | Community Assets | Assets Under Construction | Surplus Assets | Total |
|--|-------------------|------------------------|------------------------|-----------------------------|----------------|------------------|---------------------------|----------------|----------------|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Cost or valuation | | | | | | | | | |
| at 1 April 2019 | 309.9 | 499.4 | 62.5 | 38.1 | 109.2 | 1.5 | 30.8 | 3.7 | 1,055.1 |
| Additions | 1.5 | 5.5 | 2.7 | 8.4 | 9.1 | 0.0 | 14.0 | 0.0 | 41.2 |
| Transfers | 2.4 | 12.6 | 4.5 | 0.0 | 0.0 | 0.0 | (23.2) | 0.0 | (3.7) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (3.4) | 11.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 8.2 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (1.8) | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (1.9) |
| Derecognition - disposals | (4.9) | (23.0) | 0.0 | (0.8) | 0.0 | 0.0 | 0.0 | 0.0 | (28.7) |
| Assets reclassified (to)/from Held for Sale | 0.0 | (0.3) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (0.3) |
| at 31 March 2020 | 303.7 | 505.6 | 69.7 | 45.7 | 118.3 | 1.5 | 21.6 | 3.8 | 1,069.9 |
| Accumulated Depreciation and Impairment | | | | | | | | | |
| at 1 April 2019 | (0.1) | (5.5) | (27.2) | (25.7) | (58.9) | 0.0 | 0.0 | (0.7) | (118.1) |
| Depreciation Charge | (2.9) | (10.7) | (2.2) | (4.1) | (7.8) | 0.0 | 0.0 | (0.1) | (27.8) |
| Depreciation written out to the Revaluation Reserve | 2.3 | 11.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 13.4 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0.6 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.1 |
| Derecognition - disposals | 0.0 | 0.1 | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 |
| Derecognition - other | 0.0 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 |
| at 31 March 2020 | (0.1) | (4.0) | (29.4) | (29.0) | (66.7) | 0.0 | 0.0 | (0.7) | (129.9) |
| Net Book Value | | | | | | | | | |
| at 31 March 2019 | 309.8 | 493.9 | 35.3 | 12.4 | 50.3 | 1.5 | 30.8 | 3.0 | 937.0 |
| at 31 March 2020 | 303.6 | 501.6 | 40.3 | 16.7 | 51.6 | 1.5 | 21.6 | 3.1 | 940.0 |

Property, Plant and Equipment (Continued)

| Movements on Balances 2018-19 | Council Dwellings | Other Land & Buildings | Leasehold Improvements | Vehicles, Plant & Equipment | Infrastructure | Community Assets | Assets Under Construction | Surplus Assets | Total |
|--|-------------------|------------------------|------------------------|-----------------------------|----------------|------------------|---------------------------|----------------|----------------|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Cost or valuation | | | | | | | | | |
| at 1 April 2018 | 324.7 | 471.0 | 61.6 | 44.0 | 98.0 | 1.5 | 24.6 | 6.3 | 1,031.7 |
| Additions | 4.7 | 2.7 | 0.9 | 5.7 | 11.2 | 0.0 | 13.4 | 0.3 | 38.9 |
| Transfers | 6.4 | (2.9) | 0.0 | 0.0 | 0.0 | 0.0 | (7.2) | (0.4) | (4.1) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (13.8) | 28.9 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | (0.3) | 14.9 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (8.6) | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (8.7) |
| Derecognition - disposals | (3.5) | (0.2) | 0.0 | (11.7) | 0.0 | 0.0 | 0.0 | (2.2) | (17.6) |
| at 31 March 2019 | 309.9 | 499.4 | 62.5 | 38.1 | 109.2 | 1.5 | 30.8 | 3.7 | 1,055.1 |
| Accumulated Depreciation and Impairment | | | | | | | | | |
| at 1 April 2018 | (0.1) | (5.0) | (24.2) | (34.1) | (52.0) | 0.0 | 0.0 | (0.7) | (116.1) |
| Depreciation Charge | (2.9) | (10.4) | (3.0) | (3.3) | (6.9) | 0.0 | 0.0 | (0.1) | (26.6) |
| Depreciation written out to the Revaluation Reserve | 2.5 | 9.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 12.5 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| Derecognition - disposals | 0.0 | 0.0 | 0.0 | 11.7 | 0.0 | 0.0 | 0.0 | 0.0 | 11.7 |
| at 31 March 2019 | (0.1) | (5.5) | (27.2) | (25.7) | (58.9) | 0.0 | 0.0 | (0.7) | (118.1) |
| Net Book Value | | | | | | | | | |
| at 31 March 2018 | 324.6 | 466.1 | 37.4 | 9.9 | 46.0 | 1.5 | 24.6 | 5.6 | 915.6 |
| at 31 March 2019 | 309.8 | 493.9 | 35.3 | 12.4 | 50.3 | 1.5 | 30.8 | 3.0 | 937.0 |

Depreciation

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

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

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

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

Commitments

Significant capital commitments of some £46.8m were outstanding at 31 March 2020, detailed as:

- £20.7m outstanding in respect of a major housing development at Golden Lane Estate
- £13.1m relating to phase 4 works at Central Criminal Court (Old Bailey)
- £5.4m relating to the Fleet Street Redevelopment design
- £5.7m in respect of heating and hot water replacement schemes at York Way and Middlesex Street Estates
- £1.9m relating to CCTV and access control works at the Barbican Centre

Revaluations

The following have been revalued at 31 March 2020 in accordance with the Rolling Five Year Programme of Revaluation or to reflect material changes in value:

- Barbican Estate residential properties, commercial properties, baggage stores, and car bays
- Housing Dwellings (including guest flats)
- Housing Commercial Properties (shops, garages and parking spaces etc)
- Properties at the City of London Cemetery and Crematorium
- Barbican Centre, including the Barbican lending library
- Central Criminal Court
- Cleansing Depot and Offices at Walbrook Wharf
- Guildhall complex properties in the ownership of City Fund
- Police Stations
- Spitalfields Market
- Surplus Properties
- Public Car Parks
- Investment Properties
- Assets Held for Sale - HRA non-dwelling properties at Holloway

The City Fund is not aware of any material change in value of any other assets and therefore the valuations have not been updated. The current asset values used in the accounts for the Barbican Centre, Central Criminal Court, Public Car Parks, Walbrook Wharf (depot and offices), Golden Lane Recreation Centre, Woodredon and Warlies Park, Cemetery and Crematorium, Police Stations, Animal Reception Centre and the investment properties are based on assessments by external valuers. The firms of chartered surveyors who have prepared valuations for the City Fund are Cushman and Wakefield LLP, Gerald Eve and Savills (UK) Ltd.

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

14. Heritage Assets

The carrying value of heritage assets currently held in the Balance Sheet at historic cost is £9.0m (2018-19 £9.0m) which relates almost exclusively to one asset – the capital's only Roman Amphitheatre. The amphitheatre was discovered in Guildhall Yard during an archaeological dig taking place in preparation for a building project. In 2002, the doors to the amphitheatre opened for the first time in nearly 2,000 years.

The London Metropolitan Archives look after 105km of books, maps, films and photographs about London and Londoners dating from as far back as 1067. Guildhall Library also specialises in the history of London with a printed books collection from the 15th century onwards and many special collections including those devoted to Samuel Pepys, John Wilkes and Sir Thomas More. Reliable valuations are not available for these assets and the cost of obtaining such valuations in order to recognise them on the balance sheet would outweigh the benefit of such recognition to the users of the financial statements.

Further information on the Roman Amphitheatre and the London Metropolitan Archives, including opening times and details of the collections held by the LMA, can be found on the City Corporation website (<https://www.cityoflondon.gov.uk/things-to-do/london-metropolitan-archives/about/Pages/default.aspx>)

15. Capital Expenditure and Finance

The total amount of capital expenditure incurred in the year is shown, in the table below, together with the resources that have been used to finance it. Where assets are acquired under finance leases (see note 30) the transactions are considered to be the same as if the City Fund had purchased the assets and financed this by taking out a loan. Liabilities are therefore recognised for the same amount as the assets acquired under finance leases.

A nil or negative Capital Financing Requirement (CFR) indicates that the City Fund's provision for debt is equal to or greater than the debt incurred. Where capital expenditure is to be financed in future years by charges to revenue the expenditure results in a positive CFR, a measure of the capital expenditure incurred historically that has yet to be financed. The net increase

in the capital financing requirement of £1.7m reflects the recognition of £2.7m of vehicles used exclusively in the delivery of the cleansing service, partially offset by a £1m minimum revenue provision made in the year, with no change in the underlying need to borrow.

| 2018-19 | | 2019-20 |
|---------|--|---------|
| £m | | £m |
| 44.6 | Opening Capital Financing Requirement | 43.6 |
| | Capital Investment | |
| 38.9 | Property, Plant and Equipment | 41.2 |
| 28.3 | Investment Properties | 1.1 |
| 10.9 | Revenue Expenditure Funded for Capital Under Statute | 13.2 |
| | Sources of Finance | |
| (1.0) | Minimum Revenue Provision | (1.0) |
| (14.7) | Capital Receipts | (18.4) |
| (15.8) | Capital grants, contributions and donations | (17.0) |
| (47.6) | Direct revenue contributions | (17.4) |
| 43.6 | Closing Capital Financing Requirement | 45.3 |

| 2018-19 | | 2019-20 |
|---------|---|---------|
| £m | | £m |
| | Explanation of movement in year | |
| (1.0) | Minimum Revenue Provision | (1.0) |
| 0.0 | Assets acquired under finance leases | 2.7 |
| 0.0 | Increase in underlying need to borrow | 0.0 |
| (1.0) | Increase/(decrease) in Capital Financing Requirement | 1.7 |

16. Long Term Debtors

| 31 March 2019 | | 31 March 2020 |
|------------------|---|------------------|
| £m | | £m |
| 12.4 | Net Investment in Finance Leases | 12.4 |
| 1.7 | Loans to Museum of London (repayable by 2032) | 1.5 |
| 2.9 | Rent | 2.8 |
| 0.1 | Museum in Docklands Loan | 0.1 |
| 0.1 | Service Charge Loans | 0.1 |
| 17.2 | Total | 16.9 |

As part of the annual valuation of our investment properties, our external valuers have determined a proportion of the portfolio has been valued on a level 3 basis. This means there are some significant unobservable inputs which determine the value of these properties, namely the market rent and yield when using the valuation method highlighted above. The below table set out the sensitivity of the property valuations to these inputs based on a +/- 0.5% change in yield and +/-5% change in market value.

| Description of Asset | Asset Valuation Range | Value at 31 March 2020 (£m) |
|----------------------|-----------------------|-----------------------------|
| Investment Property | +/-0.5% | 1,432.1 |

The movement in level 3 valuations for the year 2019-20 shown below. The change in valuation basis has been recognised at the point of valuation i.e. 31 March.

17. Investment Properties

| 2018-19 | | 2019-20 |
|----------------|---------------------------------------|----------------|
| £m | | £m |
| 1,521.8 | Balance at start of the year | 1,586.2 |
| 3.7 | Transfers | 4.0 |
| | Additions: | |
| 28.3 | Purchases | 0.4 |
| 0.0 | Subsequent expenditure | 0.5 |
| (0.5) | Disposals | 0.0 |
| | Revaluations: | |
| 32.9 | Net gains from fair value adjustments | 30.4 |
| 1,586.2 | Balance at end of the year | 1,621.5 |

| | 1 April 2019 | Transfers into Level 3 | Transfer out of Level 3 | Purchases | Sales | Unrealised Gain/Loses | 31 March 2020 |
|------------------------|-----------------|------------------------------|-------------------------------|-----------|-------|--------------------------|------------------|
| | £m | £m | £m | £m | £m | £m | £m |
| Investment Property | 1,423.4 | 0.0 | 0.0 | 0.0 | 0.0 | 8.7 | 1,432.1 |

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

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

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

18. Financial Instruments

The financial instruments recognised in the City Fund financial statements include trade debtors and creditors, bank deposits and investments

Categories of Financial Instruments

The financial instruments disclosed in the Balance Sheet are made up of the following categories under IFRS 9.

| Long Term | Current | | Long Term | Current |
|------------------|------------------|---|------------------|------------------|
| 31 March 2019 | 31 March 2019 | | 31 March 2020 | 31 March 2020 |
| £m | £m | | £m | £m |
| | | Investments | | |
| 0.0 | 383.7 | Fair value through profit and loss | 0.0 | 314.0 |
| 0.0 | 304.6 | Amortised Cost | 0.0 | 503.1 |
| 0.0 | 0.0 | Fair value through other comprehensive income – designated equity | 0.0 | 0.0 |
| 0.0 | 688.3 | Total Investments | 0.0 | 817.1 |
| | | Debtors | | |
| 17.2 | 46.0 | Amortised Cost | 16.9 | 30.8 |
| 17.2 | 46.0 | Total Debtors | 16.9 | 30.8 |
| | | Creditors | | |
| 0.0 | (97.3) | Amortised Cost | 0.0 | (80.8) |
| 0.0 | (97.3) | Total Creditors | 0.0 | (80.8) |
| | | Long Term Liabilities | | |
| (3.1) | 0.0 | Amortised Cost | (5.9) | 0.0 |
| (3.1) | 0.0 | Total Long Term Liabilities | (5.9) | 0.0 |

Investments

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

Income, Expense, Gains and Losses

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

| 2018-19 | | 2019-20 |
|--------------|--|---------------|
| £m | | £m |
| 0.2 | Net loss on financial assets at fair value through profit and loss | 4.1 |
| 0.2 | Total net (gains)/losses in Surplus or Deficit on the Provision of Services | 4.1 |
| (8.5) | Interest revenue from financial assets | (10.0) |
| (8.5) | Total interest revenue in Surplus or Deficit on the Provision of Services | (10.0) |

Fair Value of Assets and Liabilities

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

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

| 31 March 2019 | | | 31 March 2020 | |
|-----------------|----------------|---|-----------------|---------------|
| Carrying Amount | Fair Value | | Carrying Amount | Fair Value |
| £m | £m | | £m | £m |
| | | Financial assets | | |
| 688.5 | 688.3 | Short Term Investments | 817.1 | 817.1 |
| 7.1 | 7.1 | Long Term Debtors - investment properties | 7.1 | 7.1 |
| 10.1 | 10.1 | Long Term Debtors - other | 9.8 | 9.8 |
| 705.7 | 705.5 | Total financial assets | 834.0 | 834.0 |
| | | Financial liabilities | | |
| (97.3) | (97.3) | Short Term Creditors | (80.8) | (80.8) |
| (3.1) | (3.1) | Long Term Liabilities | (5.9) | (5.9) |
| (100.4) | (100.4) | Total financial liabilities | (86.7) | (86.7) |

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

19. Nature and Extent of Risks arising from Financial Instruments

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

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

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

The emergence of COVID-19 in the first quarter of 2020 and the public health measures taken in United Kingdom to mitigate the spread of the virus have not significantly increased the City Fund's exposure to credit or liquidity risks arising from financial instruments.

Credit Risk

Credit risk arises from deposits with banks, other financial institutions and other local authorities, as well as credit exposures to the City Fund's customers. Deposits are only made with banks with a minimum Fitch (a leading credit rating agency) "rating" of Long term A and Short term F1 or are building societies with assets over £9bn (or which have a minimum credit rating similar to that set for the banks). The City Fund also invests in money market funds, which are subject to a minimum credit rating of AAmmf (Fitch) or equivalent. The City Fund also

holds investments in two Short Dated Bond Funds. These financial instruments typically do not obtain their own standalone credit rating. Instead, the funds will invest in a wide array of investment grade instruments, which the City Corporation actively monitors in terms of the fund's composition and credit quality of its underlying assets.

The creditworthiness of the counterparties on the City Fund's lending list is carefully monitored. The lending list is reviewed on a regular basis using advice from credit rating agencies and in-house judgements based partially on credit default swap rates. Security of the investments is the prime criteria when selecting investments with liquidity and yield being secondary and tertiary considerations. The lending limits attributable to HSBC, Barclays, Goldman Sachs International Bank, NatWest and Santander UK were maintained at maximum lending limits of £100m each during 2019-20, and Lloyds Bank was fixed at £150m (Lloyds being the City of London Corporation's banker). The lending limit for the Nationwide Building Society was maintained at £120m. The maximum duration for such loans is fixed at three years. The lending limits for the Yorkshire, Coventry, Skipton and Leeds Building Societies were maintained at £20m each and the duration for such loans is fixed at 1 year. The list also contains three foreign banks with individual limits of £25m, being National Australia Bank, Australia and New Zealand Banking Group and Svenska Handelsbanken. The lending list also includes five highly rated money market funds (Aberdeen Sterling Liquidity Fund, CCLA Public Sector Deposit Fund, Deutsche Managed Sterling Fund, Federated Short-Term Sterling Prime Fund, and Invesco Sterling Liquidity Portfolio); three highly rated Ultra-Short Dated Bond Funds (Federated Sterling Cash Plus Fund, Aberdeen Standard Investments Short Duration Managed Liquidity Fund and Payden Sterling Reserve Fund); and two Short Dated Bond Funds (Legal & General Short Dated Sterling Corporate Bond Index Fund and Royal London Investment Grade Short Dated Credit Fund). The City Corporation also lends to other UK local authorities with a limit of £25m to any individual authority.

The City Fund's maximum exposure to credit risk in relation to its investments in banks, building societies, local authorities and money market funds cannot be assessed generally, as the risk of any institution failing to make interest payments or failing to repay the principal amount borrowed would be specific to each

individual institution. No credit limits were exceeded during the reporting period and the City Fund does not expect any losses from non-performance by any counterparty in relation to outstanding deposits. As at 31 March 2020 the City Fund had £888.7m in cash, cash equivalents and investments.

The City Fund does not generally allow credit for customers. Therefore, the potential maximum exposure to credit risk is with customers for which prudent provision for bad debts and expected credit losses has been included within the accounts based on the length of time past the due date and progress on recovery action.

| 31/03/2020 | <3 months | 3-6 months | 6-12 months | >1 year | Total |
|-----------------------------------|-----------|------------|-------------|---------|-------|
| Expected loss rate excluding HRA* | 13% | 23% | 33% | 73% | - |
| Expected loss rate | 12% | 22% | 22% | 18% | - |
| Gross carrying amount (£m) | 16.9 | 2.1 | 0.9 | 4.9 | 24.8 |
| Loss provision (£m) | 2.1 | 0.4 | 0.2 | 0.9 | 3.6 |

*Debt in the region of £4.3m relates to an outstanding legal case with leaseholders of HRA property regarding recovery of major capital works costs. A loss provision has not been made for this debt as the outcome of the case is currently not known.

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

Liquidity risk

The authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loans Board, for access to longer term funds. The authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that it

will be unable to raise finance to meet its commitments under financial instruments. At present, the City Fund has no borrowing exposure.

Market risk

Interest rate risk

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

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

Changes in interest receivable on variable rate investments are posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement. The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget, quarterly during the year. According to this assessment strategy, if interest rates had been 1% higher with all other variables held constant, the financial effect at 31 March on investments with variable rates would be

| 2018-19 | | 2019-20 |
|------------|---|------------|
| £m | | £m |
| | Increase in interest receivable on investments held at variable rates | |
| 3.4 | City Fund | 3.9 |
| 0.0 | HRA | 0.0 |
| 3.4 | Total | 3.9 |

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. All of the City Fund's financial investments are due to mature within twelve months as at 31 March 2020 and therefore the impact of a 1% movement in interest rates on the fair value of fixed rate investment assets would not be material.

Price risk

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

Foreign exchange risk

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

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

| 31 March 2019 | | 31 March 2020 |
|---------------|---|---------------|
| £m | | £m |
| 44.7 | Central Government Bodies | 50.5 |
| 9.5 | Greater London Authority | 4.3 |
| 56.4 | London NNDR Pool | 36.2 |
| | All Other Bodies | |
| 10.6 | Rents | 16.3 |
| 26.2 | Sundry | 9.6 |
| 18.4 | Trade Debtors | 27.7 |
| 13.9 | City Fund's Share of National Business Rates Arrears | 12.9 |
| 12.2 | Other | 11.4 |
| (7.9) | Less: Impairment allowances for expected credit losses and doubtful debts | (10.5) |
| 184.0 | Total | 158.4 |

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

21. Creditors and Receipt in Advance

The increase in the amounts due to Central Government amounts relates to the London Business Rate Pool pilot, this has seen Central Government's share of business rate income increase from 0% in 2018-19 to 25% in 2019-20. This change has also reduced the City Corporations share of these balances from 64% to 48%, reducing the value of creditors it holds for business rates.

22. Provisions

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With the introduction of the Business Rates Retention Scheme from 1 April 2013, Local Authorities are liable for successful appeals against business rates in their proportionate share. The Business Rate Pool Pilot, which has moved from a 100% to a 75% scheme, has reduced the City Funds share of the appeal provision from 64% to 48%. A provision is recognised for the best estimate of the City Fund's liability at the year-end for appeals. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals outstanding as at 31 March 2020 and an analysis of successful appeals and trends in 2019-20.

| 31 March 2019 | | 31 March 2020 |
|------------------|--|------------------|
| £m | | £m |
| (5.9) | Central Government Bodies | (59.5) |
| (100.4) | Greater London Authority and Transport for London | (87.0) |
| (58.0) | London Business Rates Pool | (30.3) |
| (71.5) | City Fund's share of national business rates creditors and receipts in advance | (62.7) |
| (10.1) | Deposits | (11.6) |
| (83.1) | Sundry | (93.5) |
| (34.1) | Receipts in advance | (37.4) |
| (363.1) | | (382.0) |

| | National Business Rates | City Fund Premium on Business Rates | Total |
|---------------------------------|----------------------------|---|---------------|
| | £m | £m | |
| Balance at 1 April 2019 | (71.7) | (1.0) | (72.7) |
| Appeals settled in 2019-20 | 32.9 | 0.9 | 33.8 |
| Provisions made in 2019-20 | (9.2) | (1.1) | (10.3) |
| Balance at 31 March 2020 | (48.0) | (1.2) | (49.2) |

23. Pension Schemes

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

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

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

City of London Pension Scheme

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

The City Corporation administers the Scheme on behalf of its participating employers. The City Corporation's Establishment Committee is responsible for personnel and administration matters, whilst its Financial Investment Board is responsible for appointing fund managers and monitoring performance.

The principal risks to the authority of the scheme are the mortality rate assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

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

Disclosures in relation to City Corporation and the City Fund's share of the overall scheme which satisfy the requirements of a defined benefit pension scheme are set out in this note. This information is not used to determine the employer's pension contribution rate. This is calculated at the triennial valuation and updated by any subsequent interim valuations. The most recent triennial valuation was as at 31 March 2019 and found that the Pension Fund's funding position had improved to 90% (from 84% as at 31 March 2016). The valuation informed consideration of the level of employer's pension contribution to be charged from 1 April 2020 to 31 March 2023, which remain unchanged from 2019/20 at 21.0% per annum for the upcoming three year period.

Assets and Liabilities in Relation to Retirement Benefits

a. Reconciliation of present value of the scheme liabilities

| CITY OF LONDON CORPORATION | CITY FUND SHARE 51% | | CITY OF LONDON CORPORATION | CITY FUND SHARE 51% |
|----------------------------|---------------------|--|----------------------------|---------------------|
| 31 March 2019 | 31 March 2019 | | 31 March 2020 | 31 March 2020 |
| £m | £m | | £m | £m |
| (1,493.3) | (761.5) | 1 April | (1,590.3) | (811.0) |
| (44.5) | (22.7) | Current Service Cost | (51.8) | (26.4) |
| (37.7) | (19.2) | Interest Cost | (37.8) | (19.3) |
| | | Remeasurement gains/losses: | | |
| 41.8 | 21.3 | Actuarial Gains/losses arising from demographic assumptions | 11.6 | 5.9 |
| (72.4) | (36.9) | Actuarial gains/losses arising from changes in financial assumptions | 149.0 | 76.0 |
| 0.0 | 0.0 | Other Actuarial Gains/Losses | (81.1) | (41.5) |
| 0.0 | 0.0 | Change in proportion allocated to City Fund | 0.0 | 0.0 |
| (12.5) | (6.4) | Past Service Cost, including curtailments | (1.1) | (0.6) |
| 0.0 | 0.0 | Liabilities extinguished on settlements | 2.5 | 1.3 |
| 38.0 | 19.4 | Benefits paid | 36.9 | 18.8 |
| (10.2) | (5.2) | Contributions from scheme participants | (10.7) | (5.5) |
| 0.5 | 0.2 | Unfunded Pension Payments | 0.5 | 0.2 |
| (1,590.3) | (811.0) | 31 March | (1,572.4) | (802.0) |

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

b. Reconciliation of fair value of the scheme assets

| CITY OF LONDON CORPORATION | CITY FUND SHARE 51% | | CITY OF LONDON CORPORATION | CITY FUND SHARE 51% |
|----------------------------|---------------------|---|----------------------------|---------------------|
| 31 March 2019 | 31 March 2019 | | 31 March 2020 | 31 March 2020 |
| £m | £m | | £m | £m |
| 900.7 | 459.3 | 1 April | 969.4 | 494.3 |
| 23.0 | 11.7 | Interest on Assets | 23.3 | 11.9 |
| | | Remeasurement gains/losses: | | |
| 45.4 | 23.1 | Return on Assets less interest | (57.3) | (29.2) |
| 0.0 | 0.0 | Other actuarial gains/losses | (0.4) | (0.1) |
| 0.0 | 0.0 | Change in proportion allocated to City Fund | 0.0 | 0.0 |
| (1.0) | (0.5) | Administration expenses | (0.9) | (0.5) |
| 29.6 | 15.1 | Contributions by Employer | 30.9 | 15.8 |
| 10.2 | 5.2 | Contributions by Scheme Participants | 10.7 | 5.5 |
| (38.5) | (19.6) | Benefits Paid | (37.3) | (19.0) |
| 0.0 | 0.0 | Settlement Prices Received/(Paid) | (1.5) | (0.8) |
| 969.4 | 494.3 | 31 March | 936.9 | 477.8 |

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

| 31 March 2019 | | 31 March 2020 |
|---------------|---------------------------|---------------|
| % | | % |
| 67 | Equity Investments | 59 |
| 1 | Cash | 2 |
| 6 | Infrastructure | 12 |
| 26 | Absolute return portfolio | 26 |
| 100 | | 100 |

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

c. Overall net deficit

| CITY OF LONDON CORPORATION | CITY FUND SHARE 51% | | CITY OF LONDON CORPORATION | CITY FUND SHARE 51% |
|----------------------------|---------------------|-----------------------|----------------------------|---------------------|
| 31 March 2019 | 31 March 2019 | | 31 March 2020 | 31 March 2020 |
| £m | £m | | £m | £m |
| (592.6) | (302.2) | 1 April | (620.9) | (316.7) |
| (97.0) | (49.5) | change in liabilities | 17.8 | 9.1 |
| 68.7 | 35.0 | change in assets | (32.5) | (16.5) |
| (620.9) | (316.7) | 31 March | (635.6) | (324.2) |

Basis for Estimating Assets and Liabilities

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham LLP) using the projected unit method, based upon the latest full valuation of the scheme as at 31 March 2019 and updated to the balance sheet date. The main assumptions used in the calculations are as follows:

| 2018-19 | 2019-20 |
|---------|--|
| | Mortality assumptions: |
| | Life expectancy in years from age 65 |
| | Retiring today |
| 23.2 | Men |
| 24.6 | Women |
| | Retiring in 20 years |
| 24.5 | Men |
| 26.1 | Women |
| 3.4% | Rate of Inflation - RPI |
| 2.4% | Rate of Inflation - CPI |
| 3.90% | Salary Increases |
| 2.40% | Pension Increases |
| 2.40% | Discount Rate |
| 50.0% | Take-up of option to convert annual pension into retirement lump sum |

Impact on defined benefit obligation from changes to actuarial assumptions

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

| Change in assumptions at 31 March 2020 | | | | |
|--|----------------------------|----------|-----------|----------|
| | CITY OF LONDON CORPORATION | | CITY FUND | |
| | Increase | Decrease | Increase | Decrease |
| | £m | £m | £m | £m |
| 0.1% change in rate for discounting scheme liabilities | (31.4) | 32.0 | (16.0) | 16.3 |
| 0.1% change in rate of increase in salaries | 2.8 | (2.8) | 1.4 | (1.4) |
| 0.1% change in rate of increase in pensions | 29.3 | (28.7) | 15.0 | (14.7) |
| One year change in rate of mortality assumption | 63.9 | (61.2) | 32.6 | (31.2) |

Impact on the City Fund's Cash Flows

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

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £324.2m has a substantial impact on the net worth of the City Fund as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the City Fund remains sound. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total employer contributions expected to be made to the scheme for the City of London Corporation across all its funds in the year to 31 March 2020 are £30.5m (estimated City Fund Share £15.6m).

The scheme actuary has estimated that the weighted average duration of the defined benefit obligation for scheme members is 21 years.

24. The Police Pension Scheme

There are three Police Pension Schemes - the 1987 Scheme, the 2006 Scheme and the 2015 Scheme. Except where otherwise stated, the "Police Pension Scheme" is used generically to cover all the schemes. The Police Pension Scheme is defined benefit and unfunded. It is administered by the City of London in accordance with Home Office regulations and is not a multi-employer scheme.

The Scheme is funded on a pay as you go basis, with the employer contributing a percentage of police pay into the Pension Fund and the Home Office meeting the balance. At the year end the Police Pension Fund Account is balanced to nil by either receiving a contribution from the City Fund equal to the amount by which the amounts payable from the Pension Fund for the year exceed the amounts receivable or, by paying to the City Fund the amount by which sums receivable by the Fund for the year exceed the amounts payable.

Where the City Fund makes a transfer into the Pension Fund, the Home Office will pay an equivalent top-up grant to the City Fund. Where the City Fund receives a transfer from the Pension Fund, the City Fund must pay the amount to the Home Office. The Police Pension Scheme 2015 came into effect from 1 April 2015 and any benefits accrued from that date will be based on career average revalued salaries, with exceptions for those members that have transitional protection in their existing scheme. These transitional protections are under legal challenge. A contingent liability has been recognised due to the ongoing case.

The last full valuation of the Police Pension Scheme was at 31 March 2016 by the Government Actuary's Department and set contributions for the period 1 April 2019 to 31 March 2023.

Liabilities in Relation to Retirement Benefits

As the scheme is unfunded, it has no assets.

Reconciliation of present value of the scheme liabilities

| 31 March 2019 | | 31 March 2020 |
|------------------|--|------------------|
| £m | | £m |
| (955.8) | 1 April | (998.1) |
| (16.1) | Current Service Cost | (18.6) |
| (24.0) | Interest Cost | (23.5) |
| | Remeasurement gains/losses: | |
| 24.8 | Actuarial Gains/losses arising from demographic assumptions | (6.7) |
| (45.7) | Actuarial gains/losses arising from changes in financial assumptions | 83.0 |
| | Other Actuarial Gains/Losses | |
| 34.4 | Benefits paid | 35.9 |
| (12.2) | Past Service Costs | 0.0 |
| (4.1) | Contributions from scheme participants | (4.3) |
| 0.6 | Injury Benefits Paid | 0.6 |
| (998.1) | 31 March | (931.7) |

Impact on defined benefit obligation from changes to actuarial assumptions

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

Basis for Estimating Liabilities

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

| 2018-19 | Mortality assumptions: | 2019-20 |
|---------|--------------------------------------|---------|
| | Life expectancy in years from age 65 | |
| | Retiring today | |
| 21.1 | Men | 21.4 |
| 23.5 | Women | 23.5 |
| | Retiring in 20 years | |
| 22.5 | Men | 22.8 |
| 25.0 | Women | 25.0 |
| 3.40% | Rate of Inflation - RPI | 2.70% |
| 2.40% | Rate of Inflation - CPI | 1.90% |
| 3.90% | Salary Increases | 3.40% |
| 2.40% | Pension Increases | 1.90% |
| 2.40% | Discount Rate | 2.35% |

Impact on defined benefit obligation from changes to actuarial assumptions

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

Change in Assumptions at 31 March 2020

| Impact on the Defined Benefit Obligation in the Scheme | | |
|--|----------|----------|
| | Increase | Decrease |
| | £m | £m |
| 0.1% change in rate for discounting scheme liabilities | (17.7) | 18.1 |
| 0.1% change in rate of increase in salaries | 1.8 | (1.8) |
| 0.1% change in rate of increase in pensions | 16.4 | (16.1) |
| One year change in rate of mortality assumption | 38.9 | (37.3) |

Impact on the City Fund's Cash Flows

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £931.7m has a substantial impact on the net worth of the City Fund as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the City Fund remains sound. Future contributions are expected to be met by an annually assessed grant from the Home Office.

The total employer contributions for the combined position of the Police Pension Schemes 1987, 2006 and 2015 for the year to 31 March 2020 are expected to be £9.9m and the expected top up grant from the Government is £21.5m.

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

25. Judges' Pension Scheme

The Judges Pension Scheme is defined benefit and unfunded. The scheme is subject to the provisions of the Judicial Pensions and Retirement Act 1993. The Treasury is responsible for payment of Judges' pensions and the City of London reimburses them in accordance with regulations made under the Act.

Liabilities in Relation to Retirement Benefits

As the scheme is unfunded, it has no assets.

Reconciliation of present value of the scheme liabilities

| 31 March 2019 | | 31 March 2020 |
|------------------|---|------------------|
| £m | | £m |
| (2.6) | 1 April | (2.9) |
| (0.2) | Current Service Cost | (0.2) |
| (0.1) | Interest Cost | (0.1) |
| | Remeasurement gains/losses: | |
| 0.1 | Actuarials Gains/losses arising from demographic assumptions | 0.1 |
| (0.2) | Actuarials gains/losses arising from changes in financial assumptions | 0.3 |
| 0.1 | Benefits paid | 0.1 |
| (2.9) | 31 March | (2.7) |

Basis for Estimating Liabilities

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham LLP) using the projected unit method, based upon the last full valuation of the scheme updated to the balance sheet date.

The main assumptions used in the calculations are as follows:

| 2018-19 | Mortality assumptions: | 2019-20 |
|---------|--------------------------------------|---------|
| | Life expectancy in years from age 65 | |
| | Retiring today | |
| 23.2 | Men | 21.8 |
| 24.6 | Women | 24.4 |
| | Retiring in 20 years | |
| 24.5 | Men | 23.3 |
| 26.1 | Women | 25.8 |
| 3.50% | Rate of Inflation - RPI | 2.85% |
| 2.50% | Rate of Inflation - CPI | 1.95% |
| 4.00% | Salary Increases | 3.45% |
| 2.50% | Pension Increases | 1.95% |
| 2.30% | Discount Rate | 2.30% |

Impact on defined benefit obligation from changes to actuarial assumptions

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

Change in Assumptions at 31 March 2020

| Impact on the Defined Benefit Obligation in the Scheme | | |
|--|----------|----------|
| | Increase | Decrease |
| | £m | £m |
| 0.1% change in rate for discounting scheme liabilities | (0.03) | 0.04 |
| 0.1% change in rate of increase in salaries | 0.00 | (0.00) |
| 0.1% change in rate of increase in pensions | 0.03 | (0.03) |
| One year change in rate of mortality assumption | 0.12 | (0.11) |

Impact on the City Fund's Cash Flows

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £2.7m has an impact on the net worth of the City Fund as recorded in the Balance Sheet. However, the City Fund has set aside funds in an earmarked reserve to assist with meeting its share of liabilities.

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

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

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

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

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2020 a gain of £90.4m and at 31 March 2019 was a loss of £13.4m. The amount included in the Balance Sheet arising from the City Fund's estimated obligation in respect of the defined benefit plans is as follows:

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| 31 March 2019 | | 31 March 2020 |
|------------------|---|------------------|
| £m | | £m |
| | Present Value of the defined benefit obligation | |
| (808.4) | City of London Pension Scheme - City Fund | (799.7) |
| (986.5) | Police Pension Schemes | (921.1) |
| (2.9) | Judges Pension Scheme | (2.7) |
| | Fair Value of plan assets | |
| 494.4 | City of London Pension Scheme - City Fund | 477.8 |
| | Present value of unfunded obligation | |
| (2.7) | City of London Pension Scheme - City Fund | (2.3) |
| (11.6) | Police Pension Schemes | (10.6) |
| | | |
| (1,317.7) | Net liability on balance sheet | (1,258.6) |

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

The table summarises the entries in the financial statements for the City of London, Police and Judges Schemes:

| 2018-19 | | | | | 2019-20 | | | | |
|---------|--------|--------------------------|---------|--|---------|--------|--------------------------|---------|--|
| Police | Judges | City of London City Fund | Total | | Police | Judges | City of London City Fund | Total | |
| £m | £m | £m | £m | | £m | £m | £m | £m | |
| | | | | Comprehensive Income & Expenditure Statement (CIES) | | | | | |
| | | | | Cost of Services: | | | | | |
| 16.1 | 0.2 | 22.7 | 39.0 | Current service cost | 18.6 | 0.2 | 26.4 | 45.2 | |
| 12.2 | 0.0 | 6.4 | 18.6 | Past service costs | 0.0 | 0.0 | 0.6 | 0.6 | |
| 0.0 | 0.0 | 0.0 | 0.0 | (gain)/loss from settlements | 0.0 | 0.0 | (0.5) | (0.5) | |
| | | | | Other Operating Income | | | | | |
| 0.0 | 0.0 | 0.5 | 0.5 | Administration expenses | 0.0 | 0.0 | 0.5 | 0.5 | |
| | | | | Financing & Investment Income & Expenditure | | | | | |
| 0.0 | 0.0 | 0.0 | 0.0 | Current service cost | 0.0 | 0.0 | 0.0 | 0.0 | |
| 24.0 | 0.1 | 7.5 | 31.6 | Interest cost | 23.5 | 0.1 | 7.3 | 30.9 | |
| 52.3 | 0.3 | 37.1 | 89.7 | Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services | 42.1 | 0.3 | 34.3 | 76.7 | |
| | | | | Other Comprehensive Income & Expenditure | | | | | |
| | | | | Remeasurement of the net defined benefit liability: | | | | | |
| 0.0 | 0.0 | (23.1) | (23.1) | Return on plan assets | 0.0 | 0.0 | 29.2 | 29.2 | |
| (24.8) | (0.1) | (21.4) | (46.3) | Actuarial (gains) & losses - changes in demographic assumptions | 6.7 | (0.1) | (5.9) | 0.7 | |
| 45.7 | 0.2 | 36.9 | 82.8 | Actuarial (gains) & losses - changes in financial assumptions | (83.0) | (0.3) | (76.0) | (159.3) | |
| 0.0 | 0.0 | 0.0 | 0.0 | Actuarial (gains) & losses - Other | 41.5 | 0.0 | 0.1 | 41.6 | |
| 20.9 | 0.1 | (7.6) | 13.4 | Total Other Comprehensive Income & Expenditure | (34.8) | (0.4) | (52.6) | (87.8) | |
| 73.2 | 0.4 | 29.5 | 103.1 | Total Retirement Benefit Charged/(Credited) to the CIES | 7.3 | (0.1) | (18.3) | (11.1) | |
| | | | | Movement in Reserves Statement | | | | | |
| (73.2) | (0.4) | (29.5) | (103.1) | Reversal of net charges/credits for retirement benefits in accordance with the Code | (7.3) | 0.1 | 18.3 | 11.1 | |
| 30.9 | 0.1 | 15.1 | 46.1 | Actual amount charged against the City Fund and HRA Balances | 32.2 | 0.1 | 15.8 | 48.0 | |

27. Grants and Contributions Received in Advance

A number of grants and contributions have yet to be recognised as income as they have conditions attached to them which if they are not met will require the monies to be returned to the provider. The balances at the year-end total £108.6m from S106/S278 Capital Contributions.

28. Rents Received in Advance

Premiums received at the commencement of operating leases for investment properties are effectively rents received in advance and are released to revenue on a straight line basis over the lease term. This totals £196.5m.

29. Other Long-term Liabilities

At the 31 March 2020 the City Fund has long term liabilities of £52.0m which consists of £46m of outstanding London NNDR Pool SIP payment due to be released over the life span of agree projects and £5.6m (2018-19: £3.1m) of financial lease liabilities.

30. Leases

Finance Leases

City Fund as Lessee

Nine property agreements have been classified as finance leases – five relating to operational properties and four in respect of investment properties. In addition, as part of the City of London contract for its cleansing services, the vehicles owned by the contractor, but which are used exclusively on the City of London contract have been classified as finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment and Investment Properties in the City Fund's Balance Sheet at the following net amounts:

| 31 March 2019 | | 31 March 2020 |
|---------------|-------------------------------|---------------|
| £m | | £m |
| | Property, Plant and Equipment | |
| 18.2 | Other Land and Buildings | 16.3 |
| 0.1 | Vehicles, Plant and Equipment | 2.8 |
| 46.7 | Investment Properties | 48.4 |
| 65.0 | | 67.5 |

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

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

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

| 31 March 2019 | | 31 March 2020 |
|---------------|-----------------------|---------------|
| £m | | £m |
| 3.2 | Investment Property | 3.2 |
| 0.1 | Cleansing Vehicles | 2.8 |
| 3.3 | Long Term Liabilities | 6.0 |

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

| Total Future Minimum Lease Payments | Present Value of Future Lease Payments | | Total Future Minimum Lease Payments | Present Value of Future Lease Payments |
|---|--|---|---|--|
| 31 March 2019 | 31 March 2019 | | 31 March 2020 | 31 March 2020 |
| £m | £m | | £m | £m |
| 0.1 | 0.1 | Not later than one year | 0.5 | 0.4 |
| 0.5 | 0.0 | Later than one year and not later than five years | 1.8 | 1.4 |
| 13.3 | 3.2 | Later than five years | 14.2 | 4.2 |
| 13.9 | 3.3 | | 16.5 | 6.0 |

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

City Fund as Lessor

The gross investment is made up of the following amounts:

| 31 March 2019 | | 31 March 2020 |
|---------------|--|---------------|
| £m | | £m |
| | Finance lease debtor (net present value of minimum lease payments) | |
| 0.7 | current | 0.3 |
| 12.4 | non-current | 12.1 |
| 30.5 | Unearned finance income | 30.0 |
| 0.0 | Unguaranteed residual value of property | 0.0 |
| 43.6 | Gross investment in the lease | 42.4 |

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

| Gross Investment in Lease | Net Present Value of Minimum Lease Payments | | Gross Investment in Lease | Net Present Value of Minimum Lease Payments |
|------------------------------|---|---|------------------------------|---|
| 31 March 2019 | 31 March 2019 | | 31 March 2020 | 31 March 2020 |
| £m | £m | | £m | £m |
| 1.1 | 0.7 | Not later than one year | 0.7 | 0.3 |
| 2.6 | 1.2 | Later than one year and not later than five years | 2.5 | 1.1 |
| 39.9 | 11.2 | Later than five years | 39.4 | 11.0 |
| 43.6 | 13.1 | | 42.6 | 12.4 |

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

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

Operating Leases**City Fund as Lessee**

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

| 31 March 2019 | | 31 March 2020 |
|---------------|---|---------------|
| £m | | £m |
| | | |
| 2.4 | Not later than one year | 2.4 |
| 4.7 | Later than one year and not later than five years | 9.7 |
| 9.0 | Later than five years | 8.7 |
| 16.1 | | 20.8 |

City Fund as Lessor

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

| 31 March 2019 | | 31 March 2020 |
|---------------|---|---------------|
| £m | | £m |
| 53 | Not later than one year | 53 |
| 197 | Later than one year and not later than five years | 191 |
| 2,921 | Later than five years | 2,890 |
| 3,171 | | 3,134 |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

31. Unusable Reserves

| 31 March 2019 | Note | 31 March 2020 |
|------------------|--|------------------|
| £m | | £m |
| (342.4) | Revaluation Reserve | (348.4) |
| (2,145.7) | Capital Adjustment Account | (2,176.1) |
| 1317.7 | Pensions Reserve | 1,258.6 |
| (31.4) | Collection Fund Adjustment Account | (28.0) |
| 4.0 | Accumulated Absences Account | 4.2 |
| (13.1) | Deferred Capital Receipts Reserve | (12.5) |
| 0.2 | Financial Instrument Revaluation Reserve | 0.2 |
| 0.2 | Financial Instrument Adjustment Account | 0.2 |
| 0.0 | Pooled Investment Reserve | 4.1 |
| (1,210.5) | Total Unusable Reserves | (1,297.7) |

A. Revaluation Reserve

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

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

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

| 2018-19 | | 2019-20 | |
|----------------|--|---------|----------------|
| £m | | £m | £m |
| (325.4) | Balance at 1 April | | (342.4) |
| (47.4) | Upward revaluation of assets | (33.6) | |
| 20.0 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 11.2 | |
| (27.4) | Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | (22.4) |
| 5.0 | Difference between fair value depreciation and historical cost depreciation | 5.3 | |
| 1.3 | Assets reclassified as investments | 1.4 | |
| 4.1 | Accumulated gains on assets sold or scrapped | 9.7 | |
| 10.4 | Amount written off to the Capital Adjustment Account | | 16.4 |
| (342.4) | Balance at 31 March | | (348.4) |

B. Capital Adjustment Account

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

| 2018-19 | | 2019-20 | |
|------------------|--|---------|------------------|
| £m | | £m | £m |
| (2,076.0) | Balance at 1 April | | (2,145.7) |
| | Reversal of items relating to capital expenditure debited or credited to the CIES: | | |
| 35.7 | Charges for depreciation, impairment and revaluation losses of non-current assets | 30.3 | |
| (0.7) | Revaluation gains on Property, Plant and Equipment | (1.6) | |
| 0.3 | Amortisation of intangible assets | 0.2 | |
| 10.9 | Revenue expenditure funded from capital under statute | 13.2 | |
| 6.5 | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 27.8 | |
| 52.7 | Total reversal of items relating to capital expenditure debited or credited to the CIES: | | 69.9 |
| (10.5) | Adjusting amounts written out of the Revaluation Reserve | (16.4) | |
| 42.2 | Net written out amount of the cost of non-current assets consumed in the year | | 53.5 |
| | Capital financing applied in the year: | | |
| (14.6) | Use of the Capital Receipts Reserve to finance new capital expenditure | (18.4) | |
| (5.8) | Use of the Major Repairs Reserve to finance new capital expenditure | (3.0) | |
| (15.1) | Capital grants, contributions & donations credited to the CIES that have been applied to capital financing | (15.5) | |
| (0.7) | Application of grants to capital financing from the Capital Grants Unapplied Account | (1.5) | |
| (1.0) | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | (1.0) | |
| (41.8) | Capital expenditure charged against the City Fund & HRA balances | (14.3) | |
| (79.0) | Total Capital financing applied in the year: | | (53.7) |
| (32.9) | Movements in the market value of Investment Properties debited or credited to the CIES | | (30.4) |
| 0.0 | Museum of London loan principle | | 0.2 |
| (2,145.7) | Balance at 31 March | | (2,176.1) |

C. Pension Reserve

| 2018-19 | | 2019-20 |
|----------------|--|----------------|
| £m | | £m |
| 1,260.7 | Balance at 1 April | 1,317.7 |
| 13.4 | Remeasurements of the net defined benefit liability | (87.8) |
| 89.8 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 76.7 |
| (46.1) | Employer's pension contributions less direct payments to pensioners payable in the year | (48.0) |
| 1,317.7 | Balance at 31 March | 1,258.6 |

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Post-employment benefits in the Comprehensive Income and Expenditure Statement are recognised as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as employer's contributions are paid to pension funds. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The negative pension reserve matches the estimated liabilities on the City of London (City Fund share), Police and Judges' Pension Schemes as determined by independent actuaries using the projected unit method and in accordance with IAS19 (see notes 23 to 26).

D. Collection Fund Adjustment Account

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

E. Accumulated Absences Account

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

F. Deferred Capital Receipts Reserve

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

G. Financial Instrument Revaluation Reserve

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

H. Financial Instrument Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

I. Pooled Investment Reserve

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

Notes to the Cash Flow Statement

32. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following item:

| 2018-19 | | 2019-20 |
|----------------|---|---------------|
| £m | | £m |
| (35.3) | Depreciation, impairments and impairment reversal | (28.8) |
| 0.0 | Amortisation | 0.0 |
| (139.3) | Increase in creditors | 9.0 |
| 73.2 | Increase in debtors | (19.7) |
| (0.1) | Increase in inventories | 0.1 |
| (43.6) | Movement in pension liability | (28.7) |
| (6.4) | Carrying amount of non-current assets sold | (27.8) |
| 32.9 | Movement in investment property values | 30.4 |
| 1.0 | Deferred credits | (29.8) |
| (14.7) | (Increase)/Decrease in contributions to provisions | 23.5 |
| (0.2) | Other non-cash items charged to the net surplus or deficit on the provision of services | 0.0 |
| (132.5) | | (71.8) |

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

| 2018-19 | | 2019-20 |
|---------|-------------------|---------|
| £m | | £m |
| (8.5) | Interest received | (10.0) |

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

| 2018-19 | | 2019-20 |
|-------------|--|-------------|
| £m | | £m |
| 10.3 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 70.3 |
| 22.7 | Capital grants credited to the net surplus or deficit on the provision of services | 22.1 |
| 33.0 | | 92.4 |

33. Cash Flow Statement – Investing Activities

| 2018-19 | | 2019-20 |
|-------------|--|-------------|
| £m | | £m |
| 66.9 | Purchase of property, plant and equipment, investment property and intangible assets | 38.5 |
| 2.2 | Movement in short-term and long-term investments | 127.6 |
| 0.7 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (84.3) |
| (36.3) | Capital grants received | (7.2) |
| 0.4 | Other receipts from investing activities | 0.0 |
| 33.9 | Net cash outflows/(inflows) from investing activities | 74.6 |

34. Cash Flow Statement – Financing Activities

| 2018-19 | | 2019-20 |
|--------------|--|---------------|
| £m | | £m |
| 116.0 | Billing Authorities - Council Tax and NNDR Adjustments | (45.4) |
| 0.9 | Income from finance lease | 0.3 |
| 116.9 | Net cash inflows from financing activities | (45.1) |

Other Notes to the Accounts

35. Related Party Transactions

The City Fund is required to disclose information on material “related party transactions” with bodies or individuals that have the potential to control or influence the authority or be controlled or influenced by the authority.

Disclosure

Members are required to disclose their interests, and these can be viewed online at <http://democracy.cityoflondon.gov.uk/mgMemberIndex.aspx?bcr=1>. Members and Chief Officers have been requested to disclose related party transactions of £10,000 or more in 2019-20, including instances where their close family has made transactions with the City of London. During 2019-20 the following transactions were disclosed;

| Related party | Connected party | 2019/20 £000 | 2018/19 £000 | Detail of transaction |
|--|---|-----------------|-----------------|--|
| Aberdeen Standard Investments Ltd | A Member is an employee of Aberdeen Standard Investments Ltd | - | (24) | Membership fees received |
| Age UK London | The City Corporation nominates a Member to Age UK London | 15 | 133 | Digital outreach services paid by City Fund |
| Askonas Holt | A Member is the Board Chairman of Askonas Holt | 187 | 117/(16) | Fees and expenses received and paid by City Fund |
| Association of British Insurers | A Member is a Board Member of the Association of British Insurers. | (3,311) | - | Provision of service costs received by City Fund |
| Association of Police and Crime Commissioners | A Member is nominated by the City Corporation to the Association of Police and Crime Commissioners, | 22 | 22 | Membership fees paid by City Fund |
| City of London Academies Trust | Five members are nominated to the City of London Academies Trust | 145 | - | Fees paid by City Fund |
| Court of the City University | The City Corporation Nominates four members to the Court of the City University. | (1,111) | - | Hire and catering costs received by City Fund |
| Deloitte LLP | A Member has an interest in Deloitte LLP | - | (41) | Provision of services costs received by City Fund |
| East London NHS Foundation Trust | The City Corporation nominates a Member to the East London NHS Foundation Trust | 47/(65) | (141) | Service costs paid by City Fund and catering and hire fees received by City Fund |
| Global Chairman of Aon Benfield | A Member is the Global Chairman of Aon Benfield | - | (60) | Contribution received by City Fund |

| Related party | Connected party | 2019/20 £000 | 2018/19 £000 | Detail of transaction |
|--|--|-----------------|-----------------|--|
| HB Reavis | A Member is a Director of HB Reavis | 69 | | Premises related fees paid by City Fund |
| Heart of the City London Ltd | Three Members are nominated by the City Corporation to the Heart of the City London Ltd. | (14) | 36/(22) | Support costs received and paid by City Fund |
| Hiscox Group | A Member is the Director of Hiscox Group | | (10) | Contribution received by City Fund |
| Homerton University Hospital | A Member is nominated to Homerton University Hospital by the City Corporation. | 25/(55) | 151/(49) | IT enabler funding paid by City Fund and support costs received by the City Fund |
| ICAEW's Audit Registration Committee | A Member is a member of ICAEW's Audit Registration Committee | (13) | - | Archive deposit fees received by City Fund |
| International Dispute Resolution Centre Ltd | A Member is a Director of the International Dispute Resolution Centre Ltd who are a tenant of the City of London Corporation. | (1,813) (53) | (785) - | Rent and service charges received by City Fund during the year and amount due at the balance sheet date. |
| Kingston Smith LLP | A Member is a consultant to Kingston Smith LLP | 16 | 45 | Fundraising services paid by City Fund |
| Local Government Association - General | The City Corporation nominates two members to the Local Government Association – General Assembly | 19 | 12 | Subscription fees paid by City Fund |
| London and Partners | A Member is nominated by the City Corporation to London and Partners | 68 | 75 | Letting, hire and storage fees paid by City Fund |
| London Councils | The City Corporation nominates a Member to a London Councils Committee and another Member has declared his independent place on a number of Committees | 320 | 274 | Subscription fees paid by City Fund |
| Lord Mayors Show | A Member is the Director of the Lord Mayors Show Ltd | - | 12/(13) | Participation fees paid and application fees received by City Fund |
| Named Members | Three Members paid the City Fund | (56) | (35) | Rent received by City Fund |
| Moore Stephens UK Ltd | A Member has declared an interest in Moore Stephens UK Ltd | - | (25) | Catering and hire costs received by City Fund |
| Partnership for Young London | The City Corporation nominates a Member to the Partnership for Young London. | 45/17 | 11 | Service paid by City und and workshop, central support charges received by City Fund |
| Prior Weston Primary School and Childrens Centre | A Member is nominated to Prior Weston Primary School and Children's centre | 24/(90) | (16) | Annual fees received and paid by City Fund |

| Related party | Connected party | 2019/20 | 2018/19 | Detail of transaction |
|---|--|---------|-----------|---|
| | | £000 | £000 | |
| PWC LLP | A Member is a Partner of PWC LLP | - | 705/(174) | Consultancy services paid and room fees received by City Fund |
| The Court of the City University | Four Members are nominated by the City Corporation to The Court of the City University | (1,111) | (981) | Room hire and catering received by City Fund |
| UBS | A Member has declared an interest in UBS. | (36) | (37) | Membership and licensing received by City Fund |
| United Kingdom Accreditation Service | A Member is the Director of United Kingdom Accreditation Service | 21 | - | Assessment fees paid by City Fund |

Related Party Transactions with the Museum of London

The Museum of London is financed by the City of London and the Greater London Authority with the latter being the major funder and is subject to common control by central government. The City of London's contribution in 2019-20 was £5.8m (2018-19: £5.9m) and the City Fund received £5.6m for rent, loan repayments and other services. At 31st March 2020 there was an outstanding receivable of £1.0m relating to rent and loan repayments.

Half of the appointments to the Board are made by the City of London and a Member has declared an interest in the Museum. However, the City of London does not exercise control of the Museum.

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

During 2019-20 and 2018-19 there were no significant transactions between the City Fund and the other main funds of the City Corporation. There were no outstanding balances at year end.

Entities Controlled or Significantly Influenced

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

consolidation, the interest is not deemed sufficiently material. For 2018-19 the City Corporation paid £2.7m to the company and received £2.3m reimbursement from the company. In 2019-20 the City Corporation paid £7m to the company and received £6.2m reimbursement from the company.

Related Party Transactions Disclosed Elsewhere in the Accounts

The UK government has significant influence over the general operations of the City Fund. It is responsible for providing the statutory framework within which the City Fund operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the City Fund has with other parties (e.g. council tax bills, housing benefits). Grants from government departments are shown in Note 6. Amounts due to and from central government departments at 31 March 2020 are shown in notes respectively. Disclosures are made in respect of other public bodies which are subject to common control by central government in other parts of the accounts as follows:

- Precepts from other Authorities
- Pension Fund

Amounts paid to HM Revenues and Customs in respect of employer's national insurance contributions of £13.2m (2019: £12.7m).

36.Members Allowances

Members do not receive any remuneration from the City of London for undertaking their duties. However, Members may claim travelling expenses in respect of activities outside the City and receive allowances in accordance with a scale when attending a conference or activity on behalf of the City Corporation. These costs, totalling £3,187 (2018-19: £5,528) across all of the City's activities, were met from the endowment funds of the City Corporation and not charged to the City Fund.

37.Contingent Liabilities

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There is a disagreement with a contractor as to whether or not certain work is inside or outside the scope of a contract. It is not known what the outcome of this dispute will be, but costs could be in the region of £2.5m.

There is outstanding legal case with leaseholders of HRA property regarding recovery of major capital works costs. The outcome of the case is currently not known but the cost would in the region of £4.3m to the HRA.

38.Trust Funds

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

Established in 2011 through the amalgamation of the Higher Education Research and Special Expenses Fund, the Archibald Dawnay Scholarships, the Robert Blair Fellowship and the Alan Partridge Smith Bequest, the objective of the Trust is to further the education of persons attending or proposing to attend secondary, further or higher educational institutions by the provision of grants or financial assistance. Also, to provide grants for staff at maintained schools & Academies in the boroughs of London to undertake studies to further their development as teachers. As at 31 March 2020 the Trust's net assets were £0.9m (2019: £1.2m).

The City Educational Trust Fund (charity registration 290840)

The City Educational Trust Fund was established under the City of London Various Powers Act 1967, section 25 (1) which states that the capital and interest shall be applied by the City of London Corporation as it thinks fit, for one or more of the following purposes as it may from time to time determine: 1) for the advancement of the objects of the City University constituted by Royal Charter granted on 23 May 1966, or for other educational purposes connected with, or related to the said university; and 2) for the advancement of education in science and technology, business management and commerce, biology and ecology and the cultural arts by the promotion of research, study, teaching and training in and of such subjects, or any of them. As at 31st March 2020, The Trust's net assets were £3.0m (2019: £3.7m).

39. Agency Transactions

The City Fund carries out certain work on an agency basis for this it is fully reimbursed. Revenue and capital works costing £1.2m (2018-19: £1.0m) were undertaken mainly on behalf of Transport for London. These sums were fully reimbursed.

The City Fund has acted as a Lead Authority for the 75% London Business Rate Pool Pilot which operated during 2019-20. This role includes acting as finance lead for the pool, involving aggregating business rate income from participating authorities and distributing funds on behalf of the pool. The City Corporation received £1,159.8m from participating authorities of which a £1,134.1m business rate tariff payment was made to central government on behalf of the pool. Outstanding debtors and creditors relating to pool activity are shown below. Please note this exclude London NNDR Pool SIP balances which are included in the City Fund CI&ES.

| Business Rate Pool Balances | | Balance as at 31 March 2020 £m |
|-----------------------------|--|--------------------------------------|
| Short-Term Debtors | | 36.2 |
| Cash & Cash Equivalents | | 74.2 |
| Short-Term Creditors | | (76.3) |

The City of London Police have managed IT development work on behalf of the Home Office as part of its National Enabling Programme (NEP). The City of London Police have acted as an agent of the Home Office in carrying out this function and therefore the costs and grant income funding this work have not been included in the City Fund CI&ES. In 2019-20 the value of work carried out was £25.3m for which equal grant funding from the Home Office was received. From 1 April 2020, this work has been transferred to the Police ICT Company so the City of London Police will no longer be managing the NEP project.



Supplementary Accounts and Notes

Housing Revenue Account

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

| Income and Expenditure Statement | | | | |
|----------------------------------|--|-------|---------|--------|
| 2018-19 | | Notes | 2019-20 | |
| £m | | | £m | £m |
| | Expenditure | | | |
| 7.9 | Repairs and maintenance | | 7.9 | |
| 8.9 | Supervision and management | | 8.8 | |
| 3.2 | Depreciation of non-current assets | | 3.3 | |
| 8.3 | Revaluation (gain)/loss on HRA dwellings | | 1.2 | |
| 0.0 | Movement in the allowance for bad debts | 1 | 0.0 | |
| 28.3 | Total Expenditure | | | 21.2 |
| | Income | | | |
| (10.0) | Dwelling rents | | (10.2) | |
| (1.8) | Non-dwelling rents | | (1.9) | |
| (3.5) | Charges for services and facilities | | (2.3) | |
| (0.8) | Contributions towards expenditure | | (1.4) | |
| (16.1) | Total Income | | | (15.8) |
| 12.2 | Net Expenditure/(Income) of HRA Services as included in the City Fund CIES cost of services | | | 5.4 |
| | HRA share of other income and expenditure included in the City Fund CIES | | | |
| (1.2) | Net (gain)/loss on Disposal of Fixed Assets | | | (0.3) |
| (0.1) | Interest and investment income | | | (0.1) |
| 0.0 | Investment property (gain)/loss on revaluation | | | 0.5 |
| 10.9 | (Surplus)/deficit for the year on HRA Services | | | 5.6 |

| Movement on the HRA Statement | | | | |
|-------------------------------|--|-------|---------|-------|
| 2018-19 | | Notes | 2019-20 | |
| £m | | | £m | £m |
| (4.5) | Balance on the HRA at the end of the previous year | | | (3.8) |
| 10.9 | (Surplus)/deficit for the year on the HRA Income and Expenditure Statement | | 5.6 | |
| (10.2) | Adjustments between accounting basis and funding basis under statute | 2 | (1.9) | |
| 0.7 | (Increase)/decrease in year on the HRA | | | 3.7 |
| (3.8) | Balance on the HRA at the end of the current year | | | (0.1) |

1. Impairment Allowance for Bad and Doubtful Debts

| 2018-19 | | 2019-20 |
|-------------|-----------------------|-------------|
| £m | | £m |
| 0.23 | Provision at 1 April | 0.17 |
| (0.03) | Bad Debts written off | (0.04) |
| (0.03) | Decrease in Provision | (0.01) |
| 0.17 | Provision at 31 March | 0.12 |

2. Adjustments between Accounting Basis and Funding Basis under Statute

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

3. Housing Stock

As at 31 March 2020 the City Corporation's HRA rental stock was 1,872 dwellings. The HRA also includes costs and service charge income relating to properties sold on long leases of which there were 922 as at 31 March 2020 (2019: 921).

| 31 March 2019 | | 31 March 2020 |
|---------------|----------------------|---------------|
| No. | | No. |
| 27 | Houses and Bungalows | 27 |
| 1,899 | Flats | 1,845 |
| 1,926 | Total | 1,872 |

| 31 March 2019 | | 31 March 2020 |
|---------------|--------------------------|---------------|
| No. | | No. |
| 1,930 | Stock at 1 April | 1,926 |
| 0 | Demolished Property | (63) |
| (4) | Sales | (1) |
| 0 | Buy Back | 0 |
| 0 | New Build | 10 |
| 1,926 | Stock at 31 March | 1,872 |

4. Arrears of Rent, Service and Other Charges

As at 31 March 2020 the total arrears for rent, service charges and other charges were £5.2m (31 March 2019: £4.7m) as follows

| 31 March 2019 | | 31 March 2020 |
|---------------|-----------------------------|---------------|
| £m | | £m |
| 0.1 | Former residential tenants | 0.1 |
| 0.2 | Current residential tenants | 0.3 |
| 0.2 | Commercial tenants | 0.4 |
| 4.1 | Service charges | 4.3 |
| 0.1 | Other charges | 0.1 |
| 4.7 | Total arrears | 5.2 |

5. HRA Property, Plant and Equipment

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

| 2018-19 | | | | | | | | | 2019-20 | | | |
|-------------------|------------------------|---------------------------|--------|--|------------------|-------------------|------------------------|---------------------------|---------|--|--|--|
| Council Dwellings | Other Land & Buildings | Assets under construction | Total | Movements on Balances | | Council Dwellings | Other Land & Buildings | Assets under construction | Total | | | |
| £m | £m | £m | £m | | | £m | £m | £m | £m | | | |
| | | | | Cost or valuation | | | | | | | | |
| 236.7 | 40.8 | 9.2 | 286.7 | at 1 April 2018 | at 1 April 2019 | 223.2 | 41.8 | 6.6 | 271.6 | | | |
| 4.7 | 0.4 | 4.6 | 9.7 | Additions | | 1.6 | 0.0 | 8.1 | 9.7 | | | |
| 6.4 | 0.8 | (7.2) | 0.0 | Transfers | | 2.4 | 0.0 | (2.4) | 0.0 | | | |
| (15.5) | 0.0 | 0.0 | (15.5) | Revaluation increases recognised in the Revaluation Reserve | | (3.7) | 1.7 | 0.0 | (2.0) | | | |
| (8.6) | 0.0 | 0.0 | (8.6) | Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services | | (1.8) | 0.0 | 0.0 | (1.8) | | | |
| (0.5) | (0.2) | 0.0 | (0.7) | Derecognition - disposals | | (0.2) | 0.0 | 0.0 | (0.2) | | | |
| 0.0 | 0.0 | 0.0 | 0.0 | Assets reclassified (to)/from Held for Sale | | 0.0 | (0.3) | 0.0 | (0.3) | | | |
| 223.2 | 41.8 | 6.6 | 271.6 | at 31 March 2019 | at 31 March 2020 | 221.5 | 43.2 | 12.3 | 277.0 | | | |
| | | | | Accumulated Depreciation and Impairment | | | | | | | | |
| (0.1) | (0.1) | 0.0 | (0.2) | at 1 April 2018 | at 1 April 2019 | (0.1) | (0.1) | 0.0 | (0.2) | | | |
| (2.9) | (0.3) | 0.0 | (3.2) | Depreciation Charge | | (2.9) | (0.3) | 0.0 | (3.2) | | | |
| 2.6 | 0.3 | 0.0 | 2.9 | Depreciation written out to the Revaluation Reserve | | 2.3 | 0.3 | 0.0 | 2.6 | | | |
| 0.3 | 0.0 | 0.0 | 0.3 | Depreciation written out to the Surplus/Deficit on the Provision of Services | | 0.6 | 0.0 | 0.0 | 0.6 | | | |
| 0.0 | 0.0 | 0.0 | 0.0 | Derecognition - disposals | | 0.0 | 0.0 | 0.0 | 0.0 | | | |
| (0.1) | (0.1) | 0.0 | (0.2) | at 31 March 2019 | at 31 March 2020 | (0.1) | (0.1) | 0.0 | (0.2) | | | |
| | | | | Net Book Value | | | | | | | | |
| 236.6 | 40.7 | 9.2 | 286.5 | at 1 April 2018 | at 1 April 2019 | 223.1 | 41.7 | 6.6 | 271.4 | | | |
| 223.1 | 41.7 | 6.6 | 271.4 | at 31 March 2019 | at 31 March 2020 | 221.4 | 43.1 | 12.3 | 276.8 | | | |

6. Housing Asset Valuation

Dwellings are valued at their 'existing use with vacant possession' and then reduced to reflect 'existing use for social housing'. The reduction is a measure of the economic cost of providing council housing at less than open market rents. Under Government guidance issued in 2016, the applicable social housing 'adjustment factor' is 75% +/- 5%. The estimated vacant possession value of HRA dwellings is £738.1m (2019: £743.8m) which has been reduced by 70% to £221.4m (2019: £223.1m) to reflect social housing use. Other land and buildings are assessed at existing use value.

7. Investment Property

| 2018-19 | | 2019-20 |
|------------|---------------------------------------|------------|
| £m | | £m |
| 4.7 | Balance at start of the year | 4.7 |
| | Revaluations: | |
| 0.0 | Net gains from fair value adjustments | (0.5) |
| 4.7 | Balance at end of the year | 4.2 |

8. Major Repairs Reserve

| 2018-19 | | 2019-20 |
|--------------|---|--------------|
| £m | | £m |
| (8.5) | Balance 1 April | (3.2) |
| | Transfer from HRA equal to depreciation | |
| (2.9) | dwellings | (2.9) |
| (0.3) | non dwellings | (0.3) |
| 2.7 | Additional contribution to/(from) HRA | 0.0 |
| 5.8 | Capital expenditure (dwellings) | 3.0 |
| (3.2) | Balance 31 March | (3.4) |

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

9. HRA Capital Expenditure

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

| 2018-19 | | 2019-20 |
|-------------|---|-------------|
| £m | | £m |
| | Expenditure in year | |
| | Fixed assets | |
| 4.6 | Assets under construction | 8.2 |
| 4.7 | Dwellings | 1.5 |
| 0.4 | Other | 0 |
| 1.2 | Revenue expenditure funded from capital under statute | 1.2 |
| 10.9 | Total Expenditure | 10.9 |
| | Methods of financing | |
| 1.0 | Capital Receipts | 1.0 |
| 5.8 | Major Repairs Reserve | 3.0 |
| 4.1 | Reimbursements and Donations | 6.9 |
| 10.9 | Total Financing | 10.9 |

Collection Fund Account

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

Revenue Account

| 2018-19 | | | | Notes | 2019-20 | | |
|----------------------|------------------|------------------|--|-------|--------------|------------------|------------------|
| Council Tax Restated | Business Rates | Total | | | Council Tax | Business Rates | Total |
| £m | £m | £m | | | £m | £m | £m |
| | | | INCOME | | | | |
| (8.0) | | (8.0) | Council Tax Receivable | | (8.2) | | (8.2) |
| (0.2) | | (0.2) | Transfer from City Fund (Reliefs) | | (0.2) | | (0.2) |
| | (1,200.7) | (1,200.7) | National Business Rates | 1 | | (1,216.4) | (1,216.4) |
| | (41.7) | (41.7) | GLA Business Rate Supplement | | | (43.6) | (43.6) |
| | (12.4) | (12.4) | City Fund Business Rate Premium | | | (14.4) | (14.4) |
| (8.2) | (1,254.8) | (1,263.0) | TOTAL INCOME | | (8.4) | (1,274.4) | (1,282.8) |
| | | | EXPENDITURE | | | | |
| | | | Council Tax Precepts and Demands | | | | |
| 6.2 | | 6.2 | City Fund | 2 | 7.0 | | 7.0 |
| 0.5 | | 0.5 | GLA | | 0.6 | | 0.6 |
| | | | National Business Rates Precepts and Demands | | | | |
| | 727.5 | 727.5 | City Fund | | | 552.1 | 552.1 |
| | 409.2 | 409.2 | GLA | | | 310.5 | 310.5 |
| | 0.0 | 0.0 | Central Government | | | 287.5 | 287.5 |
| | 0.0 | 0.0 | National Business Rates transitional protection payments | | | 0.0 | 0.0 |
| | 41.6 | 41.6 | Business Rate Supplement collected on behalf of GLA | | | 43.4 | 43.4 |

Revenue Account Continued

| 2018-19 | | | Notes | 2019-20 | | |
|----------------------|----------------|----------------|---|-------------|----------------|----------------|
| Council Tax Restated | Business Rates | Total | | Council Tax | Business Rates | Total |
| £m | £m | £m | Expenditure Continued | £m | £m | £m |
| | | | | | | |
| | 12.2 | 12.2 | City Fund Business Rate Premium | | 14.2 | 14.2 |
| | 11.6 | 11.6 | City Fund Offset | 4 | 11.9 | 11.9 |
| | | | Impairment of debts for Business Rates | | | |
| | 2.9 | 2.9 | National | | 3.2 | 3.2 |
| | 0.1 | 0.1 | GLA | | 0.1 | 0.1 |
| | | | Impairment of appeals for Business Rates | | | |
| | 0.0 | 0.0 | National | | 0.0 | 0.0 |
| | 0.2 | 0.2 | Premium | | 0.2 | 0.2 |
| | | | Cost of Collection Allowance | | | |
| | 2.0 | 2.0 | National Business Rates | | 2.0 | 2.0 |
| | 0.0 | 0.0 | GLA Business Rate Supplement | | 0.1 | 0.1 |
| | | | Contributions towards previous year's estimated Collection Fund Surplus | | | |
| 0.5 | 6.3 | 6.8 | City Fund | | 1.0 | 26.7 |
| 0.0 | 7.8 | 7.8 | GLA | | 0.1 | 14.6 |
| | 6.9 | 6.9 | Central Government | | (0.7) | (0.7) |
| 7.3 | 1,228.3 | 1,235.6 | Total Expenditure | | 8.7 | 1,265.8 |
| (0.9) | (26.5) | (27.4) | (Surplus)/Deficit for Year | 5 | 0.3 | (8.5) |
| (0.9) | (18.9) | (19.8) | Balance 1 April | | (1.8) | (45.4) |
| (1.8) | (45.4) | (47.2) | Balance 31 March | | (1.5) | (53.9) |

1. Income from Business Rates

The Local Government Finance Act 1988 replaced the Locally Determined Non-Domestic Rate with a National Non-Domestic Rate (NNDR) set by the Government. In addition to the NNDR, there is a discounted rate for small businesses known as the Small Business Non-Domestic Rate (SBNDR). In 2019-20 the City of London set a non-domestic rating multiplier of 0.510 (51.0p in the £) and a small business non-domestic rating multiplier of 0.497 (49.7p in the £). This comprises the NNDR and SBNDR multipliers of 0.504 and 0.491 respectively, plus a premium of 0.6p in the £ to provide additional funding to enable the City Corporation to continue to support Police, security, resilience and contingency planning at an enhanced level.

In addition, for those business premises which have a rateable value of more than £70,000, the Greater London Authority (GLA) is levying a business rate supplement (BRS) multiplier of 2p in the £ for the 2019-20 financial year to finance the Crossrail project. The City Corporation collects the BRS on an agency basis on behalf of the GLA. The rateable value at the 31 March 2020 was £2.605bn

| 2018-19 | | 2019-20 |
|------------------|--|------------------|
| £m | | £m |
| (1,266.7) | National Business Rates | (1,288.6) |
| 42.8 | Less: Voids | 47.4 |
| 20.9 | Mandatory and discretionary relief | 22.6 |
| 2.3 | Partly occupied allowance | 2.2 |
| (1,200.7) | Net income from national business rates | (1,216.4) |

2. Calculation of Council Tax

The Local Government Finance Act 1992 introduced the Council Tax from 1 April 1993, replacing the Community Charge. The Act prescribes the detailed calculations that the City of London Corporation, as a billing authority, has to make to determine the Council Tax amounts. The City of London set a basic amount of £894.28 for a Band D property, inclusive of a 2.99% increase in council tax and a 2% adult social care precept.

To this £894.28 is added £78.38 in respect of the precept from the Greater London Authority to arrive at the total Council Tax of £972.66 for a Band D property in 2019-20. Prescribed proportions are applied to this basic amount to determine the Council Tax amounts for each of the bands as follows:

| BAND | Proportion | Council Tax |
|----------|------------|-------------|
| | | £ |
| A | 6/9 | 648.44 |
| B | 7/9 | 756.51 |
| C | 8/9 | 864.59 |
| D | 9/9 | 972.66 |
| E | 11/9 | 1,188.81 |
| F | 13/9 | 1,404.95 |
| G | 15/9 | 1,621.10 |
| H | 18/9 | 1,945.32 |

3. Tax Bases 2019-20

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

| BAND | MIDDLE TEMPLE | INNER TEMPLE | CITY AREA EXCLUDING TEMPLES | TOTAL CITY AREA |
|-------------------------------|------------------|-----------------|-----------------------------------|-----------------------|
| | | | | |
| A | 0.00 | 0.00 | 2.33 | 2.33 |
| B | 0.00 | 0.00 | 141.20 | 141.20 |
| C | 0.00 | 0.00 | 423.94 | 423.94 |
| D | 0.00 | 0.00 | 753.61 | 753.61 |
| E | 8.25 | 1.22 | 3024.50 | 3033.97 |
| F | 36.47 | 25.64 | 1590.69 | 1652.80 |
| G | 24.17 | 56.67 | 1762.58 | 1843.42 |
| H | 0.00 | 4.00 | 339.50 | 343.50 |
| AGGREGATE RELEVANT AMOUNTS | 68.89 | 87.53 | 8038.35 | 8194.77 |
| COLLECTION RATE | 95% | 95% | 95% | |
| TAX BASES | 65.45 | 83.15 | 7636.43 | 7785.03 |

4. City Fund Offset

To reflect the unique characteristics of the square mile, the Government allows the City Fund to retain an amount from the NNDR paid by City businesses. This totalled £11.9m in 2019-20 (2018-19: £11.6m).

5. Surplus for the year

The surplus for the year on Business Rates of £8.5m (2018-19: surplus of £26.5m) relates solely to National Business Rates.

Police Pension Fund

Police Pension Fund Account for the year ended 31 March 2020

| 2018-19 | | 2019-20 | |
|---------------|---|---------|---------------|
| £m | | £m | £m |
| | Contributions receivable | | |
| | - from employer | | |
| (6.4) | normal | (9.7) | |
| 0.0 | early retirements | 0.0 | |
| (4.1) | - from members | (4.3) | |
| (10.5) | | | (14.0) |
| | | | |
| (0.2) | Transfers in from other Police Authorities | (0.3) | |
| | | | |
| | Benefits payable | | |
| 24.3 | - pensions | 25.1 | |
| 6.7 | - commutations and lump sums | 6.3 | |
| 31.0 | | | 31.4 |
| | Payments to and on account of leavers | | |
| 0.0 | - Transfers out to other Police Authorities | 0 | |
| 0.0 | - Other | 0 | |
| 0.0 | | | 0.0 |
| 20.3 | Sub-total: Net amount payable for the year before transfer from Police Authority | | 17.1 |
| (19.4) | Additional contribution from Police Authority | | (17.1) |
| (0.9) | Additional 2.9% funding payable by the local policing body to meet deficit for the year | | 0.0 |
| 0.0 | Net amount payable/receivable for the year | | 0.0 |

- i. The Police Pension Fund was established under the Police Pension Fund Regulations 2007 (SI 2007 No. 1932).
- ii. It is a defined benefits scheme, administered internally by the City of London and all City of London police officers are eligible for membership of the pension scheme.
- iii. The fund's financial statements have been prepared using the accounting policies adopted for the City Fund financial statements set out on pages 128 to 145. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. Information on the long-term pension obligations can be found in the City Fund financial statements (see notes 23 to 26).
- iv. Under the rules of the scheme, members may elect to commute a proportion of their pension in favour of a lump sum. Where a member has taken a commutation option, these lump sums are accounted for on an accruals basis from the date the option is exercised.
- v. Transfer values represent the capital sums in respect of members' pension rights either received from or paid to other pension schemes in respect of members who have joined or left the service.
- vi. The scheme is unfunded and consequently has no investment assets. Benefits payable are funded by contributions from employers and employees and any difference between benefits payable and contributions receivable is met by a top-up grant from the Home Office.
- vii. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department.
- viii. The account is prepared on an accruals basis and normal contributions, both from the members and the employer, are accounted for in the payroll month to which they relate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF LONDON CORPORATION PENSION FUND

Opinion on the Pension Fund Financial Statements

We have audited the pension fund financial statements of City of London Corporation Pension Fund ("the pension fund") for the year ended 31 March 2020 which comprise the fund account, the net assets statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The framework that has been applied in the preparation of the pension fund financial statements is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020, other than the liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Chamberlain's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chamberlain has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension 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 Chamberlain is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the pension fund financial statements and our auditor's report thereon. Our opinion on the pension fund 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 pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund 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 pension fund 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 Chamberlain and City of London Corporation ("the Council") as administering authority of the pension fund

As explained more fully in the Statement of the Chamberlain's Responsibilities, the Chamberlain is responsible for the preparation of the Statement of Accounts, which comprises the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the pension fund financial statements, the Chamberlain is responsible for assessing the pension 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 Council intends to wind up the scheme or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the pension fund financial statements our objectives are to obtain reasonable assurance about whether the pension fund 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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of City of London Corporation Pension Fund as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the Council 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 Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Leigh Lloyd-Thomas

For and on behalf of BDO LLP, Appointed Auditor

London, UK

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

City of London Pension Fund Account

Fund Account for the year ended 31 March 2020

| 2018-19 | Notes | 2019-20 |
|------------------|---|------------------|
| £m | | £m |
| | Dealings with members, employers and others directly involved in the fund | |
| (42.5) | Contributions | (44.8) |
| (5.8) | Transfers in from other pension funds | (6.7) |
| (48.3) | | (51.5) |
| 46.1 | Benefits | 44.9 |
| #1.7 | Payments to and on account of leavers | 3.1 |
| 47.8 | | 48.0 |
| (0.5) | Net additions from dealings with members | (3.5) |
| 8.0 | Management expenses | 7.8 |
| 7.5 | Net withdrawals including fund management expenses | 4.3 |
| | Returns on investments | |
| (1.4) | Investment income | (1.2) |
| (80.9) | Profit and losses on disposal of investments and changes in the value of investments | 31.3 |
| (82.3) | Net return on investments | 30.1 |
| (74.8) | Net (increase)/decrease in the net assets available for benefits during the year | 34.4 |
| (988.3) | Opening net assets of the scheme | (1,063.1) |
| (1,063.1) | Closing net assets of the scheme | (1,028.7) |

Net Asset Statement as at 31 March 2020

| 2018-19 | Notes | 2019-20 |
|------------------|---|------------------|
| £m | | £m |
| (0.2) | Long term investments | (0.2) |
| (1,051.7) | Investment assets | (1,023.3) |
| (1,051.9) | Total net investments | (1,023.5) |
| (13.7) | Current assets | (6.1) |
| 2.5 | Current liabilities | 0.9 |
| (1,063.1) | Net assets of the fund available to fund benefits at the end of the reporting period | (1,028.7) |

1. Description of the City of London Pension Fund

a) General

The City of London Pension Fund is part of the LGPS and is administered by the City of London. The City of London is the reporting entity for this pension fund.

The City of London Pension Fund is a funded defined benefits scheme established in accordance with statute. With the exception of serving police officers, teachers and judges who have their own schemes, all City of London staff are eligible for membership of the Local Government Pension Scheme (LGPS).

Benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is administered internally by the City of London. The Fund's investments are managed externally by several fund managers with differing mandates determined and appointed by the City of London.

b) Membership of the Fund

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the City of London Pension Fund include:

- Scheduled bodies, which are automatically entitled to be members of the Fund
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The following table summarises the membership numbers of the scheme:

| | 31 March 2020 | | | 31 March 2019 | |
|--------------------------------|----------------------|-------------------------------------|------------------|---------------|---------------|
| | Current contributors | Beneficiaries in receipt of pension | Deferred members | Total | Total |
| | No. | No. | No. | No. | No. |
| ADMINISTERING AUTHORITY | | | | | |
| City of London Corporation | 4,368 | 3,893 | 4,143 | 12,404 | 12,221 |
| | | | | | |
| SCHEDULED BODIES: | | | | | |
| Museum of London | 282 | 253 | 606 | 1,141 | 1,117 |
| Magistrates Court | 0 | 18 | 14 | 32 | 34 |
| Multi Academy Trust | 4 | 0 | 0 | 4 | 3 |
| | 286 | 271 | 620 | 1,177 | 1,154 |
| ADMITTED BODIES: | | | | | |
| Irish Society | 4 | 11 | 2 | 17 | 17 |
| City Arts Trust | 0 | 1 | 0 | 1 | 1 |
| Parking Committee for London | 0 | 5 | 7 | 12 | 12 |
| Guildhall Club | 0 | 5 | 4 | 9 | 9 |
| City Academy - Southwark | 88 | 10 | 123 | 221 | 200 |
| Sir John Cass (Brookwood) | 0 | 1 | 0 | 1 | 2 |
| AMEY (Enterprise) | 0 | 6 | 3 | 9 | 14 |
| Eville and Jones | 0 | 0 | 1 | 1 | 1 |
| London CIV | 19 | 1 | 9 | 29 | 24 |
| Westminster Drug Project | 1 | 0 | 2 | 3 | 3 |
| Agilysis | 9 | 4 | 12 | 25 | 25 |
| Agilysis (police) | 0 | 1 | 2 | 3 | 3 |
| Bouygues (EDTE) | 0 | 0 | 1 | 1 | 1 |
| Cook & Butler | 1 | 0 | 1 | 2 | 2 |
| 1SC Guarding Limited | 0 | 0 | 1 | 1 | 1 |
| Skanska | 4 | 0 | 1 | 5 | 0 |
| Veolia | 5 | 0 | 0 | 5 | 0 |
| | 131 | 45 | 169 | 345 | 315 |
| TOTAL | 4,785 | 4,209 | 4,932 | 13,926 | 13,690 |

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. For 2019/20, employer contribution rates range from 16.1% to 21.0% of pensionable pay.

d) Benefits

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

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

2. Basis of preparation

The statement of accounts summarises the fund's transactions for the 2019/20 financial year and its financial position at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019/20.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 18.

The accounts have been prepared on a going concern basis.

3. Accounting policies

- i. The pension fund accounts are accounted for on an accruals basis for income and expenditure, with the exception of transfer values in and out, which are accounted for on a cash basis.
- ii. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.
- iii. Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.
- iv. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 13). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).
- v. Acquisition costs are included in the purchase costs of investments.
- vi. Assets and liabilities in overseas currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Transactions during the year are translated at rates applying at the transaction dates. Surpluses and deficits arising on conversion are dealt with as part of the change in market values of the investments.

- vii. The fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

| | |
|--------------------------------|---|
| Administration expenses | All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund. |
| Oversight and governance | All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund. |
| Investment management expenses | Investment management expenses are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. |

- viii. Income from investments is accounted for on an accruals basis. Investment income arising from the underlying investments of the Pooled Investment Vehicles is typically reinvested within the Pooled Investment Vehicles and reflected in the unit price.
- ix. The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and losses realised on sales of investments and unrealised changes in market value.
- x. Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.
- xi. Under the rules of the Scheme, members may receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where

a member can choose to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.

- xii. Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.
- xiii. Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the most recent available equivalent trailing reporting period is used for inclusion in the fund account

4. Critical judgements in applying accounting policies

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

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

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

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

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

The items in the net assets statement at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|--|--|
| Actuarial present value of promised retirement benefits (Note 18) | Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. This uncertainty relates solely to the disclosures made in Note 18 and does not impact on the Net Asset Statement or Pension Fund Account. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance: <ul style="list-style-type: none"> a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £34m a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £3m a one-year increase in assumed life expectancy would increase the liability by approximately £68m. |
| Private equity investments (Note 13) | Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and use valuation techniques that rely on unobservable inputs. | Private equity investments are valued at £35m in the financial statements. There is a risk that this investment may be under or overstated significantly if the underlying valuation assumptions change. |
| Infrastructure investments (Note 13) | Infrastructure and pooled property investments are valued at fair value using valuation techniques that rely on unobservable inputs. Property valuations were generally subject to material uncertainty valuation clauses as at 31 March 2020. Dealing on the Aviva Lime Property Fund was temporary suspended as at the reporting date in order that the manager could avoid trading whilst there was uncertainty over property valuations. | infrastructure and pooled property investments are valued at £62m and £66m, respectively in the financial statements. There is a risk that this investment may be under or overstated significantly if the underlying valuation assumptions change. |

6. Events after the reporting date

The Pension Fund's investment assets have appreciated significantly in value since the balance sheet date as global financial markets rallied following a severe drawdown in the first quarter of 2020. As at 30 September 2020, the Fund's investment assets are estimated to be valued at £1,174m. These circumstances meet the conditions of a non-adjusting post-balance sheet reporting event.

7. Contributions receivable

By Category

| 2018-19 | | 2019-20 |
|---------------|---------------------------------------|---------------|
| £m | | £m |
| (11.0) | Employees' contributions | (11.9) |
| | Employers' contributions | |
| (19.1) | Normal contributions | (20.3) |
| (11.7) | Deficit recovery contributions | (12.5) |
| (0.7) | Pensions strain contributions | (0.1) |
| (31.5) | Total employers' contributions | (32.9) |
| (42.5) | | (44.8) |

By type of employer

| 2018-19 | | 2019-20 |
|---------------|-------------------------|---------------|
| £m | | £m |
| (39.4) | Administering authority | (41.4) |
| (2.1) | Scheduled bodies | (2.3) |
| (1.0) | Admitted bodies | (1.1) |
| (42.5) | | (44.8) |

The preceding analysis has changed from 2018/19 in order to include pension strain contributions (which were previously disclosed separately on the main Fund Account statement) within contributions receivable. A reconciliation to the original disclosure in the 2018/19 pension fund accounts is shown below:

| | 2018-19 Original | 2018-19 Pension Strain Contributions | 2018-19 Restated |
|---------------------------------------|---------------------|---|---------------------|
| | £m | £m | £m |
| Administering authority | (38.8) | (0.6) | (39.4) |
| Scheduled bodies | (2.0) | (0.1) | (2.1) |
| Admitted bodies | (1.0) | - | (1.0) |
| Total employers' contributions | (41.8) | (0.7) | (42.5) |

8. Benefits payable

By Category

| 2018-19 | | 2019-20 |
|-------------|------------------------------|-------------|
| £m | | £m |
| 37.0 | Pensions | 39.2 |
| 7.7 | Lump sum retirement benefits | 5.2 |
| 1.4 | Lump sum death benefits | 0.5 |
| 46.1 | | 44.9 |

*Includes audit fees of £22,000 that have been charged to the Pension Fund (2018/19: £15,000).

By type of employer

| 2018-19 | | 2019-20 |
|-------------|-------------------------|-------------|
| £m | | £m |
| 42.4 | Administering authority | 41.5 |
| 0.8 | Scheduled bodies | 2.9 |
| 2.9 | Admitted bodies | 0.5 |
| 46.1 | | 44.9 |

Investment management expenses

| 2018-19 | | 2019-20 |
|------------|--------------------------|------------|
| £m | | £m |
| 6.4 | Management fees | 6.0 |
| 0.7 | Performance related fees | 0.9 |
| 7.1 | | 6.9 |

9. Payments to and on account of leavers

| 2018-19 | | 2019-20 |
|------------|------------------------------------|------------|
| £m | | £m |
| 1.7 | Individual transfers out | 2.9 |
| - | Refunds to members leaving service | 0.2 |
| 1.7 | | 3.1 |

11. Income from investments

| 2018-19 | | 2019-20 |
|--------------|-----------------------------|--------------|
| £m | | £m |
| (0.1) | Interest | (0.2) |
| - | Pooled property investments | (0.1) |
| (0.2) | Private equity | (0.1) |
| (1.1) | Infrastructure | (0.8) |
| (1.4) | | (1.2) |

10. Management expenses

| 2018-19 | | 2019-20 |
|------------|--------------------------------|------------|
| £m | | £m |
| 0.7 | Administration expenses | 0.7 |
| 7.1 | Investment management expenses | 6.9 |
| 0.2 | Oversight and governance* | 0.2 |
| 8.0 | | 7.8 |

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

12. Investment assets

a. Reconciliation of movements in investments

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

| Market Value 01-04-2018 | Purchases | Sales | Change in value during the year | Market Value 31-03-2019 | | Market Value 01-04-2019 | Purchases | Sales | Change in value during the year | Market Value 31-03-2020 |
|-------------------------|----------------|--------------|---------------------------------|-------------------------|--|-------------------------|---------------|-------------|---------------------------------|-------------------------|
| £m | £m | £m | £m | £m | | £m | £m | £m | £m | £m |
| | | | | | <u>Long term investments</u> | | | | | |
| (0.2) | - | - | - | (0.2) | Equities (unquoted) | (0.2) | - | - | - | (0.2) |
| | | | | | <u>Investment assets</u> | | | | | |
| | | | | | Pooled investments (quoted) | | | | | |
| (174.8) | - | 1.3 | (11.7) | (185.2) | UK | (185.2) | - | 1.1 | 25.6 | (158.5) |
| (720.4) | (179.3) | 183.1 | (56.2) | (772.8) | Global | (772.8) | - | 69.5 | 13.4 | (689.9) |
| - | - | - | - | - | Pooled property investments (unquoted) | - | (67.7) | 0.3 | 1.3 | (66.1) |
| (29.2) | (6.0) | 6.9 | (6.3) | (34.6) | Private Equity (unquoted) | (34.6) | (3.8) | 6.8 | (3.1) | (34.7) |
| (57.9) | (0.6) | 6.1 | (6.7) | (59.1) | Infrastructure (unquoted) | (59.1) | (0.2) | 3.0 | (6.0) | (62.3) |
| (982.5) | (185.9) | 197.4 | (80.9) | (1,051.9) | | (1,051.9) | (71.7) | 80.7 | 28.2 | (1,011.6) |
| - | | | | - | Cash | - | | | | (11.9) |
| (0.1) | | | | - | Investment income due | - | | | | (0.1) |
| (982.6) | | | | (1,051.9) | Net investment assets | (1,051.9) | | | | (1,023.6) |

b. Investments analysed by fund manager

| Market value 01-04-2019 | | Market value 31-03-2020 |
|-------------------------|---|-------------------------|
| £m | | £m |
| | Investments managed by the London CIV | |
| (119.2) | LCIV Global Alpha Growth Fund* | (117.7) |
| (68.3) | LCIV MAC Fund* | (58.9) |
| (0.2) | London CIV | (0.2) |
| (187.7) | | (176.8) |
| | Investments managed outside the London CIV | |
| (55.8) | Alternative assets | (56.0) |
| (95.0) | Artemis Institutional Equity Income Fund* | (80.0) |
| - | Aviva Lime Property Fund | (28.8) |
| (135.0) | C Worldwide Global Equities* | (115.5) |
| (100.5) | Harris Associates Global Equity Fund* | (70.4) |
| (38.0) | IFM Global Infrastructure (UK) | (40.9) |
| (48.3) | Lindsell Train UK Equity Fund | (45.5) |
| - | M&G UK Residential Property Fund | (7.5) |
| - | M&G Secured Property Income Fund | (29.8) |
| (41.9) | Majedie UK Equity Fund | (33.0) |
| (128.2) | Pyrford Global Total Return Fund* | (125.5) |
| (84.9) | Ruffer Absolute Return Fund* | (87.9) |
| (136.6) | Veritas Global Focus Fund* | (114.0) |
| (864.2) | | (834.8) |
| (1,051.9) | Total | (1,011.6) |
| - | Cash | (11.9) |
| - | Investment income due | (0.1) |
| (1,051.9) | Net investment assets | (1,023.6) |

*These investments each singularly represent over 5% of the net assets of the fund.

Alternative assets comprise of private equity and infrastructure investments managed through eleven separate investment managers. £11.9m was held as cash by M&G at the reporting date for onward investment in the M&G Secured Property Income Fund on 1 April 2020.

13. Fair value - basis for valuation

| Item | Valuation hierarchy | Basis of valuation | Observable and unobservable inputs | Key Sensitivities affecting the valuations provided |
|---|---------------------|---|---|--|
| Pooled investments - equity funds (UK and Global) | Level 2 | Closing bid price where bid and offer prices are published. Closing single price where single price published | NAV-based pricing set on a forward pricing basis | Not required |
| Pooled investments – multi-asset Funds | Level 2 | Closing bid price where bid and offer prices are published. Closing single price where single price published | NAV-based pricing set on a forward pricing basis | Not required |
| Pooled property investments | Level 2 | Closing bid price where bid and offer prices are published. Closing single price where single price published | NAV-based pricing set on a forward pricing basis | Valuations could be affected by material events between the date of the financial statements fund's own reporting date, and by differences between audited and unaudited accounts. Valuations of underlying property assets. |
| Private equity | Level 3 | Comparable valuation of similar companies in accordance with international private equity valuation guidelines. | Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability. | Valuations include assumptions based on non-observable market data, such as discounts applied either to reflect changes in the fair value of financial assets or to adjust earnings multiples. |
| Infrastructure funds | Level 3 | Discounted cashflows applied to equity and debt instruments. The Funds determine fair value for these securities by engaging external valuation services. | Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability. | Valuations include assumptions based on non-observable market data, such as discounts applied either to reflect changes in the fair value of financial assets or to adjust earnings multiples. |

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

| | Assessed valuation range | Market value 31/03/2020 | Value on increase | Value on decrease |
|-----------------------------|--------------------------|-------------------------|-------------------|-------------------|
| | (+/-) | £m | £m | £m |
| Private equity | 10% | (34.7) | (38.2) | (31.2) |
| Pooled property investments | 10% | (66.1) | (72.7) | (59.5) |
| Infrastructure | 10% | (62.3) | (68.5) | (56.1) |
| | | (163.1) | (179.4) | (146.8) |

a. Fair value hierarchy

Assets have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 must be traded in active markets, this includes quoted equities, quoted fixed securities, quoted index linked securities and exchange traded unit trusts.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. Products classified as level 2 comprise open ended pooled investment vehicles which are not exchange traded, unquoted bonds and repurchase agreements.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include private equity investments and infrastructure funds which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity and infrastructure funds are based on valuations provided by the general partners to the private equity funds in which City of London Pension Fund has invested.

These valuations are prepared in accordance with the international private equity and venture capital valuation guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are typically undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Guidance released by the Pensions Research Accountants Group (PRAG) in 2016 provides further clarification on the classification of pooled investment vehicles as level 1, 2 and 3. Pooled funds that are not quoted on an exchange are classed as level 2, as these do not meet the definition of level 1 investment: *The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.*

The table that follows provides an analysis of the assets of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

| As at 31 March 2019 | | | | | As at 31 March 2020 | | | |
|---------------------|-------------------------|--------------------------------------|-----------|------------------------------------|---------------------|-------------------------|--------------------------------------|------------------|
| Quoted market Price | Using observable inputs | With significant unobservable inputs | Total | | Quoted market price | Using observable inputs | With significant unobservable inputs | Total |
| Level 1 | Level 2 | Level 3 | | | Level 1 | Level 2 | Level 3 | |
| £m | £m | £m | £m | | £m | £m | £m | £m |
| | | | | <u>Financial assets</u> | | | | |
| - | (958.0) | (93.9) | (1,051.9) | Fair value through profit and loss | - | (848.3) | (163.3) | (1,011.6) |
| - | (958.0) | (93.9) | (1,051.9) | Net investment assets | - | (848.3) | (163.3) | (1,011.6) |

b. Reconciliation of fair value measurements within level 3

The table below shows the movements in level 3 disclosures for 2019/20

| Disclosures for level 3 | Market value at 01-04-2019 | Transfers into level 3 | Transfers out of level 3 | Purchases at cost | Sales | Unrealised (gains)/losses | realised (gains)/losses | Market value at 31-03-2020 |
|-----------------------------|-------------------------------|---------------------------|-----------------------------|----------------------|-------------|------------------------------|----------------------------|-------------------------------|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Private equity | (34.6) | - | - | (3.8) | 6.8 | (2.4) | (0.7) | (34.7) |
| Pooled property investments | - | - | - | (66.0) | 1.8 | (1.9) | - | (66.1) |
| Infrastructure | (59.1) | - | - | (0.2) | 3.0 | (6.0) | - | (62.3) |
| Long term investment | (0.2) | - | - | - | - | - | - | (0.2) |
| Total level 3 | (93.9) | - | - | (70.0) | 11.6 | (10.3) | (0.7) | (163.3) |

14. Financial Instruments

a. Classification of financial instruments

| at 31 March 2019 | | | | at 31 March 2020 | | |
|------------------------------------|-------------------------------|---|-----------------------------|------------------------------------|-------------------------------|---|
| £m | | | | £m | | |
| Fair Value through profit and loss | Assets held at amortised cost | Financial liabilities at amortised cost | | Fair Value through profit and loss | Assets held at amortised cost | Financial liabilities at amortised cost |
| | | | Financial Assets | | | |
| - | (0.2) | - | Equities | - | (0.2) | - |
| (958.0) | - | - | Pooled investments | (848.3) | - | - |
| - | - | - | Pooled property investments | (66.1) | - | - |
| (59.1) | - | - | Infrastructure | (62.3) | - | - |
| (34.6) | - | - | Private equity | (34.7) | - | - |
| - | (13.7) | - | Cash | - | (17.9) | - |
| - | - | - | Investment income due | - | (0.1) | - |

| | | | | | | |
|-----------|--------|-----|------------------------------|-----------|--------|-----|
| (1,051.7) | (13.9) | 0.0 | | (1,011.4) | (18.2) | 0.0 |
| | | | Financial Liabilities | | | |
| - | - | 2.5 | Creditors | - | - | 0.9 |
| (1,051.7) | (13.9) | 2.5 | Total | (1,011.4) | (18.2) | 0.9 |

b. Net (Gains) and Losses on Financial Instruments

| 2018-19 | | 2019-20 |
|---------------|------------------------------------|-------------|
| £m | | £m |
| | <u>Financial Assets</u> | |
| (80.9) | Fair value through profit and loss | 31.3 |
| (80.9) | | 31.3 |

15. Risk and risk management

The Pension Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio.

The fund's investments are actively managed by ten main external fund managers who are charged with the responsibility to increase asset values, whilst maintaining market risk to acceptable levels. They achieve this mainly through diversification of stock portfolios across several geographical locations, various industrial sectors and asset classes. The managers' investing practices are controlled by pre-defined levels of tolerance.

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

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

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

16. Sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, Mercer Ltd, the City of London Corporation has determined that the movements in market price risk set out in the table below are reasonably possible for the 2019/20 reporting period. The potential price changes disclosed below is consistent with a multi-year one-standard deviation movement in the value of the assets. The sensitivities are

consistent with the assumptions contained in the investment advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Potential market movements (% change)

| Asset Type | at 31 March 2019 | at 31 March 2020 |
|--|------------------|------------------|
| Developed market global equities | 17.1% | 17.4% |
| Emerging market global equities | 28.6% | 29.1% |
| Hedge funds (proxy for multi-asset funds) | 7.6% | 7.3% |
| UK property (proxy for residential property) | 14.1% | 14.2% |
| Long lease UK property | 7.7% | 7.7% |
| Private equity | 24.5% | 25.8% |
| Unlisted infrastructure | 14.8% | 15.0% |

Had the market price of the fund investments increased/decreased in line with the above, the impact on relevant assets would have been as follows:

Price risk

| as at 31 March 2019 | | | | as at 31 March 2020 | | | | |
|---------------------|-------------|----------------------------|----------------------------|--|------------------|-------------|----------------------------|----------------------------|
| Value £m | Change % | Value on increase £m | Value on decrease £m | Asset type | Value £m | Change % | Value on increase £m | Value on decrease £m |
| (650.6) | 17.1% | (761.9) | (539.3) | Developed market global equities | (553.2) | 17.4% | (649.5) | (456.9) |
| (26.1) | 28.6% | (33.6) | (18.6) | Emerging market global equities | (22.9) | 29.1% | (29.6) | (16.2) |
| (281.5) | 7.6% | (302.9) | (260.1) | Hedge funds (proxy for multi-asset funds) | (272.4) | 7.3% | (292.3) | (252.5) |
| - | 14.1% | - | - | UK property (proxy for residential property) | (7.5) | 14.2% | (8.6) | (6.4) |
| - | 7.7% | - | - | Long lease UK property | (58.6) | 7.7% | (63.1) | (54.1) |
| (34.6) | 24.5% | (43.1) | (26.1) | Private equity | (34.7) | 25.8% | (43.7) | (25.7) |
| (59.1) | 14.8% | (67.8) | (50.4) | Unlisted infrastructure | (62.3) | 15.0% | (71.6) | (53.0) |
| (1,051.9) | | (1,209.6) | (894.5) | Total | (1,011.6) | | (1,158.4) | (864.8) |

Interest rate risk

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

| as at 31 March 2019 | | | | | as at 31 March 2020 | | | |
|---------------------|--------|-------------------|-------------------|--------------------------------------|---------------------|--------|-------------------|-------------------|
| Value | Change | Value on increase | Value on decrease | Assets exposed to interest rate risk | Value | Change | Value on increase | Value on decrease |
| £m | % | £m | £m | | £m | % | £m | £m |
| (13.7) | | (13.7) | (13.7) | Cash and cash equivalents | (17.9) | | (17.9) | (17.9) |
| (188.3) | 1.00% | (183.8) | (192.7) | Bonds | (162.1) | 1.00% | (157.8) | (166.4) |
| (202.0) | | (197.5) | (206.4) | Total | (180.0) | | (175.7) | (184.3) |

The fund's indirect exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value. Bonds and cash balances are exposed to interest rate risk. The table below demonstrates the

change in value of these assets had the interest rate increased or decreased by 1%.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments owned directly or through a pooled structure, that are denominated in any currency other than the functional currency of the fund (UK sterling). Following analysis of historical data, the fund custodian BNY Mellon have provided the currency exposure and volatility data included in the table below.

| As at 31 March 2019 | | | | Currency | As at 31 March 2020 | | | |
|---------------------|--------|-------------------|-------------------|-------------------|---------------------|--------|-------------------|-------------------|
| Value | Change | Value on increase | Value on decrease | | Value | Change | Value on increase | Value on decrease |
| £m | % | £m | £m | | £m | % | £m | £m |
| (6.8) | 3.46% | (7.0) | (6.6) | Australian Dollar | (16.7) | 2.38% | (17.1) | (16.3) |

| | | | | | | | | |
|---------|-------|---------|---------|--------------------|--------|-------|--------|--------|
| (2.5) | 5.48% | (2.6) | (2.4) | Brazilian Real | (1.4) | 4.11% | (1.5) | (1.3) |
| (3.5) | 2.75% | (3.6) | (3.4) | Canadian Dollar | (3.1) | 2.29% | (3.2) | (3.0) |
| (5.2) | 2.38% | (5.3) | (5.1) | Danish Krona | (4.5) | 1.77% | (4.6) | (4.4) |
| (104.9) | 2.38% | (107.4) | (102.4) | Euros | (93.0) | 1.76% | (94.6) | (91.4) |
| (22.8) | 2.69% | (23.4) | (22.2) | Hong Kong Dollar | (18.6) | 2.34% | (19.0) | (18.2) |
| (12.0) | 3.16% | (12.4) | (11.6) | Indian Rupee | (9.5) | 2.72% | (9.8) | (9.2) |
| - | - | - | - | Indonesian Rupiah | (1.7) | 2.76% | (1.7) | (1.7) |
| (0.4) | 2.57% | (0.4) | (0.4) | Israeli Shekel | - | - | - | - |
| (29.7) | 4.22% | (31.0) | (28.4) | Japanese Yen | (40.5) | 2.87% | (41.7) | (39.3) |
| (1.5) | 2.97% | (1.5) | (1.5) | Malaysian Ringgit | (2.1) | 1.68% | (2.1) | (2.1) |
| (5.1) | 4.15% | (5.3) | (4.9) | Mexican Peso | (4.7) | 3.58% | (4.9) | (4.5) |
| (2.4) | 2.96% | (2.5) | (2.3) | Norwegian Krona | (3.0) | 2.66% | (3.1) | (2.9) |
| (0.3) | 2.97% | (0.3) | (0.3) | Peruvian Sol | (0.2) | 1.96% | (0.2) | (0.2) |
| (0.6) | 2.99% | (0.6) | (0.6) | Polish Zloty | (0.6) | 2.08% | (0.6) | (0.6) |
| (3.1) | 2.68% | (3.2) | (3.0) | Singapore Dollar | (4.0) | 1.68% | (4.1) | (3.9) |
| (10.0) | 5.84% | (10.6) | (9.4) | South African Rand | (5.8) | 4.66% | (6.1) | (5.5) |

| As at 31 March 2019 | | | | Currency | As at 31 March 2020 | | | |
|---------------------|--------|-------------------|-------------------|---------------------------|---------------------|--------|-------------------|-------------------|
| Value | Change | Value on increase | Value on decrease | | Value | Change | Value on increase | Value on decrease |
| - | - | - | - | South Korean Won | (0.8) | 2.87% | (0.8) | (0.8) |
| (6.7) | 2.86% | (6.9) | (6.5) | Swedish Krona | (12.2) | 2.54% | (12.5) | (11.9) |
| (20.4) | 3.01% | (21.0) | (19.8) | Swiss Franc | (16.6) | 2.41% | (17.0) | (16.2) |
| (2.8) | 2.67% | (2.9) | (2.7) | Taiwanese Dollar | (6.1) | 1.92% | (6.2) | (6.0) |
| (356.8) | 2.67% | (366.3) | (347.3) | United States Dollar | (303.1) | 2.34% | (310.2) | (296.0) |
| (597.5) | | (614.2) | (580.8) | Overseas sub-total | (548.1) | | (560.8) | (535.4) |

| | | | | | | | | |
|------------------|--|--|--|--------------------------------|------------------|--|--|--|
| (3.4) | | | | Other overseas | (2.9) | | | |
| (600.9) | | | | Overseas total | (551.0) | | | |
| (451.0) | | | | UK investments | (472.5) | | | |
| (1,051.9) | | | | Total investment assets | (1,023.5) | | | |
| - | | | | Investment income due | (0.1) | | | |
| (1,051.9) | | | | Net investment assets | (1,023.6) | | | |

Liquidity risk

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

Liquid assets are those that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2020, liquid investment assets were £860.4m representing 83% of total fund assets (£958.0m at 31 March 2019 representing 90% of the Fund at that date). These investments can in fact be liquidated within a matter of days.

Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities. The selection of high-quality counterparts, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle transactions in a timely manner.

17. Funding arrangements

In accordance with statutory regulations a triennial valuation of the Pension Fund was completed by the City's independent consulting actuaries, Barnett Waddingham LLP, as at 31 March 2016 using the projected unit method and the resulting employers' contribution were implemented for the three financial years commencing 1 April 2017. A more recent valuation was undertaken as at 31 March 2019, and employer contribution rates resulting from this exercise will apply from 1 April 2020.

The main funding assumptions which follow were incorporated into the funding model used in the 31 March 2016 and the 31 March 2019 valuations (Consumer Price Inflation has been used as basis to reflect the actuarial assumption in real terms):

| | March 2016 | | March 2019 | |
|------------------------------|------------|-------------|------------|-------------|
| | % p.a. | Real % p.a. | % p.a. | Real % p.a. |
| Financial assumptions | | | | |
| Discount rate | 5.7 | 3.3 | 5.1 | 2.5 |
| Retail Price Inflation | 3.3 | 0.9 | 3.6 | 1.0 |
| Consumer Price Inflation | 2.4 | - | 2.6 | - |
| Pension increases | 2.4 | - | 2.6 | - |
| Pay increases (short term) | * | | N/A | |
| Pay increases (long term) | 3.9 | 1.5 | 3.6 | 1.0 |

* CPI for the period 31/03/2016 to 31/03/2020.

The discount rate reflects the asset allocation embedded in fund's long-term strategy, the below table outlines how these assumptions translate into an overall discount rate assumption as at 31 March 2016 and 31 March 2019.

| Future assumed returns at 31 March 2016 | Percentage of Fund | Return Assumption | Real (relative to CPI) |
|---|--------------------|-------------------|------------------------|
| | % | % | % |
| Gilts | - | 2.4 | - |
| Cash | - | 1.8 | (0.6) |
| Bonds | - | 3.3 | 0.9 |
| Equities | 55 | 7.4 | 5.0 |
| Property | 10 | 5.9 | 3.5 |
| Absolute return fund - inflation plus 3.7% | 15 | 6.1 | 3.7 |
| Absolute return fund - LIBOR plus 4.5% | 20 | 6.3 | 3.9 |
| Expenses (deduction) | | (0.2) | - |
| Neutral estimate of discount rate based on long-term investment strategy | | 6.7 | 4.3 |
| Prudence allowance | | (1.0) | (1.0) |
| Discount rate | | 5.7 | 3.3 |

| Future assumed returns at 31 March 2019 | Percentage of Fund | Return Assumption | Real (relative to CPI) |
|---|--------------------|-------------------|------------------------|
| | % | % | % |
| Equities | 55 | 6.7 | 4.1 |
| Property and infrastructure | 15 | 6.1 | 3.5 |
| Absolute return fund - inflation plus 3.7% | 30 | 6.3 | 3.7 |
| Expenses (deduction) | | (0.2) | - |
| Neutral estimate of discount rate based on long-term investment strategy | | 6.3 | 3.7 |
| Prudence allowance | | (1.2) | (1.2) |
| Discount rate | | 5.1 | 2.5 |

Demographic assumptions

The assumed life expectancy from age 65 is show below for both the 31 March 2016 and 31 March 2019 valuations.

| Life expectancy from age 65 | | 31 March 2016 | 31 March 2019 |
|-----------------------------|---------|---------------|---------------|
| Retiring today | Males | 24.3 | 21.7 |
| | Females | 25.8 | 24.3 |
| Retiring in 20 years | Males | 26.5 | 23.1 |
| | Females | 28.1 | 25.8 |

Commutation assumption

As part of both the 31 March 2016 and 31 March 2019 valuations the actuary assumed that members on average exchanged pension to get approximately 50% of the maximum available cash on retirement.

50:50 membership

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

Funding Position at Valuation date

The valuations at 31 March 2016 and 31 March 2019 revealed that the relationship between the values placed on the assets held by the fund and the liabilities accrued in respect of pensionable service at that date were as follows:

| | March 2016 | March 2019 |
|--------------------------|--------------|----------------|
| Past service liabilities | £m | £m |
| Active members | 308.9 | 383.7 |
| Deferred pensioners | 185.1 | 236.7 |
| Pensioners | 451.6 | 555.3 |
| Total | 945.6 | 1,175.7 |
| Assets | (796.3) | (1,062.9) |
| Deficit | 149.3 | 112.8 |
| Funding level | 84% | 90% |

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

| | March 2016 | March 2019 |
|--------------------------------|---------------------|---------------------|
| | Contribution rate % | Contribution rate % |
| Future service funding rate | 12.8 | 15.0 |
| Past service adjustment | 8.2 | 5.5 |
| Total contribution rate | 21.0 | 20.5 |

The secondary rate contributions agreed with individual employers were set at the 31 March 2016 valuation to restore the Fund to a funding position of 100% over a recovery period of no longer than 17 years. This deficit recovery plan was maintained at the 31 March 2019 valuation (i.e. the secondary rates established in 2019 aim to restore 100% funding over 14 years).

Having considered the basic rate of employer's contributions above, the City of London Corporation set contribution rates applicable to its employees of 21.0% for each of the financial years 2017/18 to 2019/20. Exceptions are City Academy who pay 17.1% p.a. and Museum of London which has certified stepped contributions of 15.1% in 2017/18, 15.7% in 2018/19 and 16.1% in 2019/20.

Following the 31 March 2019 valuation, most employers will continue to pay contribution rates of 21.0% for the three years commencing 1 April 2020 apart from the City Academy and the Multi Academy Trust (17.1%); the Museum of London (16.1%) and the London CIV (initially 38.0% and 15.0% from 1 June 2020).

18. Funded Obligation of the Overall Pension Fund

| 31 March 2019 | | 31 March 2020 |
|---------------|--|---------------|
| £m | | £m |
| 1,733.5 | Present Value of the defined benefit obligation* | 1,703.4 |
| (1,063.1) | Fair Value of Fund Assets (bid value) | (1,028.7) |
| 670.4 | Net Liability | 674.7 |

*The present value of the funded obligation consists of £1,673.6m in respect of vested obligations and £29.9m in respect of non-vested obligations (2018/19: £1,669.4m and £64.1m respectively).

The above figures show the total net liability of the Fund as at 31 March 2020 and have been prepared by the fund actuary (Barnett Waddingham LLP) in accordance with IAS26. In calculating the disclosed numbers, the value of Fund's liabilities calculated for the funding valuation as at 31 March 2019 have been rolled forward, using financial assumptions that comply with IAS19.

| at 31 March 2019 | | Assumptions | at 31 March 2020 | |
|------------------|--------------|------------------|------------------|--------------|
| % p.a. | Real % p.a.* | | % p.a. | Real % p.a.* |
| 3.40 | 1.00 | RPI increase | 2.70 | 0.80 |
| 2.40 | - | CPI increase | 1.90 | - |
| 3.90 | 1.50 | Salary increase | 2.90 | 1.00 |
| 2.40 | - | Pension increase | 1.90 | - |
| 2.40 | - | Discount Rate | 2.35 | - |

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

| Life expectancy from age 65 | | 31 March 2019 | 31 March 2020 |
|-----------------------------|---------|------------------|------------------|
| Retiring today | Males | 23.2 | 21.8 |
| | Females | 24.6 | 24.4 |
| Retiring in 20 years | Males | 24.5 | 23.2 |
| | Females | 26.1 | 25.8 |

McCloud and Sargeant judgments

The present value of the defined benefit obligation includes an allowance of £12.9m for the impact of any amendments that may be required to the Local Government Pension Scheme as a result of the Court of Appeal judgement on the McCloud and Sargeant cases on the basis that there is a constructive obligation as at 31 March 2020.

Guaranteed Minimum Pension (GMP) Equalisation

On 22 January 2018, the Government published the outcome of its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. The present value of the defined benefit obligation assumes that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the calculation assumes that the Fund will be required to pay the entire inflationary increase.

19. Current assets

Current assets include cash balances of £6.0m at 31 March 2020 (£13.7m at 31 March 2019) and investment income due of £0.1m (zero at 31 March 2019).

20. Current liabilities

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

21. Additional voluntary contributions

| Market Value | | Market Value |
|---------------|---------------------------|---------------|
| 31 March 2019 | | 31 March 2020 |
| £m | | £m |
| (1.7) | Prudential | (1.9) |
| (0.5) | Standard Life Investments | (0.4) |
| (0.2) | Utmost Life and Pensions | (0.2) |
| (2.4) | | (2.5) |

Additional voluntary contributions (AVCs) are managed externally and independently from the rest of the Pension Fund. They are paid by members to the Corporation and transferred directly to the relevant fund managers – Prudential, Standard Life Investments and Utmost Life and Pensions (formerly Equitable Life). AVCs of £0.46m were paid in 2019/20 (2018/19: £0.46m).

In accordance with Regulation 4(1) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid, and the assets of these investments are not included in the Fund's accounts.

22. Related party transactions

The City of London Pension Fund is administered by the City of London Corporation. Consequently, there is a strong relationship between the local authority and the Pension Fund.

During the reporting period, administration expenses which were charged to the Fund amounted to £0.7m (2018/19: £0.7m). This includes £0.5m (2018/19: £0.5m) of City of London Corporation staff salaries.

The Corporation is also the single largest employer of members of the Pension Fund and the employer contributions paid by it was £30.5m in 2019/20 (2018/19: £28.7m).

23. Key management personnel

The key management personnel of the Fund are the Chamberlain, Deputy Chamberlain, Corporate Treasurer, Pensions Manager (Administration) and Group Accountant for Pensions and Treasury Management. Total remuneration payable to key management personnel is set out below

| 31 March 2019 | | 31 March 2020 | |
|---------------|---------------------|---------------|--|
| £m | | £m | |
| 0.2 | Short-term benefits | 0.2 | |
| 0.2 | | 0.2 | |

24. Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2020 totalled £9.0m (31 March 2019: £10.4m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment. The Fund also has outstanding capital commitments totalling £10.4m to unquoted property unit trusts (31 March 2019: £90.0m).



Accounting Policies

1. Accounting Policies

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

1.1. General Principles

The Statement of Accounts summarises the City Fund transactions for the 2019-20 financial year and its position at the year end of 31 March 2020. The City Corporation is required to prepare the City Fund annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Statement of Account have been prepared on an going-concern basis.

1.2. Accruals of Expenditure and Income

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

- Revenue from contracts with service recipients, whether for service or the provision of good, is recognised when (or as) the good or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is subsequently identified that debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3. Cash and Cash Equivalents

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

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

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

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

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

1.5. Charges to Revenue for Non-current Assets

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

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

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

1.6. Employee Benefits

(a) Short-term employee benefits

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

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

(b) Termination benefits

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

(c) Retirement benefit costs

(i) Pension Costs – City of London Staff

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

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

- Liabilities are discounted to their value at current prices
- The assets attributable to the City Fund are included in the balance sheet at their fair value using estimated bid values where necessary.

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

- Service cost comprising:
 - current service cost, the increase in liabilities as a result of years of service earned this year, allocated in the comprehensive income and expenditure statement to the services for which the employees worked
 - past service cost, the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non-distributed costs
 - net interest on the net defined benefit liability is charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement. The interest is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments
- Remeasurements comprising:
 - the return on plan assets, excluding amounts included in the net interest on the net defined benefit liability, charged to the pensions reserve as other comprehensive income and expenditure
 - actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the pensions reserve as other comprehensive income and expenditure
- Contributions paid to the Pension Fund, cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

City Fund unallocated reserve of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

(ii) Pension Costs – Police Officers and Judges

The Police Pension Scheme is unfunded. Prior to 1 April 2006 each police authority was responsible for paying the pensions of its own former employees on a “pay as you go” basis. Under the current arrangements the City Fund no longer meets pension costs directly; instead it contributes a percentage of police pay into the Police Pension Fund. At the year end the Police Pension Fund is balanced to zero by either receiving a contribution from the City Fund equal to the amount by which the amounts payable from the Pension Fund for the year exceed the amounts receivable or, by paying to the City Fund the amount by which sums receivable by the Pension Fund for the year exceed the amounts payable. Where the City Fund makes a transfer to the Pension Fund, the Home Office will pay an equivalent top-up grant to the City Fund. Where a transfer is made out of the Pension Fund, the City Fund must pay the amount to the Home Office.

The payment of pensions to former judges is the responsibility of the Treasury with the City of London reimbursing the Treasury for the City Fund’s share of the liability. The City Fund’s estimated liability has been determined by independent actuaries in accordance with IAS19.

The accounting treatment for the estimated liabilities on the Police and Judges schemes are similar to that outlined above for the City of London Pension Scheme.

(iii) Pension Costs - Teachers

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

1.7. Events After the Reporting Period

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

(a) Adjusting Events

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

(b) Non-adjusting Events

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.8. Financial Instruments**(a) Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

(b) Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

(i) Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the

Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

(ii) Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets (excluding statutory amounts such as council tax and NNDR) held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

The City Corporate currently has finance lease debtors for ground rents due on leases properties. Due to the low value of these rents compared to the investment lessees have made in these properties it is highly unlikely that default will occur and therefore no expected credit loss has been applied to these amounts.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

(iii) Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

(iv) Financial Assets Measured at Fair Value through Other Comprehensive Income (designated equity instruments)

The authority has designated an equity investment in the Municipal Bonds Agency as a financial asset measured at FVOCI on the basis that it is not held for trading and is held for strategic purposes. Fair Value gains and losses are recognised through other comprehensive income and expenditure. Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The City Fund is not party to any material finance guarantees and therefore no adjustment to the accounts has been made.

1.9. Interest Income

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

1.10. Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received.

Where a grant or contribution has been received but the conditions of entitlement have not been satisfied, the grant or contribution is treated as a receipt in advance.

(a) Revenue

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

(b) Capital

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

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

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

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

1.11. Business Improvement Districts

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

1.12. Community Infrastructure Levy

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

1.13. Heritage Assets

Heritage assets are those assets intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Where the cost or value of heritage assets cannot be obtained at a cost which is commensurate with the benefits to the users of the financial statements, such assets will not be recognised in the Balance Sheet. The City Corporation does not consider the expense of obtaining information on cost or values to be justified and therefore recognises on the City Fund balance sheet only those heritage assets for which information on costs is readily available. The City Corporation considers that heritage assets will have indeterminate lives and high residual values; hence the City Corporation does not consider it appropriate to charge the City Fund depreciation for these assets (see note 14 for details of these assets).

1.14. Investment Property

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

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

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

1.15. Contingent Assets

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

1.16. Contingent Liabilities

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

1.17. Provisions

Provisions are made where an event has taken place that gives the City Fund a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the City Fund

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

1.18. Leases

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

(a) Finance Leases

(i) City Fund as Lessee

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

(ii) City Fund as Lessor

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

(b) Operating Leases**(i) City Fund as Lessee**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

(ii) City Fund as Lessor

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

1.19. Overheads

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

1.20. Property, Plant and Equipment

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

(a) Recognition

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

(b) Valuation

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

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

- Vehicles, plant and equipment - cost, net of depreciation, as a proxy for current value.
- Surplus assets – fair value, estimating highest and best use

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

(c) Revaluations

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

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

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

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

(d) Impairments

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

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

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

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

(e) De-recognition

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

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

The gain or loss arising from de-recognition of an asset is the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from de-recognition of an asset is included in Surplus or Deficit on the Provision of Services under other operating expenditure.

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

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

If the asset derecognised was carried at a re-valued amount, an additional entry is required; the balance on the Revaluation Reserve is written off to the Capital Adjustment Account and reported in the Movement in Reserves Statement. The Capital Receipts Reserve can only be used for new capital investment or set aside to reduce any underlying need to borrow (the capital financing requirement). A proportion of receipts relating to Housing Revenue Account disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.

(f) Depreciation

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

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

(g) Components**Assets other than Housing Revenue Account (HRA) Dwellings**

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

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

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

HRA Dwellings

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

1.21. Fair value measurement

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

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

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

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

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

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

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

1.22. Reserves

Specific amounts have been set aside as reserves for future policy purposes or to cover contingencies. Details of the City Fund's earmarked reserves are set out in note 12. Certain reserves are required by the Code to manage the accounting process for long-term assets and retirement benefits and do not represent usable resources. Details of these unusable reserves are set out in note 31.

1.23. Revenue expenditure funded from capital under statute

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

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

1.24. Value Added Tax

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

1.25. Schools

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

1.26. Accounting for Council Tax and National Non Domestic Rates

The council tax and National Non Domestic Rates (NNDR) income included in the Comprehensive Income and Expenditure Statement is the City Fund's share of accrued income for the year. However, regulations determine the amount of council tax and NNDR that must be included in the City Fund.

Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the City Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

1.27. Accounting for the London Business Rates Pool Pilot

In 2018-19 the City of London undertook the role of Lead Authority for the 100% London Business Rates Pool Pilot which brought together the business rates generated across the 32 London Boroughs, the City Corporation and the GLA. The City of London has continued this role on 2019-20 for the 75% London Business Rates Pool Pilot. In its role as Lead Authority, the City Corporation has received funds and made payments on behalf of the pool and retaining funds for distribution to pool members in the future. The City Corporation has treated these transactions as an agent on behalf of the pool members and therefore has not accounted for these transactions in its CIES. Any outstanding transaction to or from the pool are shown as a debtor or creditor balances on the City Corporation balance sheet.

2. Accounting Standard issued but not yet adopted

2.1 At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.
- IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.



Annual Governance Statement

T Scope of Responsibility

1. The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK. It aims to contribute to a flourishing society, support a thriving economy and shape outstanding environments by strengthening the character, capacity and connections of the City, London and the UK for the benefit of people who live, learn, work and visit here. Its unique franchise arrangements support the achievement of these aims.
2. Although this statement has been prepared to reflect the City of London Corporation in its capacity as local authority, police authority and port health authority, which are paid for through the City Fund, the governance arrangements are applied by the Corporation to its other functions funded by City's Cash and the Bridge House Estates.
3. The City of London Corporation ("the City Corporation") is responsible for ensuring that its business is conducted in accordance with the law and proper standards of governance; that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively; and that arrangements are made to secure continuous improvement in the way its functions are operated.
4. In discharging this overall responsibility, the City Corporation is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
5. The City Corporation has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE ²Framework *Delivering Good Governance in Local Government*. This statement explains how the City Corporation has complied with the code and also meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

6. The governance framework comprises the systems and processes by which the City Corporation is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the City Corporation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
7. The system of internal control is a significant part of that framework and is designed to manage all risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable rather than absolute assurance of effectiveness. The City Corporation's system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of its policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them economically, efficiently and effectively.

² CIPFA is the Chartered Institute of Public Finance and Accountancy
SOLACE is the Society of Local Authority Chief Executives

8. The governance framework has been in place at the City Corporation for the year ended 31st March 2020 and up to the date of approval of the statement of accounts.

Key Elements of the Governance Framework

Code of Corporate Governance

9. The principles of good governance are embedded within a comprehensive published Code of Corporate Governance. This code covers both the local authority and police authority roles, and links together a framework of policies and procedures, including:
- Standing Orders, which govern the conduct of the City Corporation's affairs, particularly the operation of Committees and the relationship between Members and officers;
 - Financial Regulations, which lay down rules that aim to ensure the proper management and safeguarding of the City Corporation's financial and other resources;
 - Terms of reference for each Committee;
 - A Scheme of Delegations, which defines the responsibility for decision-making and the exercise of authority;
 - A Members' Code of Conduct, which defines standards of personal behaviour;
 - A Standards Committee whose role is to promote high standards of Member behaviour and to deal with complaints made against Members, and oversight of the register of interests, gifts and hospitality;
 - A Code of Conduct for employees;
 - The Corporate Plan 2018-23;
 - A corporate complaints procedure, operated through the Town Clerk's Department, with a separate procedure in the Department of Community and Children's Services to comply with the relevant regulations, and a separate complaints process in respect of complaints about the City of London Police;
 - A corporate Project Toolkit and other detailed guidance for officers, including procedures and manuals for business-critical systems;
 - An anti-fraud and corruption strategy, including: anti-bribery arrangements; a social housing tenancy fraud, anti-fraud and prosecution policy; and a whistleblowing policy;
 - A Risk Management Strategy;
 - Job and person specifications for senior elected Members and the Court of Aldermen; and
 - A protocol for Member/officer relations.

10. The City Corporation's main decision-making body is the Court of Common Council, which brings together all of its elected Members. Members sit on a variety of committees which manage the organisation's different functions, and report to the Court of Common Council on progress and issues as appropriate. The Town Clerk and Chief Executive is the City Corporation's statutory head of paid service, and chairs the Chief Officers Group, and the Summit Group, which is the primary officer decision-making body. The Comptroller and City Solicitor discharges the role of monitoring officer under the Local Government and Housing Act 1989. The Chamberlain carries out the duties of the section 151 officer as necessitated by the Local Government Act 1972 which requires every local authority to appoint a suitably qualified officer responsible for the proper administration of its affairs.
11. The Court of Common Council is defined as the police authority for the City of London Police area in accordance with the provisions of the City of London Police Act 1839 and the Police Act 1996.
12. The role of the police authority is to ensure that the City of London Police runs an effective and efficient service by holding the Commissioner to account; to ensure value for money in the way the police is run; and set policing priorities taking into account the views of the community. These, and other key duties, are specifically delegated to the Police Authority Board. The Police Authority Board has the following Sub Committees and Boards to provide enhanced oversight in specific areas of police work:
 - The Professional Standards and Integrity Sub Committee has responsibility for providing detailed oversight over professional standards and integrity within the Force, and examines the casework of every single complaint recorded by the Force;
 - The Performance and Resource Management Sub Committee monitors performance against the Policing Plan and oversees management of risk, human and financial resources;
 - The Economic Crime Committee considers matters relating to the Force's national responsibilities for economic crime and fraud investigation, as well as local performance on tackling economic crime; and
 - The Police Pensions Board is responsible for securing compliance with police pension scheme regulations and other legislation relating to the governance and administration of the scheme.
13. Under the Localism Act 2011, the City Corporation is under a duty to promote and maintain high standards of conduct by Members and co-opted Members. In particular, the Court of Common Council must adopt and publicise a code dealing with the conduct that is expected of Members when they are acting in that capacity and have in place a mechanism for the making and investigation of complaints. The Court approved a revised Code of Conduct in March 2018, following a review by the Standards Working Party.
14. The City Corporation has appropriate arrangements in place under which written allegations of a breach of the Member Code of Conduct can be investigated and decisions on those allegations taken. A Complaints Procedure is in place and following a review a revised model came into force in the 2018/19 municipal year. A Dispensations Sub Committee exists for the purposes of considering requests from Members for a dispensation to speak or vote on certain matters (where they have a disclosable pecuniary interest and are otherwise prevented from participation) being considered at Committee meetings. A new dispensations policy was approved by the Court of Common Council in March 2019 and further reviewed, with advice

obtained from Counsel engaged by the City Corporation, on 24th January 2020 with further changes being made. Elected and co-opted Members are invited to review and update their Member Declarations on an annual basis (although there is no statutory requirement to do so).

15. Under Section 28 of the Localism Act, the Common Council is required to appoint at least one Independent Person to support the standards arrangements. The Court of Common Council has made three appointments to the position of Independent Person.
16. The Localism Act also requires the Common Council to prepare and publish a Pay Policy Statement each year, setting out its approach to pay for the most senior and junior members of staff. The Pay Policy Statement for 2019/20 was agreed by the Court of Common Council in March 2019 and published on the City Corporation's website.
17. To assist in meeting the City Corporation's obligations under the Bribery Act 2010, officers with decision-making powers in relation to higher risk activities are required to make an annual declaration to confirm that they have met the requirements relating to potential conflicts of interest, as set out in the Employee Code of Conduct, and to confirm that they have not engaged in any conduct which might give rise to an offence under the Act.
18. As a result of the Protection of Freedoms Act 2011-12, revisions were agreed to the City Corporation's policy and procedures in respect of the Regulation of Investigatory Powers Act 2000 (RIPA), which regulates surveillance carried out by public authorities in the conduct of their business. A report was made in September 2017 to the Policy and Resources Committee on the City Corporation's use of RIPA powers. In November 2018, the Office of the Surveillance Commissioners conducted an inspection of the City Corporation's arrangements. The inspector concluded that the City Corporation is keen to set and maintain standards and has a sound RIPA structure, with good policies and procedures.
19. In November 2019 following changes to legislation and best practice amendments, the City Corporation's RIPA Policy and Procedure document was updated to reflect these changes and to ensure continued compliance in relation to the procedural requirements of handling applications submitted under RIPA.

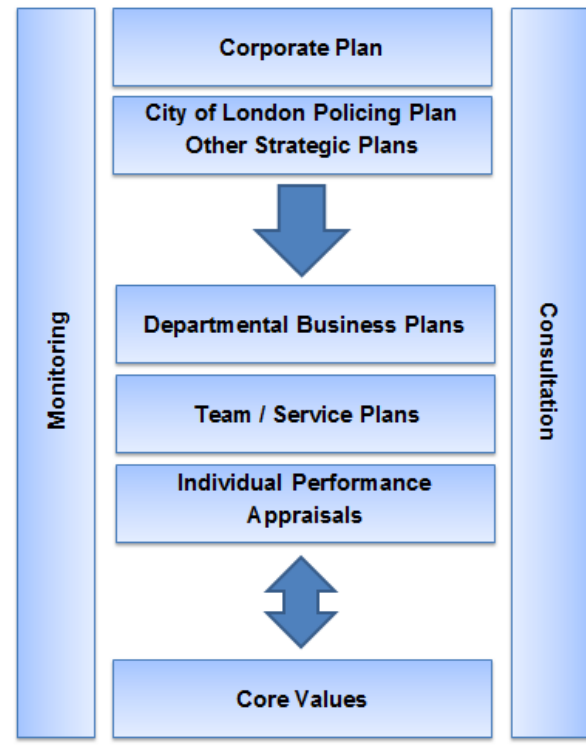
Standards Committee

20. The Standards Committee oversees the conduct of Members and Co-opted Members in all areas of the City of London Corporation's activities be it local authority, police authority or non-local authority functions. Its main responsibility is to promote and maintain high standards of conduct by elected Members and Members co-opted on to City of London Committees.
21. Its functions include:
 - monitoring and regularly reviewing the operation of the Code of Conduct for Members and related procedures;
 - considering any alleged breaches of the Code;
 - monitoring Members' declarations to ensure compliance with both the statutory and local registration requirements;
 - regularly reviewing the complaints procedure and dispensations arrangements; and submitting an annual report to the Court of Common Council.

22. In March 2019 a new and extensively consulted upon guidance and policy came into effect. However a petition relating to the Dispensations Policy was considered by the Committee alongside other relevant matters, including the Principles of Public Life, general public confidence in local government and the City Corporation in particular, and non-Localism Act requirements/restrictions in relation to conflicts of interest. Much of this municipal year has therefore been focused on the further refinement and liberalisation of our Dispensations Policy.
23. At the January 2020 meeting of the Standards Committee, Members considered the opinion of Counsel. The Committee voted nine in favour with one abstention, to accept his opinion that the approach suggested by the elected Member regarding the granting of 'general' dispensations was unlawful. The Committee then continued to agree ways in which we are able to further liberalise the policy.
24. The Committee undertakes an annual review of the Protocol on Member/Officer Relations. During 2019/20, eight alleged breaches of the Members' Code of Conduct were considered in accordance with the agreed procedure.
25. A comprehensive package of learning and development was offered to all new and returning Members. This included briefing sessions on the Member Code of Conduct and the Member/Officer Protocol, as well as other aspects of the governance framework i.e. how decisions are taken, Standing Orders and financial regulations.

Electoral arrangements

26. The City Corporation administers electoral registration and elections in the City of London and maintains an accurate database of organisations and individuals in the City of London who are eligible to register to vote. For these purposes, three separate registers are maintained: the Common Hall Register of Liverymen, the Ward Lists and the Electoral Register.
27. Common Hall is a meeting of the Liverymen of the City of London Livery Companies, held at Guildhall twice a year, to elect municipal officers including the Sheriffs and the Lord Mayor. The Lord Mayor is elected annually at Michaelmas, on 29 September, and the City's Sheriffs are elected after Midsummer day on 24 June. The main role of the Sheriffs is to support the Lord Mayor in their official duties undertaken on behalf of the City Corporation.
28. Throughout the year, all premises in the City of London are visited to identify eligible organisations for the purpose of registration on the City of London Ward Lists. The Ward Lists, which are updated annually and published every February, are used for elections for Aldermen and Members of the Court of Common Council. At national and London-wide elections, the Electoral Register is used. This is updated annually alongside the Ward Lists.
29. The City Corporation also provides advice to Members, candidates and election agents on a wide range of electoral matters, and guidance to those wishing to serve.
30. Four by-elections were held in 2019/20 and returned four new Members of the Court of Common Council. One Aldermanic election was also contested, which resulted in the sitting Alderman being re-elected. Five further Aldermen were returned in 2019/20 following uncontested elections.

Business Strategy and Planning Process

31. The City Corporation has a clear hierarchy of plans, setting out its ambitions and priorities:

- The Corporate Plan 2018-23 is the strategic framework for all the City Corporation's work between 2018 and 2023. It includes a statement of the City Corporation's vision, aims, responsibilities, capabilities and commitments. It was approved by Court of Common Council on 8th March 2018 and introduced on 1st April 2018.

- The City of London Police Corporate Plan 2018-23 sets out the ambitions and high-level commitments for the Force. Its Policing Plan details the policing priorities and shows how these will be delivered over the coming year. It also contains all the measures and targets against which the Police Committee hold the City of London Police to account.
32. Plans and strategies are informed by a range of consultation arrangements, such as City-wide residents' meetings, representative user groups and surveys of stakeholders. The City Corporation has a unique franchise, giving businesses (a key constituency) a direct say in the running of the City, and a range of engagement activities, including through the Lord Mayor, Chair of Policy & Resources Committee and the Innovation & Growth Division (formerly known as the Economic Development Office). An annual consultation meeting was held in early spring 2019 for business rates and council taxpayers, and another two for residents in May 2019.
 33. The Health and Social Care Act 2012 transferred responsibility for health improvement of local populations to local authorities in England, with effect from 1st April 2013. The new duties included the establishment of a Health and Wellbeing Board, which provides collective leadership to improve health and wellbeing for the local area.

Information Management Strategy

34. The 2009 Information Management Strategy has been updated and refreshed and was approved by Summit Group in March 2019. It sets out the headline approach to information management in the City Corporation. It summarises the current position, gives a vision of where we want to be and proposes a set of actions to start us on the path to that vision. The strategy defines our approach to the other key elements for information management, in particular data security and data sharing.
35. Overall responsibility for Information Management Governance and cyber-security is vested in the Digital Services (Finance) Sub Committee (formerly known as the Information Technology (Finance) Sub Committee). The Information Management Board reports to the Summit Group. The Comptroller and City Solicitor is the Senior Information Risk Owner (SIRO) and work continues to identify Information Asset Owners (IAO) and other key IM roles within departments. Key tasks include the building and maintenance of an information asset register.
36. The City Corporation has undertaken a thorough review and updated its policies and procedures following the implementation of the General Data Protection Regulation (GDPR) on 25th May 2018, together with a programme of training for officers and Members across departments and institutions. Over 90% of the City Corporation staff have completed their training.

Financial Management Arrangements

37. The Chamberlain is the Chief Finance Officer in accordance with section 151 of the Local Government Act 1972 and has overall responsibility for the proper administration of the City's financial affairs. In 2010 CIPFA issued a "*Statement on the Role of the Chief Financial Officer in Local Government*"³ which defines the key responsibilities of this role and sets out how the requirements of legislation and professional standards should be met. The

³ Updated in 2016

City's financial management arrangements conform to the governance requirements of the Statement. The Chamberlain also fulfils the role of Treasurer of the Police Authority.

38. The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, a system of delegation and accountability, and independent scrutiny. In particular the system includes:

- a rolling in-depth survey of the City Corporation's forecast position over a five-year period;
- comprehensive budget setting processes;
- monthly, quarterly and annual financial reports that indicate performance against budgets and forecasts;
- access by all departmental and central finance staff to systems providing a suite of enquiries and reports to facilitate effective financial management on an ongoing basis;
- ongoing contact and communication between central finance officers and departmental finance officers;
- clearly defined capital expenditure guidelines;
- formal project management disciplines;
- the provision of high-quality advice across the organisation;
- an internal audit service combining in-house staff with external knowledge and expertise;
- insuring against specific risks;
- scrutiny by Members, OFSTED, CQC, HMICFRS, other inspectorates, External Audit and other stakeholders; and
- requests for Members and Chief Officers to disclose related party transactions including instances where their close family have completed transactions with the City Corporation.

39. The City Corporation has a long-standing and in-built culture of maximising returns from its resources and seeking value for money. It assesses the scope for improvements in efficiency/value for money at a corporate and service level by a variety of means, including improvement priorities set by the Policy & Resources Committee through the annual resource allocation process, and internal examination and review by the Efficiency & Performance (Finance) Sub Committee.

40. Following approval by the Court of Common Council in October 2016, an Efficiency and Sustainability Plan for the City Corporation was submitted to and accepted by the Department for Communities and Local Government (now the Ministry for Housing, Communities and Local Government). This

provided a degree of certainty over central government funding for the period from 2016/17 to 2019/20. It also established a framework for continuous efficiency improvement beyond 2017/18 when the Service Based Review programme was completed. A 2% per annum budget reduction target to deliver sufficient efficiencies across the City Corporation's funds continued during 2019/20. This was established to sustain these budgets over the medium term and allow for planned investment in services through a Priorities Investment Pot.

41. The Efficiency & Performance Sub Committee has responsibility for monitoring and oversight of the Efficiency and Sustainability Plan and of departmental Economy, Efficiency and Effectiveness (EEE) Health Checks. These include consideration of income, helping to embed further a value for money culture within the City Corporation's business planning processes.
42. The EEE Health Checks are designed to achieve better alignment of business plans to the Corporate Plan, the delivery of the 2% year-on-year Efficiency and Sustainability Plan in local risk budgets, and to enable the Efficiency & Performance Sub-Committee to fulfil its duty to review periodically the performance of each Chief Officer in order to promote efficiency and value for money.
43. A Fundamental Review was conducted in 2019/20 in order to align spending with the Corporate Plan and strengthen financial discipline in a time of declining resources. The objective was to ensure that resources are more effectively applied. The review related to City's Cash and the City Fund but did not include Bridge House Estates or the City of London Police as these are funded differently. Departments were tasked with submitting options for consideration by the Resource Allocation (Policy & Resources) Sub Committee at its annual informal away day. Selected options were built into budgets for future years and a commitment was given to reviewing the operating model and Member governance arrangements. Work has commenced on these reviews and an officer group is taking a corporate view of the commercial opportunities put forward and will bring forward proposals in due course.
44. During 2018/19, the Procurement Sub Committee was established. This Sub Committee is responsible for scrutinising and ensuring value for money is obtained on all City Corporation and City of London Police procurement contracts with of value of over £2m at key stages, including initial tender strategy to final contract award sign off. The Sub Committee also ensure compliance with the UK Public Contract Regulations and the Corporation's Procurement Code.
45. Prior to the coronavirus outbreak, forecasts indicated a surplus in 2020/21, although moving to a deficit position from 2021/22 with, the inclusion of funding for the Museum of London relocation and delivery of the Combined Courts. More recently, however, the City Corporation is facing an earlier financial challenge as a result of a drop in revenue income and a predicted reduction in business rates. The Medium-Term Financial Plan has now been reworked and the budget revised. This will impact on the Fundamental Review as the scale of the challenge becomes clearer.
46. The economic outlook and public finances remain uncertain following the EU Referendum and there is no guarantee that government funding will be not be revised further downwards in later years. The Ministry of Housing, Communities and Local Government has been consulting on a Fair Funding Review that will recalculate the baseline grant for City Fund from 2020/21. This may coincide with a move to greater business rates retention nationally, under consultation for implementation by 2020/21. The position is being monitored on an ongoing basis.

47. The City of London Police manages its budget on a ring-fenced basis. In year work on the Medium-Term Financial Plan for the City of London Police has reduced forecast deficits through a combination of savings from the Police's Transform Programme and additional funding. Outturn for 19/20 was managed within the Police's budget, and a balanced budget has been set for 20/21 which has included additional Home Office funding for uplift in Police Officers. The City Corporation has previously invested additional funding for Police capital priorities and, from 20/21, is moving to a loan-based capital funding mechanism. The City Corporation is also committing capital funding towards the Police Accommodation Strategy and Secure City infrastructure requirements.
48. The Police Performance & Resource Management Sub Committee's responsibilities include overseeing the Police's resource management in order to maximise the economic, efficient and effective use of resources to deliver its strategic priorities; monitoring government and other external agencies' policies and actions relating to police performance; overseeing the Police's risk management arrangements; ensuring continuous improvement in the Police's finance function and financial accounting systems; and ensuring that the Police delivers value for money. The Sub Committee also receives regular updates on the work of internal audit in relation to the Police and inspection reports from HMICFRS.
49. The Policy & Resources Committee determines the level of the City Corporation's own resources to be made available to finance capital projects on the basis of a recommendation from the Resource Allocation Sub Committee. Ordinarily, such projects are financed from capital rather than revenue resources, and major projects from provisions set aside in financial forecasts.
50. The City Corporation has a number of procedures in place to ensure that its policies and the principles that underpin them are implemented economically, efficiently and effectively. This framework includes:
- Financial Strategy - This provides a common base for guiding the City Corporation's approach to managing financial resources and includes the pursuit of budget policies that seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives;
 - Budget policy - The key policy is to balance current expenditure and current income over the medium term. Both blanket pressure and targeted reviews are applied to encourage Chief Officers continuously to seek improved efficiency;
 - Annual resource allocation process - This is the framework within which the City Corporation makes judgements on adjustments to resource levels and ensures that these are properly implemented;
 - Corporate Property Asset Management Strategy - This aims to ensure that the City Corporation's operational assets are managed effectively, efficiently and sustainably, in support of the organisation's strategic priorities and business needs;
 - Capital project evaluation, management and monitoring - The City Corporation has a comprehensive system of controls covering the entire life cycle of capital and major revenue projects. An annual bids process was introduced from 2019/20 to enable Members to prioritise projects and align with the Corporate Plan objectives; and

- Treasury Management and Investment Strategies - Setting out the arrangements for the management of the City Corporation's investments, borrowing, cash flows, banking and money market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
51. Consideration is given to efficiency during the development and approval stages of all major projects, with expected efficiency gains quantified within reports to Members.
 52. The performance of the City Corporation's financial and property investments is monitored and benchmarked regularly, both in-house and independently, through experts in the field.
 53. The City Corporation's project management and procurement arrangements provide a consistent approach to project management and co-ordination of the portfolio of projects across the organisation. The Projects Sub Committee meets monthly to ensure that projects align with corporate objectives and strategy and provide value for money.

Risk Management

54. In January 2020, the Audit & Risk Management Committee approved a revised and updated Risk Management Strategy that includes an updated policy statement and a revised framework, which aligns with the key principles of ISO 31000:2018 Risk Management Principles and Guidelines, and defines clearly the roles and responsibilities of officers, senior management and Members. The strategy emphasises risk management as a key element within the City's systems of corporate governance and establishes a clear system for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level. The strategy assists in ensuring that risk management continues to be integrated by Chief Officers within their business and service planning and aligned to departmental objectives. It will be reviewed on annual basis.
55. Strategic decisions on risk management are made by the Summit Group. On a quarterly basis Summit Group receives risk update reports and is responsible for approving new corporate risks. The Chief Officer Risk Management Group (CORMG), acting on behalf of Summit Group, meets quarterly to undertake a more in-depth review of the corporate and top departmental-level red risks. CORMG also makes recommendations to Summit Group for new corporate risks.
56. During 2019/20, the Committee has exercised its oversight role in a number of ways. In addition to receiving quarterly risk update reports, which contain information about the corporate and red departmental level risks, it considers and endorses new corporate risks. The Committee continues to operate a cycle of regular departmental risk challenge sessions with Chief Officers and their respective Committee Chairmen, of which there were five in 2019/20. The Committee has received nine deep-dive reports, including the safeguarding, resilience, information security and Police funding.
57. The last committee meeting of this municipal year (31 March 2020) was disrupted by the COVID-19 emergency. As a result, the two corporate risk deep-dive reports and the Chief Officer risk challenge were rescheduled for 2020/21.

58. The corporate risk register contains 19 risks, including six new risks that have been added during the last year. One risk, GDPR, has been determined now to be managed at a departmental level.

Health & Safety and Wellbeing

59. The Health & Safety at Work etc. Act 1974 requires the City as an employer to ensure that it implements systems for the protection of its staff and others affected by its activities. The City Corporation health and safety management system is aligned to HSG65, the Health and Safety Executive's (HSE) guidance document on the essential philosophy of good health and safety. The City Corporation systems will remain aligned with this guidance, to ensure that safety becomes part of normal business by applying a practical, sensible and common-sense approach.
60. Corporate Risk 09 (Health Safety and Wellbeing) concerns the City's Health and Safety Management System and its application. Effective health and safety management enables innovation, growth and enhances productivity, as well as helping the City Corporation to achieve its strategic objectives. The Health Safety and Wellbeing (People) Team (in Corporate HR) is the custodian of the health and safety management system. In 2019/ 20 a revised risk description was agreed so it is better aligned to the City Corporations objectives and remains relevant.
61. The City Corporation has an effective Chief Officer-led Health, Safety & Wellbeing Committee which is chaired by the Town Clerk & 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.
62. 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.
63. A programme of interactive senior leadership health and safety briefings was delivered in 2019/20 for Chief Officers and their reports. This included all the higher risk profile departments as represented on the Health, Safety & Wellbeing Committee. In addition, briefings were completed for two of the City Corporation's independent schools and for the Guildhall School of Music and Drama. 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, bulk fuel storage, workplace transport and lone working/preventing violence. These are currently considered to be the City Corporation's areas of higher risk profile.
64. A new Corporate Policy on Lifting and Work Equipment was drafted and implemented, and the Corporate Policy on Legionella and Corporate Health and Safety Building Compliance Standards were revised in 2019/20.

65. 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.
66. In September 2019, the Health, Safety and Wellbeing Committee took the opportunity to refresh and develop/augment health, safety and wellbeing performance measures. A revised corporate health, safety and wellbeing dashboard, with agreed performance measures reported at a set frequency, has been produced to help to drive performance (including statutory compliance) and facilitate positive behaviour change.
67. The Pentana Risk Management Information System is used to manage significant health and safety risks. Pentana enables departments to highlight their safety risks as a 'Top X' risk, emphasising any activities with considerable implications that are un-mitigated, or where there is a lack of clarity. Significant fire safety support has been provided to several departments, including the Barbican Centre, Guildhall School of Music and Drama, the Department for Community and Children's Services and Mansion House & Central Criminal Court.
68. In 2019/20 there has been no health and safety enforcement action by the HSE. In June 2019, a member of the public drowned in Hampstead men's pond. The incident was notified to the HSE, and they subsequently undertook a robust investigation. This included interviews with staff and the swimming community. Documentation from the safety management system was also interrogated including site safety procedures, risk assessments, evidence of training and local monitoring and testing arrangements. The HSE has confirmed in writing that no further action is being taken against the City Corporation. Robust application of our safety management system has a 'protective' effect.
69. The Corporate Transport Policy is currently being refreshed. After being approved for onward consultation there was no challenge from Chief Officers, and it was due to go to Summit Group, but this has been put on hold during the Coronavirus pandemic.
70. There were no prosecutions or fire enforcement notices against the City Corporation in 2019/20. However, the organisation did receive one non-statutory deficiency notice that related to only one site and was issued by the London Fire Brigade. The notice relates to Longland Court, a block of flats on the Avondale Square Estate. The flats are owned by the City Corporation and are part of the housing portfolio managed by Community & Children's Services. Action was taken immediately and the notice is now closed.
71. 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 evidence, including awareness of best practice, and following a report to Establishment Committee in 2018, the "CityWell" (employee wellbeing) programme has been re-focused on mental health as the top priority, supported by a wider health promotion / wellness programme. There is a mental health and wellbeing action plan which was refreshed during 2019/20.
72. The CityWell wellbeing strategy is a strong employee brand and has helped embed the wellbeing programme at the City Corporation. The CityWell programme has been re-focused on mental health as the top priority with mandatory training for managers supported by a wider health promotion and wellness programme.
73. 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. To date over 150 MH First Aiders have been trained.

Business Continuity

74. The Civil Contingencies Act 2004 requires the Court of Common Council, as a Category 1 responder, to maintain plans to ensure that it can continue to exercise its functions in the event of an emergency. The City Corporation Resilience Team has overall responsibility for maintaining Business Continuity Management arrangements across the organisation, and providing support, advice and guidance for officers developing business continuity plans within their departments. This includes the testing and exercising of these plans on a regular basis.
75. The City Corporation has an overarching Business Continuity Strategy and Framework and each department has its own business continuity arrangements. Both corporate and departmental arrangements are regularly reviewed to ensure they align with the relevant national and local risk registers and business objectives. Officers from the different departments share best practice and validate their arrangements through the Emergency Planning & Business Continuity Steering Group, which convenes each quarter following the previously established Resilience Steering Group. The group works on highlighted actions that have been set at previous meetings. It is also currently working its way through actions from its most recent Independence Assurance Review, conducted by the Emergency Planning College in October 2018.
76. Business Continuity testing is undertaken periodically by departments, with the intention of testing their ability to cope under pressure. Testing scenarios are based on adverse effects and 'worst case' events which aim to limit 'Business as Usual' operations, and are derived from departmental emergency management and business continuity plans, national and local risk register documentation, previous lessons learned and horizon-scanning events. Testing is undertaken in formats including live play exercise, table-top/workshop, and seminar/discussion exercises, and is based on objectives which aim to be specific, measurable, achievable, realistic and targeted towards departmental functions. Information is captured throughout testing and fed back to the departments being exercised. Reports are produced and any lessons learned are sought to be implemented.
77. Programme management of the City Corporation's business continuity management system (BCMS) lies with the Resilience Planning Team, and all departments play a role in it. Minimum standards for London were previously set for London local authorities in relation to resilience and business continuity planning. In 2019, these standards were replaced by a London-wide Independent Assurance Process and a new 2020 Resilience Standard for London Governance, which applies to all London local authorities. The Resilience Team has aligned City Corporation arrangements with these new standards. It has participated in all the Pan-London training requirements related to the new Resilience Standards for London and continues to represent the City Corporation at all workshops and training events organised by 'London Resilience'.
78. The Resilience Team continues its ongoing work with the IT service provider Agilisys to ensure robust business continuity plans dovetail with IT functions and critical services. Departmental business continuity plans were activated in March 2020 in response to the COVID-19 pandemic. The City Corporation as a whole transitioned smoothly to its working from home arrangements as well as maintaining and delivering its key and critical services across the organisation. As part of the current response to Covid-19, the City Corporation has had to adapt its business continuity planning

arrangements to incorporate the delivery of critical services and focus on business recovery plans simultaneously during the response and transition to recovery.

79. The Resilience Team recognised there was a requirement to provide a software system to assist its Business Continuity Management (BCM) and support the process of identifying business impact analysis within those arrangements. Through research, a company was identified which provides business continuity software systems to help better manage organisational BCM. Prior to Covid-19 the Resilience Team were in the process of trialling this system in a test portal built specifically for the City Corporation, and departmental business continuity representatives were invited to test this system. On completion of the trial they were all in agreement with its ability to successfully support the City Corporation's business continuity arrangements. We are currently looking at the next phase of this process with the view to procuring the system.
80. Due to its location as an international financial and business hub, the City (Square Mile) remains an attractive location for protest groups to demonstrate attempting to maximize publicity both nationally and globally. The City has previously experienced an array of protests and demonstrations. However, by working with business and emergency service partners to ensure robust Business Continuity and emergency response plans are in place, the City Corporation has maintained 'business as usual' during these disruptions, thus enhancing its reputation of working with and supporting business and local communities within the City.

Role of Internal Audit

81. Internal Audit plays a central role in providing the required assurance on the adequacy of internal controls through its comprehensive risk-based audit programme, with key risk areas being reviewed annually. This is reinforced by consultation with Chief Officers and departmental heads on perceived risk and by a rigorous follow-up audit regime.
82. The internal audit process is supported, monitored and overseen by the Audit & Risk Management Committee in accordance with the Public Sector Internal Audit Standards. An Audit Charter is in place and reviewed annually, most recently ratified by the Audit & Risk Management Committee in March 2020. This defines the role of Internal Audit, and sets out accountability, reporting lines and relationships that Internal Audit has with the Audit & Risk Management Committee, Town Clerk & Chief Executive, Chamberlain and Chief Officers.
83. The Internal Audit Section operates under the requirements of the Public Sector Internal Audit Standards (PSIAS). The City of London's internal audit function was subject to an External Quality Assessment (EQA) by Mazars LLP in February 2017 and assessed as "generally conforms" to the new standard. An EQA is undertaken every five years in accordance with the PSIAS, with an annual self-assessment undertaken annually.
84. The anti-fraud and investigation function continues to be effective in identifying and investigating allegations of fraud and corruption, with mature processes in place to tackle fraud across the City Corporation's social housing estates; along with conducting a wide range of risk-based anti-fraud and awareness activities. The Audit & Risk Management Committee is provided with six-monthly anti-fraud and investigation update reports which detail the anti-fraud and investigation activity undertaken by the Anti-Fraud Team and provides progress against the strategic pro-active anti-fraud plan.

Performance Management

85. The corporate business planning framework sets out the planning cycle with clear linkages between the different levels of policy, strategy, target setting, planning and action (the “Golden Thread”). We are looking to make these links more robust in coming years, but the following list describes the current process.

- All departments are required to produce annual departmental business plans and submit high-level summaries of their plans for approval by the relevant service committee(s). These are all linked to the overall Corporate Plan and show key objectives alongside financial and staffing resources. All departments are required to report regularly to their service committees with progress against their business plan objectives and with financial monitoring information. The exceptions are City of London Police, the Guildhall School of Music and Drama and the three independent schools as they are governed and funded differently.
- The same departments are also required to produce business plan workbooks which list all their workstreams and show linkages to corporate outcomes, strategies and performance indicators so that, once all the information is available, analysis can be undertaken by the Corporate Strategy & Performance Team as to their targeted and actual impacts on corporate goals.
- In 2019/20, 2020/21 business plans were presented to committee alongside 2020/21 budget estimates for the first time. This was done to provide Members with better information about priorities and departmental resource allocation proposals to promote debate and good decision-making. This presented some issues and challenges as departmental business plans do not currently align with committee budgets. The ongoing reviews of the operating model and Member governance arrangements will take these challenges into account.
- Performance and Development Appraisals are carried out for all staff. In 2019/20 a new appraisal framework was rolled out which was designed to link directly to the Corporate Plan 2018-23. The appraisals are used to set individual objectives and targets and to identify learning and development needs that are linked to business needs. In 2019/20 pay progression was linked to performance assessments under the appraisal process but following feedback from staff the approach has been revised and the direct link removed. With effect from February 2020, a new performance development approach has been adopted. The aim of this approach is to help establish a culture of coaching conversations around recognising the value of our employees as well as the organisation maximising its performance and future potential. The coaching conversation approach is aimed at helping to deliver the Corporate Plan objectives and to make sure we have developed the right skills and behaviours across the organisation. There are now no overall assessment criteria on the Appraisal form (i.e. Improvement Required, Good, Very Good or Outstanding) but line managers can make recommendations for a reward to Chief Officers.

86. Following the Fundamental Review, work commenced to design and develop a Corporate Performance Framework which will act as a single source of performance information on Key Performance Indicators across the whole of the City Corporation and enable comparison with publicly-held benchmarking data. It is being built in Microsoft PowerBI for ease of analysis, to support the production of easy to understand reports and so that it can be quickly adapted to changes to the operating model and Member governance structures. The intention is that it will be used to provide performance information for scrutiny at committee, corporate, strategic, departmental, service and operational levels, as well as in published reports.
87. Performance is communicated to Council Tax and Business Rate payers through the City-wide residents' meetings, the annual business ratepayers' consultation meeting and regular electronic and written publications, including an annual overview of the accounts.

Audit and Risk Management Committee

88. The Audit & Risk Management Committee is an enhanced source of scrutiny and assurance over the City Corporation's governance arrangements. It considers and approves internal and external audit plans, receives reports from the Head of Audit & Risk Management, external audit and other relevant external inspectorates, including HMICFRS, as to the extent that the City Corporation can rely on its system of internal control. The Committee reviews the financial statements of the City Corporation prior to recommending approval by the Finance Committee and considers the formal reports, letters and recommendations of the City Corporation's external auditors. The Committee also monitors and oversees the City Corporation's Risk Management Strategy. The Committee undertakes a systematic programme of detailed reviews of each of the risks on the City Corporation's Corporate Risk Register.
89. During 2019/20, the Committee continued its schedule of departmental risk challenge sessions. The Committee reviews the risks and risk management process for each department, on a rotating basis, with one department being invited to each meeting. These reviews are attended by the relevant Chairman and Chief Officer, with support and challenge applied so that risks are fully understood, and clear mitigation plans are in place. The Committee has also actively promoted a process for the regular reporting of top departmental risks to Service Committees, to encourage all Members to engage with the management of risk.
90. The Committee has strongly supported the internal audit function by setting clear performance expectations for Chief Officers in the timely implementation of audit recommendations, as well as ensuring internal audit's independence is fully recognised.
91. The Committee has a link to the Police Performance & Resource Management Sub Committee through the appointment of two of its Members to this Sub Committee.
92. The Committee has supported the management of the Information Security corporate risk, highlighting the mandatory awareness training for all staff, resulting in a significant increase in the percentage of staff fully completing this training.

93. The Committee has taken a keen interest in cyber-security risks and remains committed to supporting the continuous development of cyber security across the City Corporation, including the incorporation into the City Corporation's controls of lessons learned from good practice elsewhere in the private and public sectors.

COVID-19 Impact

94. On 23rd March, the Prime Minister announced a period of 'lockdown' for the country to limit the spread of COVID-19. As a result of restrictions on travel and other measures which have been implemented, all staff in the City of London Corporation who were able to work at home were asked to do so, and many of our sites were shut to all but essential workers. The main exceptions were the Central Criminal Court, Markets and Port Health and Open Spaces including Cemetery and Crematorium functions, which continued to be staffed in person in the main. The restrictions also meant that the City Corporation was initially unable to undertake its decision-making processes in the usual fashion for approximately five weeks. During this period, some committees were consulted electronically or met virtually on an informal basis to consider items that required decisions, prior to formal decisions being taken under the urgency procedures.
95. To allow for greater transparency and public scrutiny during this period, steps were taken to utilise the existing committee management software to allow for weekly reporting of urgent decisions taken, together with relevant background information.
96. The introduction of the *Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020* resolved some of the more pressing issues by permitting formal decision-making meetings to be undertaken virtually and facilitating public scrutiny.
97. From the end of April, formal committee meetings have been carried out virtually. Formal decisions are taken by Members, and the public is able to observe these meetings through a livestream on YouTube, which is now recorded and accessible to view for approximately one year.
98. Initially a decision was taken to postpone the appointment of committees at the beginning of municipal year and for all appointments to continue until April 2021. However, the first annual meeting of the Court of Common Council was able to be conducted virtually on 16 July 2020, at which time the Court appointed its committees. Committee elections took place in the subsequent months to elect Chairmen, Deputy Chairmen and to appoint Members to the relevant sub-committees, consultative committees and working parties.
99. In line with Government guidance, committee meetings continue to be held virtually.

100. The COVID-19 outbreak has also led to legislation being passed to suspend all local government elections until May 2021. Whilst the provisions do not apply to the City elections, given the national position, the uncertainty about the length of time during which the restrictions and effects on normal activities might be in place the date of next ordinary Common Council elections has been postponed from 18 March 2021 until 23 March 2022. Successful candidates would then serve a three-year term.
101. An in-year re-budgeting exercise has been carried out to assist in repairing the damage to the City's budgets arising from the COVID-19 pandemic. This was seen as a vital step in ensuring that we put our finances on a sustainable footing for the medium term.
102. Other areas affected in the year 2020/21 include the annual City-wide residents' meetings. The meetings scheduled for May were postponed and a single meeting will be held virtually in December 2020. Other activities have also needed to be carried out by different means due to continued social distancing requirements.

Review of Effectiveness

103. The City Corporation has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the internal auditors and managers within the authority who have responsibility for the development and maintenance of the governance environment and also by comments made by the external auditors and other review agencies and inspectorates.
104. Processes that have applied in maintaining and reviewing the effectiveness of the governance framework include scrutiny primarily by the Policy & Resources, Finance, Police, Audit & Risk Management, Investment, and Standards Committees; and the Resource Allocation, Police Performance & Resource Management, and Efficiency & Performance Sub Committees.
105. Each year training events and briefing sessions are provided for Members as part of the Member Development Programme to ensure that they are aware of current and emerging issues, how the City Corporation is delivering its services and responding to changing priorities; and the role of decision-makers. Amongst other things, in 2019/20 sessions included Media Awareness and Social Media; Corporate Parenting; and Equality, Inclusion and Diversity.
106. In September 2019, the Policy & Resources Committee agreed that a comprehensive and independent review of the City Corporation's governance arrangements should be undertaken in parallel with the Fundamental Review. The Court of Common Council endorsed this approach at its October 2019 meeting. Lord Lisvain's report has now been received and Members are working through its recommendations, considering which should be implemented and to what extent.

Head of Internal Audit's Opinion

107. The Public Sector Internal Audit Standards require the Head of Internal Audit to deliver an annual internal audit opinion and report that can be used by the City Corporation to inform its Annual Governance Statement. The Head of Internal Audit is satisfied that sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow them to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes. In their opinion, the City Corporation has adequate and effective systems

of internal control in place to manage the achievement of its objectives. In giving this opinion they have noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.

108. Notwithstanding this overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures, which are documented in each individual audit report. A 'red' (limited) assurance opinion was provided in 6 of the 65 Internal Audit reviews completed in 2019/20, within which, 18 red and 26 amber priority recommendations were raised.
109. Following an effectiveness review undertaken by the Head of Audit & Risk Management, a revised process has been adopted for following-up action taken by management to implement recommendations raised. It is anticipated that the new approach will be more efficient for both management and the Internal Audit Team and will result in greater clarity in reporting to Members where significant control weaknesses remain.
110. Internal audit work continues to identify improvement areas for management; albeit, the overall opinion provided on the City's internal control environment is that it remains adequate and effective. There is a high level of acceptance of recommendations.

Future Work Programme

111. The governance framework is constantly evolving due to service and regulatory developments and assessments. Improvement plans have been compiled in response to the reports and assessments summarised above. Controls to manage principal risks are constantly monitored, in particular for services with statutory responsibilities for the safety of vulnerable people. The City Corporation proposes over the coming year to take the following steps to maintain, develop and strengthen the existing governance framework:
 - Review the City Corporation's governance arrangements against the requirements of the CIPFA/Solace framework *Delivering Good Governance in Local Government 2016* and following the Fundamental Review.
 - Develop a new operating model for the City Corporation that allows for effective delivery of the Corporate Plan within a sustainable Medium-Term Financial Plan.
 - Improve the links made between the different levels of policy, strategy, target-setting, planning and action via changes to the business planning process, specifically links to finances and risks.
 - Continue building the Corporate Performance Framework and populating it with data against a set of outcome-based measures for the whole City Corporation, that demonstrate impact and progress towards delivering the Corporate Plan 2018-23.
 - Undertake an annual update for the registration and publication of declarations of interest by the City Corporation's Members and Co-opted Members.
 - Provide training events and briefing sessions for Members as part of the Member Development Programme to ensure that they are aware of current and emerging issues, how the City Corporation is delivering its services and responding to changing priorities; and the role of decision-makers.

- Deliver the [flight path of] savings required for a sustainable medium-term financial position.
- Deliver the priority actions from the updated and refreshed Information Management Strategy:
 - Develop Business Intelligence infrastructure, new reports and analytics across the organisation.
 - Deliver communications and training on using IM for new ways of working across the organisation.
 - Implement good IM practices including protective marking and classification.
- Implement the solutions identified following the review of programme governance arrangements, to improve the handling of corporate and departmental projects, related to the Project Management software used. This is still a work in progress as it was superseded by the Project Management Academy.
- Investigate ISO22301 accreditation for our business continuity services.
- Deliver the extended remit of the Audit & Risk Management Committee to undertake periodic reviews of the risk management procedures, financial capabilities, controls, and safeguarding procedures of the City of London School, the City of London School for Girls, the City of London Freeman's School, the City of London Academies Trust (including its embedded academies) and the City Academies that are free-standing entities.
- During HM Government's 'lockdown' the City Corporation has adapted to mitigate the risk of impacting democratic oversight by Members. The City Corporation will continue to be flexible in its approach to continue to reduce this risk as the situation changes.

This annual governance statement was approved by the City Corporation's Audit and Risk Management Committee on 2 June 2020.

John Barradell

Town Clerk and Chief Executive

Date: 2nd June 2020

Catherine McGuinness

Chair, Policy and Resources Committee

Date: 2nd June 2020



Further Information

| | |
|--|---|
| City's Cash | The existence of City's Cash can be traced back to the fifteenth century and it has built up from a combination of properties, lands, bequests and transfers under statute since that time. It is accounted for separately and does not form part of the City Fund statements, although references are made to City's Cash in certain parts of the statements. The fund is now used to finance activities mainly for the benefit of London as a whole but also of relevance nationwide. These services include the work of the Lord Mayor in promoting UK trade overseas, numerous green spaces and work in surrounding boroughs supporting education, training and employment opportunities. |
| Creditors | Individuals or organisations to which the City Fund owes money at the end of the financial year. |
| Collection Fund | Statutory account showing transactions in relation to the collection of Council Tax, payments to the Greater London Authority and the administration of the National Non-Domestic Rate. |
| Community assets | Assets that the City of London intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and gardens or historic buildings. |
| Current asset | An asset which will be consumed or cease to have value within the next accounting period; examples are stock and debtors. |
| Current liability | An amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn. |
| Current service cost (pensions) | The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period. |
| Curtailment (pensions) | For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include: <ul style="list-style-type: none"> • termination of employees' services earlier than expected, for example as a result of discontinuing an activity, and • termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits. |
| Debtors | Individuals or organisations that owe the City Fund money at the end of the financial year. |
| Deferred capital receipts | These result mainly from loans to the Museum of London plus outstanding loans in respect of past sales of council dwellings to tenants who were unable to obtain a building society loan or other external means of financing. Their indebtedness is reflected in the balance sheet under long term debtors. This account shows the amount to be paid on deferred terms and is reduced each year by repayments made. |

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

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| Intangible assets | A non-physical item where access to future economic benefits is controlled by the local authority. An example is computer software. |
| Pensions interest cost | For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement. |
| Investment properties | Interest in land or buildings that are held for investment potential. |
| Levies | These are charges incurred by the City of London to meet London-wide services. They include payments to the London Boroughs Grants Committee, the Environment Agency and the London Planning Advisory Committee. |
| National Non-Domestic Rate (NNDR) | A flat rate in the pound set by the Government and levied on businesses who occupy offices and buildings within the City. The income is collected by the City of London and is passed on to Central Government and the Greater London Authority (GLA). |
| Net current replacement cost | The cost of replacing a particular asset in its existing condition and in its existing use. |
| Net realisable value | The open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset. |
| Non-operational assets | Long-term assets held but not directly occupied, used or consumed in the delivery of service. Examples are investment properties. |
| Past service cost (pensions) | For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits. |
| Projected unit method | <p>An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:</p> <ul style="list-style-type: none"> the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries. |

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

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| AVC | Additional Voluntary Contributions |
| BCMS | Business Continuity Management System |
| BRS | Business Rate Supplement |
| CFR | Capital Financing Requirement |
| CIPFA | Chartered Institute of Public Finance & Accounting |
| CIL | Community Infrastructure Levy |
| CPI | Consumer Price Index |
| DSG | Dedicated Schools Grant |
| DfE | Department for Education |
| EUV..... | Existing Use value |
| FTE | Full Term Equivalent |
| GAAP | Generally Accepted Accounting Practice |
| GLA | Greater London Authority |
| HRA | Housing Revenue Account |
| IAS | International Accounting Standards |
| IFRS | International Financial Reporting Standards |
| ISB..... | Individual Schools Budget |
| LASAAC | Local Authority (Scotland) Accounts Advisory Committee |
| LIBOR | London Interbank Offered Rate |
| LGPS | Local Government Pension Scheme |
| MRP | Minimum Revenue Provision |
| NNDR | National Non-Domestic Rate |
| OFSTED | Office for Standards in Education, Children's Services and Skills |
| PCN..... | Penalty Charge Notice |
| RPI | Retail Price Index |
| SeRCOP | Service Reporting Code of Practice |
| SOLACE | Society of Local Authority Chief Executives |
| SBNDR | Small Business Non-Domestic Rate |
| SI..... | Statutory Instruments |
| SETS | Stock Exchange Electronic Trading Service |
| SIP..... | Strategic Investment Pot |
| VOA | Valuation Office Agency |
| VAT | Value-Added Tax |

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Report to the Audit and Risk Management Committee

CITY OF LONDON CORPORATION PENSION FUND

Audit Completion Report:
Year ended 31 March 2020



IDEAS | PEOPLE | TRUST



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WELCOME

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We have pleasure in presenting our Audit Completion Report to the Audit and Risk Management Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2020, specific audit findings and areas requiring further discussion and/or the attention of the Audit and Risk Management Committee. At the completion stage of the audit it is essential that we engage with the Audit and Risk Management Committee on the results of our audit of the financial statements comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit and Risk Management Committee meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank the management and staff of the Pension Fund for the co-operation and assistance provided during the audit.

Leigh Lloyd-Thomas

20 October 2020



Leigh Lloyd-Thomas
Engagement Lead

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Audit and Risk Management Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

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This summary provides an overview of the audit matters that we believe are important to the Audit and Risk Management Committee in reviewing the results of the audit of the financial statements of the Pension Fund for the year ended 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



Overview

Our audit work is substantially complete and subject to the successful resolution of outstanding matters, we anticipate issuing our opinion on the financial statements for the year ended 31 March 2020 in line with the agreed timetable.

Outstanding matters are listed on page 33 in the appendices.

The following change was made to the planned audit approach as a result of Covid-19 where we revised the risk from normal to significant in relation to the valuation of private equity, infrastructure and property fund investments at March 2020.

No restrictions were placed on our work.

Audit report

Subject to the resolution of the outstanding matters we anticipate issuing an unmodified audit opinion on the financial statements.

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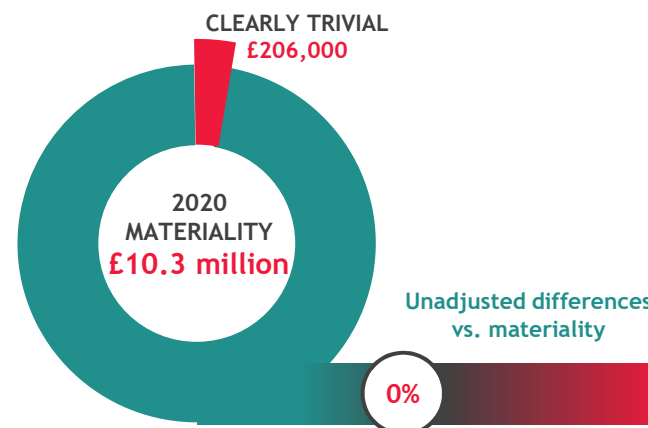
Final materiality

Final financial statements materiality was determined based on 1% of the value of investments in the net assets statement.

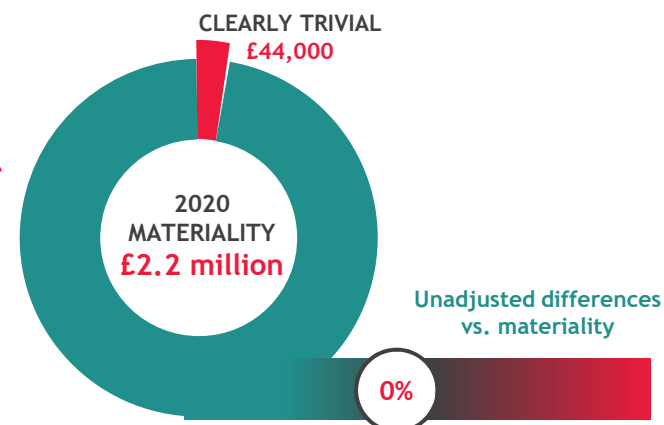
Specific materiality on the fund account was based on 5% of contributions.

We decreased our materiality from the planning Materiality of £10.6 million to £10.3 million as a result of the decrease in the valuations of investment assets at year end.

Financial statements overall materiality



Fund account specific materiality



Audit adjustments

Management has adjusted the financial statements to reduce the valuation of private equity investments by £3.1 million following receipt of updated valuations at 31 March 2020 after the draft financial statements had been prepared.

The pension liability was increased by £6.0 million as a result of incorrect contributions income estimated by the actuary based on inaccurate cash flow information provided by the Corporation.

Unadjusted audit differences

There are no remaining audit differences based on the work completed to date.

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Financial reporting

- We have not identified any non-compliance with accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient.
- The Pension Fund Annual Report is consistent with the financial statements and our knowledge acquired in the course of the audit.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Pension Fund and Corporation in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.



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CORONAVIRUS IMPACT

The effects on year-end reporting and auditing

The emergence and spread of Coronavirus has had an effect on business and markets around the world. Guidance is now available to assist in identifying the potential corporate reporting and auditing issues and consequences of the virus, and there have been a number of local government specific issues, including relaxations to accounts preparation and audit timetables.

However, given the fast moving and ever changing nature of the situation, aspects of this guidance will change over time. The outbreak is an in-year event and will impact the valuations, estimations and disclosures reflected in the financial statements for periods ending on or after 31 March 2020.

Going concern

In respect of going concern, the s151 Officer is required to consider events that have occurred both before and after the balance sheet date when determining whether there is a material uncertainty over the ability to continue as a going concern. Consequently, forecast financial information and sensitivity analysis (which may require additional and/or different potential variances to be included) will need to factor in the estimated effects of the Coronavirus pandemic.

A common approach that is developing, and which BDO is encouraging, in relation to each set of financial statements that is prepared for audit is:

- The assessment of going concern the s151 Officer is required to undertake needs to explicitly consider the impact of Coronavirus to accommodate the uncertainty prevailing and must cover the period of at least 12 months from the date of signing the financial statements. The assessment may not be limited to this period if there are foreseen events or conditions beyond this period which may influence the economic decisions of users.
- The assessment needs to consider the entity’s resilience through three lenses - operational capability (closed locations, reduced workforce through illness, breakdown in supply chain), demand for services (effect on income and expenditure) and structural finance (liquidity and access to committed facilities).

- If the s151 Officer consider that there are material uncertainties, this will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).
- The going concern disclosures in the basis of preparation note in the financial statements will also need to be enhanced.

Within local government, the Government’s commitment to ensure that local authorities are adequately compensated for additional expenditure incurred or income lost directly as a result of the Coronavirus pandemic, removes some of the uncertainty faced by non-public sector entities. However, the assessment of going concern, and associated disclosures in the financial statements, are still expected to fully consider and record the impact of Coronavirus.

The auditor’s review of s151 Officer’s assessments must be greater than normal, will require more evidence, and will continue to be performed through to the point of signing the audit report.

Valuations of financial and non-financial assets and liabilities

Data used in valuations of financial and non-financial assets and liabilities should be based on forecasts, projections and assumptions that were reasonable and supportable at the balance sheet date. For 31 March 2020 year ends, given that the significant development and spread of Coronavirus occurred within the financial year and that the World Health Organisation announced a global health emergency on 31 January 2020, the estimated impact of the Coronavirus pandemic will need to be factored into this data.

Pension Fund Annual Report

Pension Funds will need to monitor developments and ensure that they are providing up-to-date and meaningful disclosures when preparing their Annual Reports.

CORONAVIRUS IMPACT

The effects on year-end reporting and auditing

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Other guidance

The National Audit Office (NAO) has published a Guide for Audit Committees on financial reporting and management during the Coronavirus pandemic. This guide aims to help Audit Committee members support and challenge the organisations they work with in the following areas:

- Annual reports
- Financial reporting
- The control environment
- Regularity of expenditure.

In each section of the guide, the NAO has set out some questions to help audit committee members understand and challenge activities. Each section can be used on its own, although the NAO would recommend that audit committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and audit committees consider reporting in the 2020/21 period when more specific and detailed reporting on the outbreak will be required.

The guide is available through the following link:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

Implications for auditors

The impact of Coronavirus on going concern is a risk focus area for the audit, and in some cases may be a significant risk. As part of our on-going risk assessment procedures, we need to think about other specific areas and balances where Coronavirus might cause an issue and if this presents an additional risk. This includes the specific considerations in relation to the risks of having services in an affected area and supply chain issues in relation to items coming from these locations.

Personnel from audited entities may be unable to carry out their roles on site and/or be available to meet physically with our audit teams. Likewise, our people may be unable to work at audited entity sites or to travel to our offices, thereby potentially affecting the performance, review and supervision of the engagement team, including that of component or other auditors. We need to:

- Consider the impact on the audited entity
- Consider alternative ways of working including the use of our technology tools
- Consider implications for the quality of audit evidence and reporting.


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AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated 17 March 2020 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. We have subsequently revised the risk from normal to significant on the valuation of private equity, infrastructure and property funds investments. These include those risks which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the engagement team.

| Audit Risk | Risk Rating | Significant management estimate or judgement | Use of experts required | Error Identified | Significant control findings | Discussion points / Letter of Representation |
|--|-------------|--|-------------------------|------------------|------------------------------|--|
| Management override of controls | Significant | No | No | No | No | No |
| Pension liability valuation | Significant | Yes | Yes | Yes | No | No |
| Valuation of investments (Private equity, infrastructure and property funds) | Significant | No | No | Yes | No | No |
| Valuation of investments (Pooled investment vehicles and other investments) | Normal | No | No | No | No | No |
| Pension Contributions | Normal | No | No | No | No | No |
| Pension Benefits payable | Normal | No | No | No | No | No |
| Related party transactions | Normal | No | No | No | No | No |

 Areas requiring your attention

MANAGEMENT OVERRIDE OF CONTROLS

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Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.

Risk description

The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Work performed

We carried out the following planned audit procedures:

- Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals. We used our IT team to assist with the journal extraction;
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

Results

We have not found any indication of management bias in accounting estimates. Our views on significant management estimates are set out in this report.

We have identified no significant or unusual transactions to date which we consider to be indicative of fraud in relation to management override of controls.

Conclusion

Our audit work on journals and estimates did not identify any issues.

| | |
|--|--|
| Significant risk | |
| Normal risk | |
| Significant management estimate or judgement | |
| Use of experts | |
| Unadjusted error | |
| Adjusted error | |
| Additional disclosure required | |
| Significant control findings to be reported | |
| Letter of representation point | |

PENSION LIABILITY VALUATION

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Risk description

The pension fund is required to report the pension liability for estimated promised future benefits for the whole fund.

The Corporation's share of the net liability, including its share of the assets held in the pension fund, is allocated across the funds in proportion to the payroll cost for each fund.

An actuarial estimate of the liability is calculated by an independent firm of actuaries.

The estimate is based on the submission of membership data from the 2019 triennial valuation exercise, updated at 31 March 2020 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

Work performed

We carried out the following planned audit procedures:

- Assessed the qualifications and competence of the actuary through the use of PwC consulting actuary (auditor's expert);
- Reviewed the reasonableness of the assumptions used by Barnett Waddingham (management's expert) for the calculation of the liability against other local government and police pension actuaries' assumptions and other observable data using the benchmark range of acceptable assumptions provided by PwC consulting actuary (auditor's expert);
- Reviewed the controls for providing accurate membership data to the actuary and agreed cashflow data provided to the actuary;
- Checked the accuracy and completeness of the data set submitted to the actuary for the 2019 triennial valuation of the LGPS;
- Checked whether any significant changes in membership data have been communicated to the actuary since the 2019 LGPS submission;
- Discussed with the actuary the continuing impact of GMP equalisation and the McCloud judgement regarding age discrimination on the pension fund liability and impact on employer fund; and
- Checked the accuracy of the calculations relating to the allocation of the share of the net assets across the funds in proportion to the employer's contribution's paid to the scheme.

| | |
|--|--|
| Significant risk | |
| Normal risk | |
| Significant management estimate or judgement | |
| Use of experts | |
| Unadjusted error | |
| Adjusted error | |
| Additional disclosure required | |
| Significant control findings to be reported | |
| Letter of representation point | |

PENSION LIABILITY VALUATION

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Results

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

Our review of the accuracy and completeness of the data provided to the actuary for the roll forward valuation at 31 March 2019 is complete. We identified one error in the value of the final pensionable pay for a deferred member in the pension database when checking to source payroll data. We extended our sample by a further 15 deferred pensioners and found no further errors. The error found, when extrapolated over the balance of deferred pensioner liability, is trivial and therefore no further action has been taken.

We identified that incorrect cashflow information was sent to the actuary for employer and employee contributions. The actuary uses this information to estimate the current service costs and accrued benefits for the year and amounts received to fund future benefits. The resubmitted information has resulted in the defined benefit obligation for the pension fund increasing by £6.0 million. This disclosure has been corrected by management.

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

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

The actuary has calculated the impact of McCloud at £12.9 million assuming that active members since 2012 will benefit from the scheme amendments. This is consistent with the assumptions in the previous year and with the recent consultation on the proposed remedy to remove age discrimination for those members in the scheme at the time that the age underpin was agreed.

In July, HM Treasury announced that it would be amending the Teachers Pension scheme to remove the differential in survivor pensions for same sex marriage or civil partnerships following the Goodwin case, and that this will also apply to other public sector pension schemes. This is expected to result in lower survivor pensions although the actuary has not yet assessed the impact on the pension liability. Initial discussions with actuaries suggests that the impact will not be material.

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

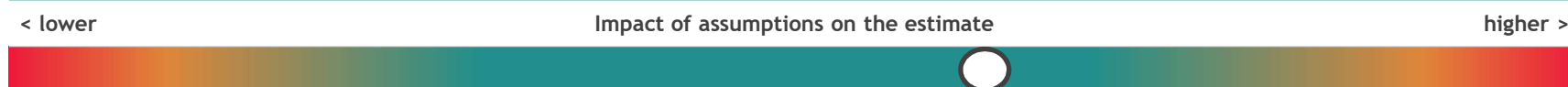
Conclusion

The defined benefit obligation has been corrected as a result of incorrect cash flow information being sent to the actuary.

PENSION LIABILITY VALUATION

Significant estimate - LGPS pension liabilities

Scheme pension liabilities (£1,697.4m)



The pension liability has decreased from £1,733.5 million to £1,697.4 million (before the adjustment noted on page 12). This includes a reduction of £167.4 million arising from changes to financial assumptions for salary increases of 2.9% (previously 3.9%), pension increases of 1.9% (previously 2.4%), and a change in the rate of discounting scheme liabilities to 2.35% (previously 2.4%). It also includes a gain on demographic assumptions of £12.3 million arising from reduced mortality assumptions of approximately 1.3 years for males and 0.2 years for females as increases in life expectancy have stalled in recent years. The impact of updating membership data from the triennial valuation has increased the liability for 'experience gains and losses' by £81.2 million.

We have compared the key financial and demographic assumptions used to an acceptable range provided by our consulting actuary.

| Financials: | Actual used | Acceptable range | Comments |
|--------------------|-----------------------------------|------------------|------------|
| - RPI increase | 2.7% | 2.80-2.65% | Reasonable |
| - CPI increase | 1.9% | 1.95-1.85% | Reasonable |
| - Salary increase | 2.9% | 2.9% | Reasonable |
| - Pension increase | 1.9% | 1.95-1.85% | Reasonable |
| - Discount rate | 2.35% | 2.35% | Reasonable |
| Commutation: | 50% | 50% | Reasonable |
| Mortality: | | | |
| - Male current | 23.2 years | 22.8-24.7 years | Reasonable |
| - Female current | 25.8 years | 25.2-26.2 years | Reasonable |
| - Male retired | 21.8 years | 21.4-23.3 years | Reasonable |
| - Female retired | 24.4 years | 23.7-24.7 years | Reasonable |
| Mortality gains | CMI 2018 (+1.5% improvement rate) | | Reasonable |

We consider that the assumptions and methodology used by the actuary are appropriate and will result in an estimate of the net pension liability which falls within a reasonable range. Our actuary has provided an estimate of the overall strength of assumptions and this indicates that the estimate has tended towards a prudent (higher) liability mainly due to using the CMI 2018 mortality gains rather than the latest available CMI 2019 tables.

VALUATION OF INVESTMENT ASSETS

Private equity, infrastructure and property funds

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There is a risk that private equity infrastructure and property fund investment valuations may not take into account the impact of Covid-19 at 31 March 2020.

| | |
|--|--|
| Significant risk | |
| Normal risk | |
| Significant management estimate or judgement | |
| Use of experts | |
| Unadjusted error | |
| Adjusted error | |
| Additional disclosure required | |
| Significant control findings to be reported | |
| Letter of representation point | |

Risk description

Private equity £38.4 million, infrastructure £61.7 million and property funds £66.1 million valuations are provided by the General Partner or fund manager using valuations based on techniques such as enterprise value or discounted cash flows. Market values have risen by £4.6 million in the year.

Audited valuations for private equity are provided at dates that are not coterminous with the accounting year end and need to be updated to reflect cash transactions up to 31 March.

There is also a risk that valuations provided at 31 March 2020 may not have taken into account the impact of Covid-19, especially where the valuations are simply rolled forward from the last audited valuation.

Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of valuations from General Partners or fund managers and requested copies of the audited financial statements of the partnerships (and member allocations). We confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds;
- Where available, obtained independent assurance reports over the controls operated by the General Partners (private equity) or fund managers for valuations and existence of investments;
- Reviewed updated valuations at 31 March 2020 to assess the impact of Covid-19 and whether valuations are subject to any material uncertainties; and

- Agreed the allocation of amounts for each fund where there is pooling of investments across the Corporation.

Results

Management included private equity valuations based on the December 2019 valuations provided by the General Partners. However, these were subsequently updated at 31 March 2020 after the draft financial statements had been prepared and reduced the valuations by £3.1 million.

We obtained direct confirmation of investment valuations from the General Partners or fund managers. We obtained assurance reports over the controls operated by General Partners or fund managers for valuations. Where these are not commissioned we agreed the December valuations to audited accounts.

We reviewed published information over property funds and noted that the Aviva Lime fund of £28.8 million suspended activity in the fund to preserve liquidity although continued to provide daily pricing. The fund also reported that the underlying property valuations were subject material uncertainty due to market conditions and lack of activity in the sector, and that investors could not redeem their units at the published prices. This uncertainty has been disclosed in the valuation notes. We do not propose reporting an emphasis of matter in the audit report as we consider this is not a material uncertainty against the overall total investment assets.

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

Conclusion

Private equity valuations have been reduced to reflect the updated valuations provided by the General Partners at 31 March 2020.

VALUATION OF INVESTMENT ASSETS

Pooled investment vehicles and other investments

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There is a risk that pooled investment vehicle valuations may not be correctly reported at year end.

Risk description

The valuation of other investments (pooled investment vehicles) are provided by fund managers and reported on a monthly basis.

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

Work performed

We carried out the following planned audit procedures:

- We obtained direct confirmation of investment valuations from the fund managers and agreed independent valuations, where available, provided by the custodian;
- Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds; and
- Agreed the allocation of amounts for each fund where there is pooling of investments across the funds.

Results

We obtained and agreed valuations to direct confirmation of investment valuations from the fund managers and agreed valuations, where available, to readily available observable data such as Bloomberg.

We reviewed the independent assurance reports over controls including valuations and noted that there were three fund managers where the reports had been qualified. We reviewed the exceptions and considered the potential impact over the existence of the assets and valuations, and we are comfortable that the gaps in controls or where compliance with the controls could not be evidenced would not resulted in the potential for material misstatement of the valuation of the investments held.

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

Conclusion

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

PENSION CONTRIBUTIONS

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There is a risk that the Corporation or other admitted and scheduled employers may not be calculating contributions correctly or paying over the full amount due to the pension fund

| | |
|--|--|
| Significant risk | |
| Normal risk | |
| Significant management estimate or judgement | |
| Use of experts | |
| Unadjusted error | |
| Adjusted error | |
| Additional disclosure required | |
| Significant control findings to be reported | |
| Letter of representation point | |

Risk description

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

Additional contributions are also required against pension strain for early retirements.

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

Work performed

We carried out the following planned audit procedures:

- Tested amounts payable by employers / receivable by the pension fund for normal contributions including checking to employer payroll records;
- Ensured that income is recognised in the correct accounting period where the employer is making payments in the following month;
- Performed tests over pension strain contributions due from employers for early retirements with undiscounted pensions;
- Agreed total contributions payable by the Corporation (as employer) to the amounts received in the pension fund; and
- Reviewed contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.

Results

Our testing has not identified any issues with the calculation of normal contributions receivable from employers or employees or pension strain contributions.

Our testing has not identified any issues with the timings of contributions receivable to the fund.

Our review of contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rate to cover minimum contributions to be paid as set out in Certificate did not identify any issues.

We have also agreed the total contributions payable by the Corporation to the amounts received in the pension fund.

Conclusion

Our audit work did not identify any issues.

PENSION BENEFITS PAYABLE

There is a risk that pension benefits payable may not be correct or paid to non-existent members.

Risk description

There is a risk that pension benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.

Work performed

We carried out the following planned audit procedures:

- For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, we checked a sample of calculations of pension entitlement;
- Checked the correct application of annual pension uplift for members in receipt of benefits;
- Tested a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member and also reviewed the results of the checks undertaken by ATMOS on the existence of pensioners;
- Cross check payments to movements in the membership statistics.

Results

Annual pension uplifts have been correctly applied at 3% and we did not identify any issues regarding the existence of pensioners.

We checked payments to movements in the membership statistics. Our testing did not identify any payments to deceased members.

We checked calculations of benefit entitlements. Our testing did not identify any issues.

Conclusion

Our audit work did not identified any issues.

| | |
|--|--|
| Significant risk | |
| Normal risk | |
| Significant management estimate or judgement | |
| Use of experts | |
| Unadjusted error | |
| Adjusted error | |
| Additional disclosure required | |
| Significant control findings to be reported | |
| Letter of representation point | |

RELATED PARTY TRANSACTIONS

There is a risk that related party disclosures are not complete and accurate.

Risk description

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit and Risk Management Committee.

There is a risk that related party disclosures are not complete and accurate, and disclosed in accordance with the applicable reporting framework for each fund / entity.

Historically, members of each entity have provided year end declarations but the requirements to consider other connected parties (including family and business connections) may not have been explicitly considered.

Work performed

We carried out the following planned audit procedures:

- Reviewed management processes and controls to identify and disclose related party transactions;
- Reviewed relevant information concerning any such identified transactions;
- Discussed with management and reviewed members' and management declarations to ensure that there are no potential related party transactions which have not been disclosed; and
- Undertaken Companies House searches for potential undisclosed interests.

Results

Our testing did not identify any undisclosed related party transactions and amounts disclosed in the financial statements were agreed to transaction data and breakdowns of staff costs. Two members had failed to provide declaration of interest returns.

Conclusion

Our audit work did not identify any issues.

OTHER MATTERS

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

| Issue | Comment |
|--|---|
| Technology Risk Assurance review | We have carried out a review of IT controls across all funds this year and will present a separate report with recommendations to address control deficiencies once the audit for each fund is concluded. |
| Annual report | <p>We reviewed the annual report and compared it to the CIPFA guidance and checklist. We noted that there are a number of areas where the 'must do' disclosures had not been complied with.</p> <p>Management has updated the report to ensure that these are included and indicated that they will work towards full compliance with the CIPFA requirements.</p> |
| Audit fees incorrectly disclosed in the financial statements. | <p>We noted that 2018/19 audit fees were incorrectly disclosed in the financial statements.</p> <p>Management has amended the financial statements.</p> |
| Presentation and missing disclosures in the financial statements | <p>Our review of the draft financial statements identified a number of presentational and other missing/ incorrect disclosures.</p> <p>Management has amended the financial statements.</p> |

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Fraud

Whilst the Chamberlain and Members have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud.

We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report on 31 March 2020.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

ADJUSTED AUDIT DIFFERENCES

Summary for the current year

There was one audit difference identified by our audit work that was adjusted by management. This decreased net assets by £3.1 million, from £1,031.8 million to £1,028.7 million.

| | Fund Account | | | Net Assets Statement | |
|--|-------------------|----------|------------|----------------------|------------|
| | NET DR/(CR) £m | DR £m | (CR) £m | DR £m | (CR) £m |
| Adjusted audit differences | | | | | |
| Decrease in net assets / net assets of the fund before adjustments | 31.3 | | | 1,031.8 | |
| Alternative investments valuation update to March 2020 | | | | | |
| DR Change in Market value | | 3.1 | | | |
| CR Investment asset valuation | | | | | 3.1 |
| Decrease in net assets / net assets of the fund after adjustments | 34.4 | | | 1,028.7 | |

ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

We are required to bring to your attention other financial reporting matters that the Audit and Risk Management Committee is required to consider

The following adjusted disclosure matters were noted:

- The pension liability disclosure was corrected to increase the liability by £6.0 million to £1,703.4 million
- Narrative amendments made to the annual report and accounts to improve disclosures as a result of the completion of the annual report checklist and accounts disclosure checklist.



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REPORTING ON OTHER INFORMATION

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

| Matter | Comment |
|---|--|
| We are required to report on whether the financial and non-financial information in the Pension Fund Annual Report is consistent with the financial statements and the knowledge acquired by us in the course of our audit. | We are satisfied that the other information in the Pension Fund Annual Report is consistent with the financial statements and our knowledge. |

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OTHER DEFICIENCIES

| Area | Observation & implication | Recommendation | Management response |
|------------------|--|---|--|
| Other deficiency | No evidence is retained of management review of the data submitted to the actuary for the triennial valuation. | Evidence of the review of the data submitted to the actuary should be retained. | Evidence will be retained of management’s review of the data submitted to the actuary for the triennial valuation. |

FOLLOW UP OF PRIOR YEAR DEFICIENCIES

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| Area | Issue and impact | Original recommendation | Progress | Management response |
|-----------------------|--|--|---|---------------------|
| Prior year deficiency | Our prior year audit work identified that there was no complete bank reconciliation at year end. We identified that an overpayment of £426,000 relating to recharges by the Corporation to the pension fund was not accounted for in the ledger. A bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet. | Management should review processes for preparing cash and bank analyses and supporting bank reconciliations. Balances within clearing codes should be cleared down with equal and opposite entries and the total population of reconciling items should be identified, in order to appropriately prepare the bank reconciliations. | The 2020 bank reconciliation has been appropriately prepared. [Closed] | N/A |

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OVERVIEW

Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Pension Fund’s ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

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INDEPENDENCE

Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC’s Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2020.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Corporation.

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

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

FEES

Fees summary

| | 2019/20 Actual £ | 2019/20 Planned £ | 2018/19 Actual £ |
|-------------------|------------------------|-------------------------|------------------------|
| Audit fee | | | |
| Code audit fee | 22,000 | 22,000 | 22,000 |
| Total fees | 22,000 | 22,000 | 22,000 |



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OUR RESPONSIBILITIES

Responsibilities and reporting

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to members of the Corporation (as the Administering Authority).

We read and consider the 'other information' contained in the Pension Fund Annual report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Audit and Risk Management Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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| Issue | Comments |
|---|--|
| Significant difficulties encountered during the audit. | <p>The audit has been very challenging as a result of the Covid-19 lockdown. This has meant that staff on both sides are working from home and therefore the face to face communication/ review of files has not been possible resulting in increased time being spent by both sides in relation to the audit.</p> <p>In addition hard copy files held in the London Metropolitan Archive were not available until later in the audit which has also resulted in delays.</p> |
| Written representations which we seek. | We enclose a copy of our draft representation letter. |
| Any fraud or suspected fraud issues. | No exceptions to note. |
| Any suspected non-compliance with laws or regulations. | No exceptions to note. |
| Significant matters in connection with related parties. | No exceptions to note. |

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Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Corporation as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit and Risk Management Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

| Communication | Date (to be) communicated | To whom |
|-------------------------|---------------------------|-------------------------------------|
| Audit Planning Report | 31 March 2020 | Audit and Risk Management Committee |
| Audit completion report | 3 November 2020 | Audit and Risk Management Committee |

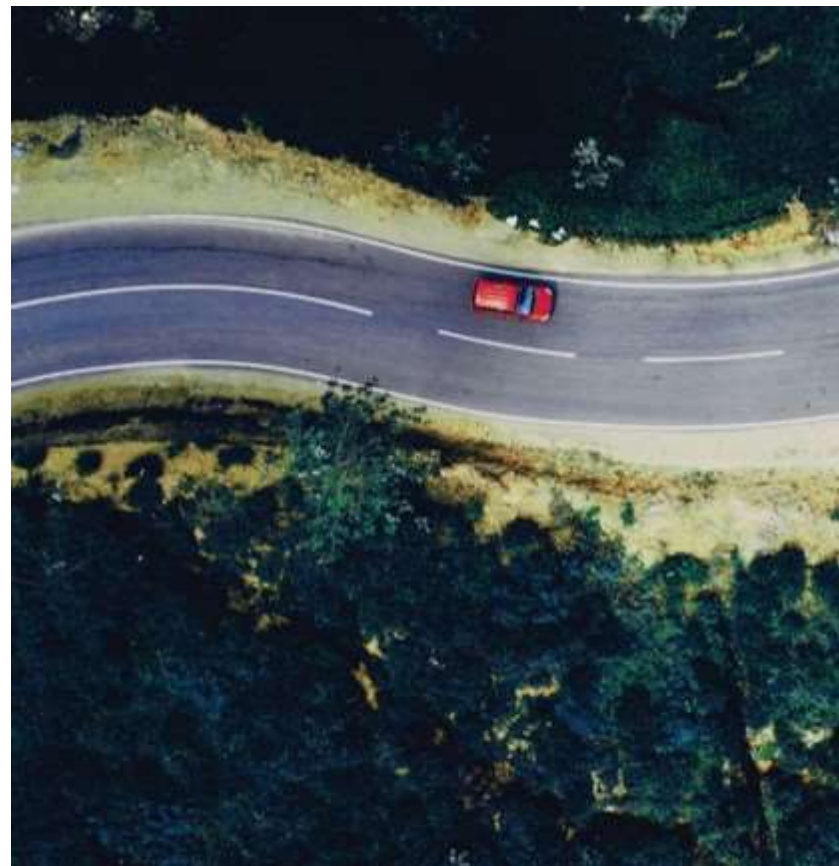
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We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2020.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Audit and Risk Management Committee meeting at which this report is considered:

- Completion of internal quality reviews.
- Receipt of signed letter of representation



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF LONDON CORPORATION PENSION FUND

Opinion on pension fund financial statements

We have audited the pension fund financial statements of City of London Corporation Pension Fund ("the pension fund") for the year ended 31 March 2020 which comprise the fund account, the net assets statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The framework that has been applied in the preparation of the pension fund financial statements is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020, other than the liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Chamberlain's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chamberlain's has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension 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 Chamberlain is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the pension fund financial statements and our auditor's report thereon. Our opinion on the pension fund 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.

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In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund 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 pension fund 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 Chamberlain and City of London Corporation (“the Corporation”) as administering authority of the pension fund

As explained more fully in the Statement of the Chamberlain’s Responsibilities, the Chamberlain’s is responsible for the preparation of the Statement of Accounts, which comprises the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the pension fund financial statements, the Chamberlain’s is responsible for assessing the pension 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 intends to wind up the scheme or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

In respect of our audit of the pension fund financial statements our objectives are to obtain reasonable assurance about whether the pension fund 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 at the Financial Reporting Council’s website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor’s report.

AUDIT REPORT

Use of our report

This report is made solely to the members of City of London Corporation Pension Fund, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the City of London and the Corporation's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Leigh Lloyd-Thomas

For and on behalf of BDO LLP, Appointed Auditor

London, UK

[Insert date]

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

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FRC PRACTICE AID FOR AUDIT COMMITTEES

guidance

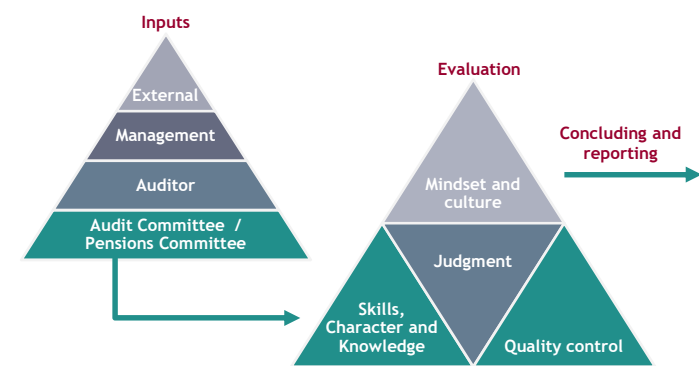
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The FRC issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the [FRC website](#). In their practice aid the FRC note: ‘The directors of a company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the company’s internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and worthy basis for taking decisions.’

The practice aid then discusses how the role of audit committee in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high quality audit (see note below).

It gives guidance for audit committee in the following areas:

- Audit tenders and the tender process including audit fee negotiations and auditor independence
- A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding:



- Transparency - reporting to the Board on how the audit committee has discharged these responsibilities
- Some guidance on key areas of audit judgement

The provision of high quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high quality audits. A copy of the letter can be found on the [FRC website](#).

LETTER OF REPRESENTATION

BDO LLP
55 Baker Street
London
W1U 7EU

Dear Sir / Madam

Financial statements of City of London Pension Fund for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of the Pension Fund's financial statements for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Corporation.

The Chamberlain has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Pension Fund as of 31 March 2020 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Pension Fund, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Pension Fund's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Pension Fund have been made available to you for the purpose of your audit and all the transactions undertaken by the Pension Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Pension Fund's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release.

[Fund name and Letter headed paper]

As a result of our assessment we consider that the Pension Fund is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note 2 to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Pension Fund's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Pension Fund's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

Other than those disclosed in the financial statements, there have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

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LETTER OF REPRESENTATION

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

You have not advised us of any remaining unadjusted misstatements in the financial statements or other information in the Annual Report.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 22 to the financial statements, there were no loans, transactions or arrangements between the Pension Fund and Corporation members or their connected persons at any time in the year which were required to be disclosed.

The disclosures in the financial statements concerning the Corporation as Administering Authority of the Pension Fund are accurate.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

The value at which investment assets are recorded in the net assets statement is the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuations, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the scheme. Any significant changes in those values since the year end date have been disclosed to you.

No assets of the fund has been assigned, pledged or mortgaged.

The following key assumptions have been used to calculate the actuarial present value of future pension benefits disclosed in the financial statements:

- Rate of inflation (CPI): 1.9%
- Rate of increase in salaries: 2.9%
- Rate of increase in pensions: 1.9%
- Rate of discounting scheme liabilities: 2.35%
- Commutation take up option: 50%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 26.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each officer and member has taken all the steps that they ought to have taken as an officer or member of the Corporation in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Peter Kane - Chamberlain of London

[date]

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AUDIT QUALITY

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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO’s Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream’s objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the FRC’s Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

Leigh Lloyd-Thomas

t: 020 7893 2616

e: leigh.Lloyd-thomas@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

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www.bdo.co.uk

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Report to the Audit and Risk Management Committee

CITY OF LONDON CORPORATION CITY FUND

Audit Completion Report:
Year ended 31 March 2020



IDEAS | PEOPLE | TRUST



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We have pleasure in presenting our Audit Completion Report to the Audit and Risk Management Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2020, specific audit findings and areas requiring further discussion and/or the attention of the Audit and Risk Management Committee. At the completion stage of the audit it is essential that we engage with the Audit and Risk Management Committee on the results of our audit of the financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit and Risk Management Committee meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by the Corporation as a whole. We expect that the Audit and Risk Management Committee will refer such matters to the Court of Common Council, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the management and staff of the Corporation for the co-operation and assistance provided during the audit.

[insert signature]

Leigh Lloyd-Thomas

22 October 2020



Leigh Lloyd-Thomas
Engagement lead

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e: leigh.lloyd-thomas@bdo.co.uk



Kerry Barnes
Senior Audit Manager

t: 020 7893 3837
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Kerry Lin
Audit senior

t: 079 2905 6086
e: kerry.lin@bdo.co.uk

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Audit and Risk Management Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

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This summary provides an overview of the audit matters that we believe are important to the Audit and Risk Management Committee in reviewing the results of the audit of the financial statements and use of resources of the City Fund for the year ended 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



Overview

Our audit work is substantially complete and subject to the successful resolution of outstanding matters, we anticipate issuing our opinion on the financial statements and use of resources for the year ended 31 March 2020 in line with the statutory deadline of 30 November 2020.

Outstanding matters are listed on [page 57](#) in the appendices.

The following changes were made to our planned audit approach:

- Enhanced audit procedures to address the material uncertainty reported in respect of Property, Plant and Equipment and Investment Property valuations;
- Elevated risk level from normal to significant in respect of impairment of receivables due to the impact of coronavirus;
- Additional risk identified in respect of going concern due to the impact of pandemic; and
- Additional risk identified in respect of accounting for lease premiums.

No restrictions were placed on our work.

Audit report

Subject to the outstanding matters, we anticipate issuing an unmodified audit opinion on the financial statements and use of resources.

We will report an emphasis of matter in our audit report in relation to the material uncertainty around PPE and Investment Property valuations.

We have no exceptions to report in relation to the arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

THE NUMBERS

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Final overall materiality

Final materiality was determined based on a benchmark of 1% of income generating assets using the combined values of long term assets, managed investments and cash resources as a suitable value for materiality.

This was revised upwards from £32.3 million reported in the audit planning report to £34 million based on the draft financial statements.

Specific materiality

Specific materiality for the Comprehensive Income and Expenditure Account was based on 1.5% of gross expenditure. We consider that a misstatement at a lower level through revenue expenditure would be material where this may impact on setting future council tax or HRA rent levels.

This was revised downwards from £7.2 million reported in the audit planning report to £6.9 million based on the draft financial statements.

Audit adjustments

We did not identify any material misstatements.

Management has adjusted the financial statements for:

- Overstated grant income
- Valuation errors for the Guildhall complex and Barbican site
- Impact of the corrected misstatements in the pension fund relating to a reduction in asset values from revised private equity fund valuations.

These adjustments decreased the draft surplus on the provision of services of £86.8 (to £85.7 million) and decreased net assets of £1,592.9 million (to £1,591.8 million) by £1.15 million.

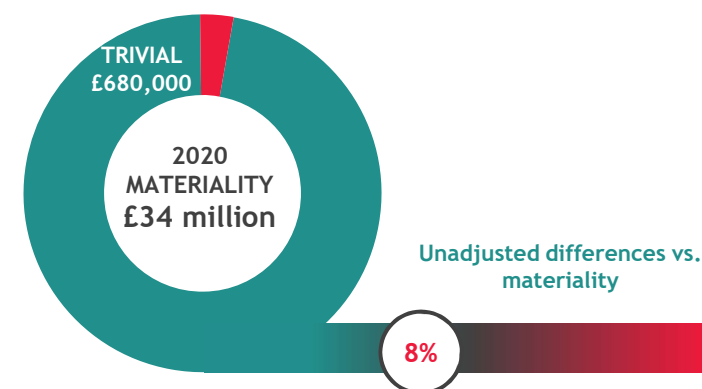
The City Fund balance decreased by £1.15 million as a result of these adjustments.

Unadjusted audit differences

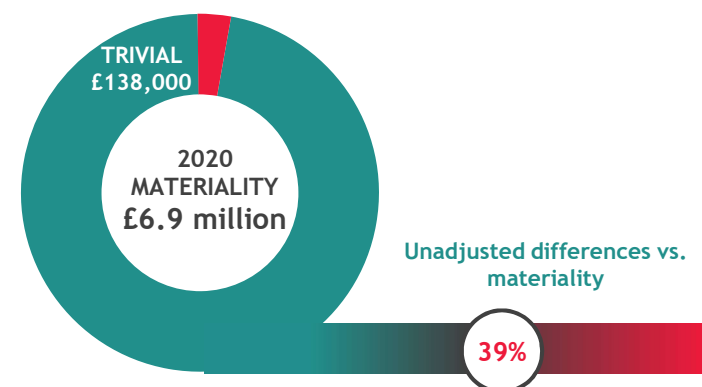
We identified audit adjustments that, if posted, would increase the surplus on the provision of services for the year of £85.7 million (to £88.4 million) and net assets of £1,591.8 million (to £1,594.5 million) by £2.69 million.

There is no impact on the City Fund balance of £177 million as these adjustments would be reversed to the collection fund adjustment account through the Movement in Reserves Statement.

Financial statements materiality



CIES specific materiality



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Financial reporting

- We have not identified any non-compliance with accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient
- The Narrative Report is consistent with the financial statements and our knowledge acquired in the course of the audit. We have suggested adding further detail into the financial summary section of the Narrative Report to improve the readers' understanding of the City Fund's outturn position.
- The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.
- We will complete our review of the Whole of Government Accounts Data Collection Tool (DCT) after we have completed our audit of the financial statements.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Corporation in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.



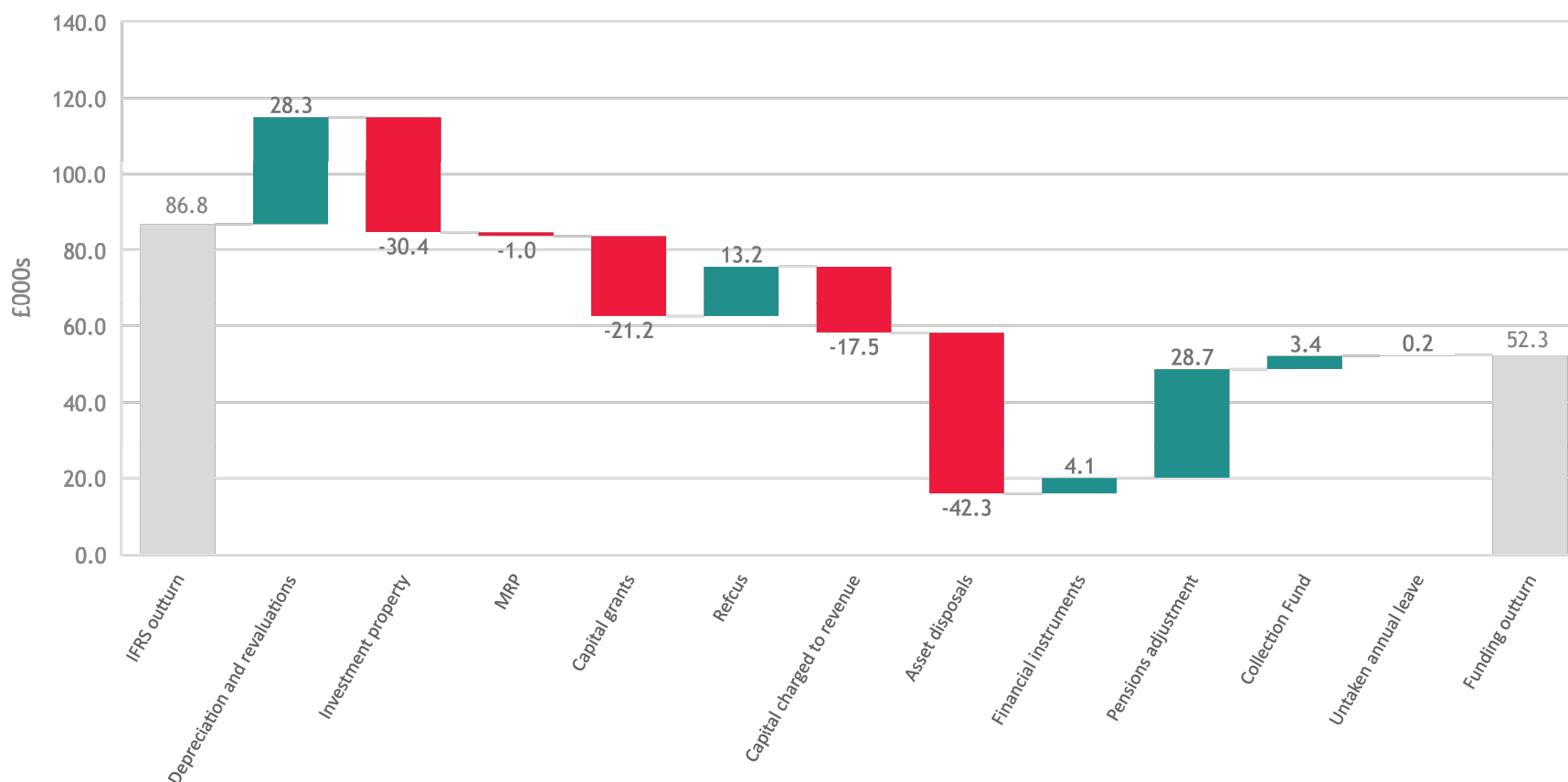
FINANCIAL OUTTURN

Executive summary

Reconciliation of CIES accounting outturn to funding outturn

The chart below highlights the statutory adjustments made to the CIES reported 'surplus on the provision of services' of £86.8 million (based on IFRS financial reporting requirements), per the draft accounts and before any audit adjustment, to the funding outturn surplus of £52.3 million.

This includes adjustments to remove capital charges and gains (such as depreciation, revaluations and asset disposals) and replace with the statutory Minimum Revenue Provision, remove capital grants received and revenue funded from capital resources, include capital expenditure charged to revenue and replace the IAS 19 based pension costs for the year with amounts payable to the pension.



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CORONAVIRUS IMPACT

The effects on year-end reporting and auditing

The emergence and spread of Coronavirus has had an effect on business and markets around the world. Guidance is now available to assist in identifying the potential corporate reporting and auditing issues and consequences of the virus, and there have been a number of Local Government specific issues, including relaxations to accounts preparation and audit timetables.

However, given the fast moving and ever changing nature of the situation, aspects of this corporate guidance will change over time. The outbreak is an in-year event and will impact the valuations, estimations and disclosures reflected in the financial statements for periods ending on or after 31 March 2020.

Going concern

In respect of going concern, the Chief Finance Officer is required to consider events that have occurred both before and after the balance sheet date when determining whether there is a material uncertainty over the ability to continue as a going concern. Consequently, forecast financial information, sensitivity analysis (which may require additional and/or different potential variances to be included) and compliance with bank and other covenants will need to factor in the estimated effects of the Coronavirus pandemic.

A common approach that is developing, and which BDO is encouraging, in relation to each set of financial statements that is prepared for audit is:

- The assessment of going concern that the Chief Finance Officer is required to undertake needs to explicitly consider the impact of Coronavirus to accommodate the uncertainty prevailing and must cover the period of at least 12 months from the date of signing the financial statements. The assessment may not be limited to this period if there are foreseen events or conditions beyond this period which may influence the economic decisions of users.
- The assessment needs to consider the entity’s resilience through three lenses - operational capability (closed locations, reduced workforce through illness, breakdown in supply chain), demand for services (effect on income and expenditure) and structural finance (liquidity and access to committed facilities).

- If the Chief Finance Officer considers that there are material uncertainties, this will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).
- The going concern disclosures in the basis of preparation note in the financial statements will also need to be enhanced.

Within local government, the Government’s commitment to ensure that local authorities are adequately compensated for additional expenditure incurred or income lost directly as a result of the Coronavirus pandemic, removes some of the uncertainty faced by public sector entities. However, the assessment of going concern, and associated disclosures in the financial statements, are still expected to fully consider and record the impact of Coronavirus.

The auditor’s review of Chief Finance Officer’s assessments must be greater than normal, will require more evidence, and will continue to be performed through to the point of signing the audit report. While our assessment is iterative, our current view is that management has a good understanding of the impacts of coronavirus on year end reporting and auditing and the budget requirement in the coming years.

Grant funding

Grant funding received before 31 March 2020 to fund expenditure related to the Coronavirus pandemic will need to be assessed for conditions and recognised in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Valuations of financial and non-financial assets and liabilities

Data used in valuations of financial and non-financial assets and liabilities should be based on forecasts, projections and assumptions that were reasonable and supportable at the balance sheet date. For 31 March 2020 year ends, given that the significant development and spread of Coronavirus occurred within the financial year and that the World Health Organisation announced a global health emergency on 31 January 2020, the estimated impact of the Coronavirus pandemic will need to be factored into this data.

CORONAVIRUS IMPACT

The effects on year-end reporting and auditing

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Subsequent events disclosure

Significant income and expenditure incurred as a result of the Coronavirus pandemic after 31 March 2020 and up to the date of signing may need to be disclosed as a non-adjusting post balance sheet event, if considered of such importance as to affect the ability of users of the financial statements to make proper evaluations.

Narrative reporting implications

The Annual Governance Statement should clearly set out the risks arising from Coronavirus.

Local authorities will need to monitor developments and ensure that they are providing up-to-date and meaningful disclosures when preparing their Statement of Accounts.

Other guidance

The National Audit Office (NAO) has published a Guide for audit committees on financial reporting and management during the Coronavirus pandemic. This guide aims to help audit committee members support and challenge the organisations they work with in the following areas: annual reports, financial reporting, control environment and regularity of expenditure.

The NAO has set out some questions to help audit committee members understand and challenge activities. Each section can be used on its own, although the NAO would recommend that audit committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and audit committees consider reporting in the 2020/21 period when more specific and detailed reporting on the outbreak will be required.

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

Implications for auditors

As part of our on-going risk assessment procedures, we need to think about other specific areas and balances where Coronavirus might cause an issue and if this presents an additional risk:

- Valuation and disclosure of financial and non-financial assets including property, plant and equipment (PPE), investment properties, intangibles, investments and accounts receivable
- Going concern and/or working capital assessment and disclosure
- Risk disclosures
- Subsequent event disclosures.

Personnel from audited entities may be unable to carry out their roles on site and/or be available to meet physically with our audit teams. Likewise, our people may be unable to work at audited entity sites or to travel to our offices, thereby potentially affecting the performance, review and supervision of the engagement team, including that of component or other auditors. We need to:

- Consider the impact on the audited entity
- Consider alternative ways of working including the use of our technology
- Consider implications for the quality of audit evidence and reporting.

Valuers are also encouraged by updated RICS guidance to include caveats within valuation reports relating to potential material uncertainties in their assessed valuations. In these cases, such caveats should be included within the financial statements and may be referred to by the auditor in their opinion/report.

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AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated March 2020 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. We have subsequently increased the impairment allowance for the non-collection of receivables risk from normal to significant. These include those risks which had the greatest effect on the overall audit strategy, allocation of resources in the audit and the direction of the efforts of the engagement team.

| Audit Risk | Risk Rating | Significant management estimate or judgement | Use of experts | Error identified | Control findings | Discussion points / Letter of Representation |
|--|-------------|--|----------------|-------------------|------------------|--|
| Management override of controls | Significant | No | No | No | No | No |
| Revenue (and expenditure) recognition | Significant | No | No | Yes, adjusted | No | No |
| Some work ongoing in this area | | | | | | |
| Property, plant and equipment and investment property valuations | Significant | Yes | Yes | Yes, adjusted | No | Yes - confirm material assumptions used |
| Some work ongoing in this area | | | | | | |
| Pension liability valuation | Significant | Yes | Yes | Yes, adjusted | No | Yes - confirm material assumptions used |
| Additional error on police pension liability to be agreed | | | | | | |
| NDR appeals provision | Significant | Yes | Yes | Yes, not adjusted | No | Yes - confirm material assumptions used |
| Some work ongoing in this area | | | | | | |
| Impairment allowance for non-collection of receivables | Significant | Yes | No | Yes, adjusted | Yes | Yes - confirm material assumptions used |

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MANAGEMENT OVERRIDE OF CONTROLS

Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.

| | |
|--|--|
| Significant risk | |
| Normal risk | |
| Significant management estimate or judgement | |
| Use of experts | |
| Unadjusted error | |
| Adjusted error | |
| Additional disclosure required | |
| Significant control findings to be reported | |
| Letter of representation point | |

Risk description

The auditor’s responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Work performed

We carried out the following planned audit procedures:

- Considered estimates and judgements applied in the financial statements to assess their appropriateness and the existence of any systematic bias;
- Reviewed and checked high value and unusual journal entries made in the year and agreed the journals to supporting documentation. We determined key risk characteristics to filter the population of journals and used our IT team to assist with the journal extraction;
- Considered unadjusted audit differences for indications of bias or deliberate misstatement; and
- Considered areas where management bias could impact remuneration through performance based payment schemes.

Results

Our views on significant management estimates are set out in this report and does not indicate any evidence of systematic bias in preparing the financial statements.

Our audit work on journals and estimates did not identify any issues.

The remaining unadjusted audit differences do not indicate bias or deliberate misstatement.

Conclusion

We have identified no significant or unusual transactions to date which we consider to be indicative of fraud in relation to management override of controls.

REVENUE (AND EXPENDITURE) RECOGNITION

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Auditing standards presume that income recognition presents a fraud risk.

Risk description

Under auditing standards there is a presumption that there is a risk of fraud in revenue recognition. For the City Fund, we consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the Comprehensive Income and Expenditure statement (CIES). There is also a risk around the existence of fees and charges and investment property rental income. For net-spending bodies in the public sector there is also risk of fraud related to recognition of expenditure.

Work performed

We carried out the following planned audit procedures:

- Tested a sample of grants included in income to documentation from grant paying bodies and checked that the recognition criteria had been met;
- Tested a sample of fees and charges to ensure that income had been recorded in the correct period and that all income that should have been recorded had been;
- Tested a sample of property rental income and agreed to lease agreements and recalculations performed to confirm amounts are accurate and were recorded in the correct period; and
- Tested a sample of expenditure either side of year end, to confirm that expenditure had been recorded in the correct period and that all expenditure that should have been recorded at year end had been.

Results

Grant recognition testing

The vast majority of this testing has been completed however we are awaiting audit evidence to support a number of capital grants selected for testing.

To date our audit testing has identified that the Section 31 Business Rates grant had been overstated by £1.1 million due to a calculation error. Management has agreed to correct this in the final version of the financial statements.

Income fees and charges testing

Our audit testing has not identified any issues.

| | |
|--|--|
| Significant risk | |
| Normal risk | |
| Significant management estimate or judgement | |
| Use of experts | |
| Unadjusted error | |
| Adjusted error | |
| Additional disclosure required | |
| Significant control findings to be reported | |
| Letter of representation point | |

REVENUE (AND EXPENDITURE) RECOGNITION

Auditing standards presume that income recognition presents a fraud risk.

Results (continued)

Property rental income testing

Our audit work has not identified any issues.

Expenditure cut-off testing

Audit testing has not identified any issues.

We are currently reviewing a number of purchase orders that have been raised after the date the invoice was received to understand the reason for this and to ensure the expenditure in the correct financial year.

Work outstanding

To complete the testing of the remaining samples noted above.

Conclusion

Work outstanding to be completed before we are able to conclude on this risk.

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There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

| | |
|--|--|
| Significant risk | |
| Normal risk | |
| Significant management estimate or judgement | |
| Use of experts | |
| Unadjusted error | |
| Adjusted error | |
| Additional disclosure required | |
| Significant control findings to be reported | |
| Letter of representation point | |

Risk description

The Corporation applies an annual revaluation process for investment properties and higher value operational assets to provide assurance that carrying values are not materially misstated; with the remainder of the non material value assets being revalued every five years. The Corporation has appointed three different valuers for City Fund for investment property and other operational land and buildings. Internal valuers also carry out some valuations.

Due to the significant value of the land, buildings, dwellings and investment properties, the high degree of estimation uncertainty and material uncertainties over valuations of land and buildings due to prevailing market conditions as a result of the coronavirus pandemic, there is a significant risk over the valuation of these assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at the year-end.

Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and the valuer's skills and expertise in order to determine if we can rely on the management expert;
- Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewed the accuracy and completeness of information provided to the valuer;
- Reviewed assumptions used by the valuer in light of the prevailing market conditions to support the valuations including any material uncertainty for classes of assets;
- Discussed with our Real Estate Team the reasonableness of assumptions on benchmark and yields range for investment properties;
- Followed up valuation movements that appeared unusual or outside of our expectations; and
- Confirmed that assets not specifically valued in the year have been assessed to ensure their reported values remain materially correct.

Emphasis of matter in the audit report

Since issuing our audit planning report RICS issued guidance to valuers regarding material uncertainties over valuations of land and buildings due to prevailing market conditions as a result of the coronavirus pandemic. The City Fund valuers responsible for valuing land and building included material uncertainties over their valuations in their reports as at 31 March 2020.

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There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

Results

Management are considering the additional disclosures for the financial statements in order to clearly describe the types of assets that fall within the valuers material uncertainty. We will refer to these disclosures as an emphasis of matter in our audit report as the matter is of such importance that it is fundamental to users' understanding of the financial statements (albeit our opinion is not qualified).

Our review of instructions to the valuer including the valuer's skills and expertise did not identify any issues.

We confirmed that the basis of valuation for assets valued in year is appropriate and in line with Code.

Our review of the accuracy and completeness of the data inputs used by the valuers identified the following issues:

- Guildhall Complex - we identified that yields and cost percentages had been incorrectly rolled forward from the prior year and the asset valuation has been understated by £520,000; and
- Barbican Estate - we found an error in the hard coded formula calculation used in the valuation for the Barbican Estate that resulted in an understatement of assets of £1.3 million.

Management has agreed to correct the financial statements for both of these errors.

Our audit work in respect of the accuracy and completeness of data inputs for depreciated replacement cost (DRC) valued assets is still in progress.

The results of our review of the significant assumptions and estimates used by the valuers for classes of assets are reported on the following pages.

Representations required

We have sought specific representations over material assumptions used in the valuations including investment property yields and rebuild cost indices.

Work outstanding

To complete the testing of inputs used in the valuations (eg rents, rebuild cost location adjustments) for some assets as noted in the following pages.

To confirm that assets not specifically valued in the year have been assessed to ensure their reported values remain materially correct.

Conclusion

Work outstanding to be completed before we are able to conclude on this risk.

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Significant estimate - Investment properties

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Investment property valuation £1,622 million

< lower

Impact of assumptions on the estimate

higher >

Investment properties are valued by reference to highest and best use market value using an income based approach. This valuation is based on the current passing rents for the existing lease term, expectations about future rents at the next rent review, market driven yield expectations for similar properties and the covenant strength of the existing lease and tenant. The significant valuation assumption is the market yield applied to the rents.

Investment properties increased in value by £35.3 million to £1,621.5 million (2.1%) in 2019/20 driven primarily by the revaluation increment (£30.2 million).

We set yield expectations for the portfolio based on year-end market trends and property type (such as office, retail or industrial). These expectations also included consideration of a property's location and security of future income.

The majority of investment properties comprise office buildings within the city and the following range of yields were applied:

- City office space (EC1 to EC4) 3.00% to 4.00%
- City strategic estate (Bonhill and Worship St) 4.50% to 5.00%

In consultation with our Real Estate and Valuation teams, we compared the yields used by the valuers to our expectations (within a +/- 0.25% range) and discussed properties outside of these expectations with the valuer to assess the appropriateness of the yields used.

For those properties that were outside of the expected yields the valuers provided detailed information to support the valuations.

We are satisfied that the yields applied to the valuations of investment properties are reasonable.

PPE AND INVESTMENT PROPERTY

Significant estimate - Non-specialised other land and buildings

Non-specialised other land and buildings (including Barbican Estate) net book value £269.3 million



Non-specialised other land and buildings increased in value by £2.6 million (+0.94%) in 2019/20. These valuations may be based on:

- income approach using the current net profits for the assets at market driven yield expectations for similar types of assets (eg car parks, markets); and
- recent market sales prices for similar assets adjusted for size and condition.

The significant valuation assumptions are the market yield applied to net profits and sales of similar properties.

Existing Use Value

We set detailed expectations for year on year valuation movements in asset values, taking into account various external sources of information tailored to the individual assets that were revalued. We compared the valuation movements to our expectations and three assets had valuation movements that fell outside of these expectations (Modern and Tradition Crematorium, The Haywood Centre and the Tower Hill car park).

The Tower Hill car park valuation reduced by £597,000 million due to fall in net profits as a result of another car park recently opening just outside of the congestion charge boundary. The inputs used in the valuation were agreed to income and expenditure data as per City Fund records. The reasonableness of the yield applied to the valuation was also tested by assessing against comparative data. The cost rate percentages applied were compared to expected estimates. Based on our work, we are satisfied that the valuation of Tower Hill car park is reasonable.

Detailed testing of the Crematorium and Haywood Centre valuation movements is still in progress.

Market Value

We set detailed expectations for year on year valuation movements in asset values and also checking the key inputs used in the valuations. This included Spitalfields Markets, Guildhall Complex, Barbican Residential Estate and HRA commercial property.

We agreed the income and expenditure used in the Spitalfields Markets valuation and the reasonableness of the yields and cost rates. While we noted some small variances in the rates these were within tolerable thresholds for testing.

We agreed the floor size for the Guildhall Complex and compared the market value per square foot to market benchmark rates. Comparable properties for yield purposes were also assessed for reasonableness with no issues. However, we found an error in the formula used for the Capital Value of the Justice Rooms and the errors has been noted on [page 15](#).

We agreed the lease and rent data used for a sample of assets from the Barbican Estate and assessed yields and cost rates against our expectations. Some small variances were noted but these were within tolerable thresholds. However, we found an error in the hard coded formula calculation used in the valuation for one lease and the errors has been noted on [page 15](#).

We compared the estimated rental values and yields for the HRA commercial property portfolio to similar properties and market benchmarks and all were found to be within expectations. Some audit testing is in progress to agree rents to lease documentation for some properties.

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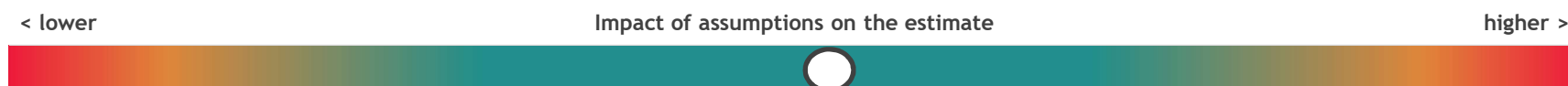
Significant estimate - Specialised land and buildings

| Specialised properties net book value £312.7 million | | |
|---|---------------------------------------|----------|
| < lower | Impact of assumptions on the estimate | higher > |
| To be confirmed | | |
| <p>Land and buildings that do not have a market value due to their specialised nature are valued on a depreciated replacement cost basis. This valuation estimates the cost of replacing the ‘service potential’ of that asset using modern materials and adjusted to reflect the age and obsolescence of the asset to reflect its remaining useful economic life.</p> <p>The service potential of the asset does not necessarily have to be a like-for-like replacement and a ‘modern equivalent asset’ replacement can be specified that may result in a different size or specification building or re-provisioning to a more appropriate location. Management determined that no adjustments are needed to the service potential valuations for building size, specification or location. Some assets are deemed to be of such cultural or historic significance that a rebuild cost uses assumptions to rebuild the asset in the same materials rather than modern materials that can increase the replacement cost valuation.</p> <p>The key input to the depreciated replacement cost valuations is the size of the building and the key estimate is the rebuild cost to be applied.</p> <p>All specialised property assets valued this year have been subject to detailed testing including agreeing the replacement size by checking the gross internal floor area (GIA) and agreeing the age / obsolescence adjustment to the remaining useful life provided by the valuer.</p> <p>The rebuild cost assumptions have been agreed to data provided by RICS for Building Cost Indices including Weighted Overall Cost Rate, Location, Location Factor, professional fees percentages and overall obsolescence factors applied.</p> <p>Some work is in progress to agree inputs and rebuild costs.</p> | | |

PPE AND INVESTMENT PROPERTY

Significant estimate - HRA dwellings

HRA dwellings net book value £221.4 million



Dwellings decreased in value by £1.7 million (-0.76%) in 2019/20. HRA dwellings are valued at open market value and adjusted down by 70% to reflect the discounted social rents charged to tenants. The adjustment reflects information provided by DCLG in 2016 for regional (London) differences between market rents and social rents that estimated that across London the average reduction was 75% but may be adjusted +/-5% for local circumstances. Dwellings not within the HRA and let at market value do not have this adjustment applied.

Dwellings were subject to valuation based on allocation of properties into relevant Beacons (for similar types of properties) and valued by reference to recent sales data for similar properties. Where possible, the City Surveyor has used other sales on City Fund Estates to support the valuations. Where there haven't been equivalent sales in the year, the City Surveyor has used other similar properties in the area or other City of London Estates.

The key input to the valuation is the allocation of all dwellings into an appropriate Beacon. The key estimates are the open market value of a Beacon by reference to recent similar sales or housing indices and the social housing discount factor applied.

Our testing of the allocation of dwellings into appropriate Beacons (by location, archetype and bedrooms) did not identify any inappropriate grouping or allocations.

The valuer has appropriately applied sales prices for recent sales for the limited number of City Fund dwellings sold in year along with sales of similar properties. We checked and agree the data used for these recent sales in determining the open market value for each Beacon property.

We also assessed the reasonableness of the overall valuation movement using London house price index data from Halifax and Nationwide, Land Registry data as well as other publicly available external residential market data for central London from Knight Frank, CBRE and the GLA London Datastore. Our analysis of the market movement shows a fairly minimal movement year-on-year and the overall 0.76% valuation reduction is in line with our expectation.

The social housing discount applied has remained at 70% for some years and MHCLG update the national rates usually every 5 years. A refresh of the national and regional differences between market rents and social rents can therefore be expected in the next few years. The HRA discount rate applied by the Corporation was also last reviewed some years ago. We suggest that management review the local discount applied when MHCLG publish its updated guidance.

We have reported in recent years that the useful economic lives (UEL) of dwellings has been set at 125 years based on the usual term for leases granted. This is significantly longer than the UELs used by other local authorities where the main structure of a dwelling tends to range from 60 to 80 years. The City Surveyor has stated that this is due to the robust structure and ongoing repairs, maintenance and cyclical replacement works programmes in place for these properties. We consider this to be at the optimistic end for UELs but this would not result in a material difference in the annual depreciation charge had a UEL of 80 year been applied.

PENSION LIABILITY

Risk description

The LGPS pension fund is required to report the pension liability for estimated promised future benefits for the whole fund. The Corporation's share of the net liability, including its share of the assets held in the pension fund, is allocated across the funds in proportion to the payroll cost for each fund. The City Fund also reports the pension liability for the City Police pension scheme.

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate will be based on the submission of membership data from the 2019 triennial valuation exercise for the LGPS and the 2017 triennial valuation for the police pension, updated at 31 March 2020 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

Work performed

We carried out the following planned audit procedures:

- Assessed the qualifications and competence of the actuary through the use of PwC consulting actuary (auditor's expert);
- Reviewed the reasonableness of the assumptions used by Barnett Waddingham (management's expert) for the calculation of the liability against other local government and police pension actuaries' assumptions and other observable data using the benchmark range of acceptable assumptions provided by PwC consulting actuary (auditor's expert);
- Reviewed the controls for providing accurate membership data to the actuary;
- Checked the accuracy and completeness of the data set submitted to the actuary for the 2019 triennial valuation of the LGPS;
- Checked whether any significant changes in membership data had been communicated to the actuary;
- Discussed with the actuary the continuing impact of GMP equalisation and the McCloud judgement regarding age discrimination on the pension fund liability and impact on employer fund; and
- Reviewed the testing of the assets carried out as part of the LGPS audit and checked the accuracy of the calculations relating to the allocation of the share of the net assets across the funds in proportion to the employer's contribution's paid to the scheme.

Results

We are satisfied that the actuary has the appropriate skills and experience, and has applied the appropriate technical actuarial standards to calculate the LGPS and police pension liabilities.

In our pension fund testing we confirmed that the 2019 LGPS membership data submission was complete and accurate. A similar review was undertaken in previous years for the 2017 police membership data submission. Management confirmed there has been no significant changes in the membership these funds during the year.

PENSION LIABILITY

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There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Our testing of the LGPS pension fund assets also required an adjustment to reduce the private equity valuations by £5.2 million following receipt of the updated March 2020 valuations. The City Fund share of the reduction in scheme assets was £2.7 million. This re-measurement in the pension liability is a charged to other comprehensive income and expenditure (which does not impact the surplus on the provision of services in the comprehensive income and expenditure accounts) and the pension reserve. Management has confirmed that this will be corrected in the final version of the financial statements.

The actuary has applied full GMP indexation for members at state pension age and this is consistent with the previous year. The actuary has calculated the Corporation impact of McCloud at £12.9 million assuming that active members since 2012 will benefit from the scheme amendments. This is consistent with the assumptions in the previous year and with the recent consultation on the proposed remedy to remove age discrimination for those members in the scheme at the time that the age underpin was agreed.

In respect of the Police pension scheme, our audit identified that the benefits payable information submitted to the actuary had incorrectly included advance pension payments. Management are currently liaising with the Actuary to understand what impact this will have on the Police pension liability disclosed in the financial statement.

In July, HM Treasury announced it would amend the Teachers Pension scheme to remove the differential in survivor pensions for same sex marriage or civil partnerships following the Goodwin case, and this will also apply to other public sector pension schemes. This is expected to result in lower survivor pensions although the actuary has not assessed the impact on the pension liability. Initial discussions suggests that the impact will not be material.

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

Representations required

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

Work in progress

In respect of Police pensions, awaiting confirmation of what the impact on the liability is going to be in relation to error identified in the information initially submitted to the actuary and why the current female mortality rate used by the actuary falls outside of the expected range.

Conclusion

Following the corrections above, the defined benefit obligation for the LGPS and Police pension schemes have been appropriately calculated and the assumptions used are reasonable.

PENSION LIABILITY

Significant estimate - LGPS pension liabilities

City Fund LGPS share of pension liabilities £802 million

< lower Impact of assumptions on the estimate higher >

The City Fund's share of the LGPS pension liability has reduced from £811 million to £802 million (before the adjustment noted on [page 21](#)) and it's share of the scheme assets reduced from £494.3 million to £480.5 million. The net deficit increased by £4.8 million to £321.5 million. The reduction in the liability includes £76 million gain arising from changes to financial assumptions including annual salaries increases of 2.9% (previously 3.9%), annual pension increases of 1.9% (previously 2.4%), and a change in the rate of discounting scheme liabilities to 1.9% (previously 2.4%). It also includes a gain on demographic assumptions of £5.9 million arising from reduced mortality assumptions of approximately 1.4 years for males and 0.2 years for females as increases in life expectancy have stalled in recent years. The impact of updating membership data from the triennial valuation has increased the liability for 'experience actuarial losses' by £41.5 million which has resulted in a 5% movement in the liability. We queried this with the actuary who confirmed that there was not one significant factor impacting this but several smaller factors, such as changes in the profile of members, member movements, and estimates and timings of some cashflows over the last three years. The movement is within a reasonable 'experience gain / loss' threshold following a triennial update of member data and therefore we have not undertaken any further work to confirm the actuary's responses.

The key estimates are the following financial and mortality assumptions. We have compared the assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

| | Actual used | Acceptable range | Comments |
|--------------------|-----------------------------------|------------------|------------|
| Financial: | | | |
| - RPI increase | 2.7% | 2.80-2.65% | Reasonable |
| - CPI increase | 1.9% | 1.95-1.85% | Reasonable |
| - Salary increase | 2.9% | 2.95-2.85% | Reasonable |
| - Pension increase | 1.9% | 1.95-1.85% | Reasonable |
| - Discount rate | 2.35% | 2.35% | Reasonable |
| Commutation: | 50% | 50% | Reasonable |
| Mortality: | | | |
| - Male current | 23.2 years | 22.8-24.7 years | Reasonable |
| - Female current | 25.8 years | 25.2-26.2 years | Reasonable |
| - Male retired | 21.8 years | 21.4-23.3 years | Reasonable |
| - Female retired | 24.4 years | 23.7-24.7 years | Reasonable |
| Mortality gains | CMI 2018 (+1.5% improvement rate) | | Reasonable |

We consider that the assumptions and methodology used by the actuary are appropriate and will result in an estimate of the net pension liability which falls within a reasonable range. We note that the consulting actuary has provided an estimate of the overall strength of assumptions and this indicates that the estimate has tended towards a prudent (higher) liability mainly due to using the CMI 2018 mortality gains rather than the latest available CMI 2019 tables.

PENSION LIABILITY

Significant estimate - Police pension liabilities

Police pension liabilities £931.7 million

< lower

Impact of assumptions on the estimate

higher >

The police pension liability has reduced from £998.1 million to £931.7 million. The reduction in the liability includes a £83 million gain arising from changes to financial assumptions including annual salaries increases of 3.4% (previously 3.9%), annual pension increases of 1.9% (previously 2.4%), and a change in the rate of discounting scheme liabilities to 1.9% (previously 2.4%). It also includes a loss on demographic assumptions of £6.7 million arising from increased mortality assumptions of approximately 0.3 years as increases in life expectancy have stalled in recent years.

The key estimates are the following financial and mortality assumptions. We have compared the assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

| | Actual used | Acceptable range | Comments |
|--------------------|------------------------------------|------------------|--|
| Financial: | | | |
| - RPI increase | 2.7% | 2.65 - 2.8% | Reasonable |
| - CPI increase | 1.9% | 1.85 - 1.95% | Reasonable |
| - Salary increase | 3.4% | 3.35 - 3.45% | Reasonable |
| - Pension increase | 1.9% | 1.85 - 1.95% | Reasonable |
| - Discount rate | 2.4% | 2.35 - 2.45% | Reasonable |
| Commutation: | 50% | 50 - 60% | Reasonable (60% 1987 old scheme, 60% 2006 new scheme, 60% 2015 scheme) |
| Mortality: | | | |
| - Male current | 22.8 years | 22.6 - 23.6 | Reasonable |
| - Female current | 25.0 years | 25.1 - 25.8 | Reasonable Below the acceptable range - query with management |
| - Male retired | 21.4 years | 20.8 - 21.9 | Reasonable |
| - Female retired | 23.5 years | 23.2 - 24 | Reasonable |
| Mortality gains | CMI 2018 (+1.25% improvement rate) | | Reasonable |

We consider that the assumptions and methodology used by the actuary are appropriate and will result in an estimate of the net pension liability which falls within a reasonable range. We note that the consulting actuary has provided an estimate of the overall strength of assumptions and this indicates that the estimate has tended towards a prudent (higher) liability mainly due to using the CMI 2018 mortality gains rather than the latest available CMI 2019 tables.

NDR APPEALS PROVISION

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There is a risk in relation to the estimation of the provision due to potential incomplete data and assumptions used in calculating the likely success rate of appeals.

| | |
|--|--|
| Significant risk | |
| Normal risk | |
| Significant management estimate or judgement | |
| Use of experts | |
| Unadjusted error | |
| Adjusted error | |
| Additional disclosure required | |
| Significant control findings to be reported | |
| Letter of representation point | |

Risk description

City Fund as a billing authority is required to estimate the value of potential refund of business rates arising from rate appeals, including backdated appeals. The Valuation Office Agency (VOA) provides information regarding the appeals currently being assessed and settled. Management use this information to calculate a success rate for specific business types for settled appeals, and applies an appropriate rate to each type of business appeal still outstanding at year end.

There is a low number of appeals and settlements from the 2017 VOA list following the introduction of the Check - Challenge - Appeal process that means there is limited data on which to base the estimate for the provision. This increases the level of risk as the provision could be overstated based on the assumptions used for the 2017 VOA list provided by MHCLG that the 2010 VOA list suffered appeals losses of 4.7% over that rating period.

Work performed

We carried out the following planned audit procedures:

- Reviewed of the accuracy of the appeals data to confirm that it is complete based on the VOA list, and that settled appeals are removed; and
- Reviewed the assumptions used in the preparation of the estimate including the historic success rates to confirm that the rates applied are appropriate to outstanding 2010 appeals and expected losses for the 2017 rating list.

Results

In previous years, management has estimated the appeals provision based on data provided by the VAO for 2010 appeals and refunds and for the 2017 rating list using the MHCLG guidance, but adjusted down where local evidence suggested that the appeal success rate is lower for the 2017 rating sit than the 2010 rating list. This year, management commissioned an expert (Analyse LOCAL) to calculate the 2019/20 appeals provision.

We have assessed the skills and competency of the management expert.

Work is in progress to understand the key assumptions used by Analyse LOCAL to estimate the likely success rates of appeals and amounts refundable. We note that provision has decreased from £113 million to £101.1 million this year. Under the change to the London Business Rate Pooling arrangements since last year, the City Fund share of the provision has reduced from £72.7 million to £49.2 million.

We checked and agreed that the data provided to the expert was complete and accurate.

NDR APPEALS PROVISION

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There is a risk in relation to the estimation of the provision due to potential incomplete data and assumptions used in calculating the likely success rate of appeals.

Results (continued)

Analyse LOCAL note, in their method statement, that an estimation of appeals that could be withdrawn and mandatory and discretionary reliefs have not been taken into consideration in their calculation of the provision and state that management should consider adjusting the provision for these factors.

Our audit testing has found that the estimate for potential withdrawn appeals and mandatory and discretionary reliefs have not been factored into the calculation of the provision included in the accounts as management do not consider these to have a material impact.

We have estimated the impact on the City Fund share (48%) of the total provision liability to be an overstatement of £2.65 million (£150,000 in respect of the estimate for withdrawn appeals and £2.54 million in respect of mandatory and discretionary reliefs). We have included this as an unadjusted misstatement on [page 36](#). The overall impact on the Collection Fund Revenue Account is purely disclosure and would reduce impairment of appeals for business rates, as described on the face of the collection fund account, by £5.61 million. We have included this as an unadjusted narrative misstatement on [page 37](#).

Representations required

We expect to seek specific representations over material assumptions for appeals success rates once we have this information from Analyse LOCAL.

Work outstanding

To complete our review of the reasonableness of the assumptions used to calculate the estimate appeals provision.

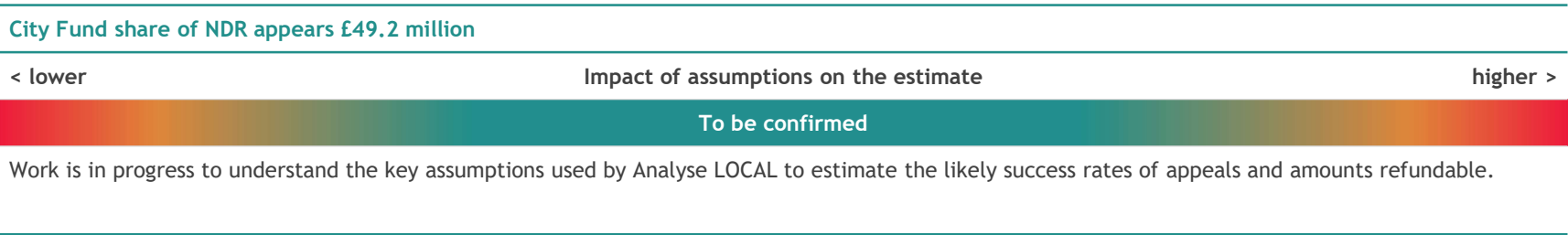
Conclusion

Work outstanding to be completed before we are able to conclude on this risk.

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NDR APPEALS PROVISION

Significant estimate - Refunds for appealed business rates



NON-COLLECTION OF RECEIVABLES

Risk description

The City Fund recognises an allowance for the non-collection of receivables primarily in respect of council tax, NDR, housing benefit overpayments, housing rents and parking penalty charges. Management assesses each type of receivable separately in determining how much to allow for non-collection.

Since issuing our audit planning report we have increased this risk from 'normal' to 'significant' given the likely increased estimation required to calculate impairment allowances for non-collection of receivables due to the impact of the coronavirus pandemic. There is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied.

There is a risk over the valuation of the allowance for the non-collection of arrears and debt.

Work performed

We carried out the following planned audit procedures:

- Reviewed the provision model for significant income streams and receivables and debt balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears, and for financial assets within the scope of IFRS 9 that this also reflects expected credit losses; and
- Checked that information has been accurately extracted from systems to support the modelling of collection rates by age.

Results

Our review of the assumptions used to calculate the impairment allowance for non-collection of receivables is noted in the following pages, and were found to fall within a reasonable range based on the available data for historical collection rates. However, we noted that collection rates for NDR arrears, Barbican residential and HRA rents have not been refreshed for a number of years and management should undertake a refresh of the collection rates to ensure that impairment allowances used for NDR arrears remains appropriate.

We agreed the information used to calculate the impairment allowance for each type of receivables was correctly extracted from the underlying data. Our audit testing did identify that the overall PCN debt and impairment allowance had both been overstated by £3.08 million due to duplicated entries included in the debt listing, but the net collectable debt is correct. Management has confirmed that this will be corrected in the revised version of the financial statements.

Representations required

We have sought specific representations that:

- historic collection rates calculated in previous years for NDR arrears, Barbican residential and HRA rents remain consistent with collection rates in 2019/20; and
- historic collection rates are a reasonable basis for calculating expected credit losses and that enhanced forecasting of losses will not result in material differences in the impairment allowances.

Conclusion

Although the collection rates have not been updated for some types of receivables for a number of years and the expected credit loss estimate does not include any enhanced forecasting of losses, we are satisfied that the impairment allowance estimate is reasonable.

NON-COLLECTION OF RECEIVABLES

Significant estimate - Expected losses on receivables

Impairment allowance £13.6 million

< lower

Impact of assumptions on the estimate

higher >

Management periodically review collection rates for each income stream to estimate the potential losses on receivables or arrears at balance sheet date. The impairment allowance is calculated by reference to losses and write-offs by age of the debt or current recovery stage. The expected credit loss and impairment allowance is based on these historic collection rates. Management has not undertaken a review of expected credit losses based on future expectations as required for receivables within the scope of IFRS 9 for financial assets as the majority of receivables are statutory debt subject to the previous incurred loss model and have determined that the historical losses model remains appropriate.

Non-domestic rate arrears and cost provision

Arrears and provision as at 31 March were £28.1 million and £11 million respectively. Arrears of £5.4 million has been provided for in full (95-100%) as it is considered uncollectable or is due to be written off. We consider this reasonable given all stages of recoverability have been exhausted.

Debts that have entered the 'late demand' stage of recoverability total £10.5 million and 5% of this has been impaired. The impairment allowance is based on an analysis of debt collected against 31 March 2018 NDR arrears that was calculated to support the impairment allowance as at 31 March 2019. This analysis has not been updated to support the 5% allowance carried forward and applied to arrears as at 31 March 2020. However, debts classified in the 'late demand' category have been of a consistent value for the last three years so it is unlikely there would be a material change to this allowance.

The remainder of the debt totalling £12.1 million is in various stages of debt recovery and an impairment allowance of £5.1 million has been estimated by reference to different stages of recovery and non-collection of 25% to 49%. These impairment rates are based on historical collection rates that have been rolled forward for a number of years. Management has not undertaken a refresh of the collection rates to assess the appropriateness of the continued use of these impairment allowances although it is unlikely this would materially impact the impairment allowance as at 31 March 2020.

Rent arrears and cost provision

Arrears and provision as at 31 March 2020 were £6 million and £2.2 million respectively.

The arrears are analysed between current (£5.5 million) and former tenants (£500,000). The management surveyor reviews all individual arrears over £15,000, which accounts for 93% of the total debt, to determine the likely rent to be recovered. Collection rates for the past two years have been applied to the remaining debt.

We are satisfied that the provision for non-collection of rent arrears assumptions are reasonable.

NON-COLLECTION OF RECEIVABLES

Significant estimate - Expected losses on receivables

Impairment allowance £13.6 million (continued)

Penalty Charge Notices (PCN) arrears and cost provision

Arrears and provision as at 31 March 2020 were £11.3 million and £9.9 million respectively.

The cost provision covers debt from PCNs issued from 2012/13 to 2019/20. For each year, this is calculated as collectable debt for that year, less total cash received as at 31/03/2020, less debtors written off as at 31/03/2020, less forecast future collections.

Forecast future collection is calculated as the collectable debt for that year multiplied by a percentage. The percentage is based on the amount historically collected in the nth year from issue. This is calculated for the following 5 years from issue with any remainder included as a provision.

The PCN cost provision is based on historical collection rates which we consider to be reasonable for estimating future losses.

Other sundry debt arrears and cost provision

Arrears and provision as at 31 March 2020 were £18.2 million and £1.3 million respectively. The vast majority of the sundry arrears relate to HRA, Barbican Centre and Police.

All significant debts in respect of these sundry debts are reviewed on a case-by-case basis and we are satisfied that reasonable assumptions have been made in calculating the provision for these debts.

Our audit testing did identify that Barbican residential debt of £3.1 million with a corresponding impairment allowance of £139,000 and HRA rental debt of £260,000 with a corresponding impairment allowance of £33,000 used impairment allowance percentages that had been rolled forward for a number of years and could not be substantiated by reference to historic collection rates or similar types of evidence.

Given the value of the debt and a worst case scenario applied to any allowance this would not materially impact the financial statement in 2019/20.

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ACCOUNTING FOR LEASES

| | | |
|--|--|--|
| There is a risk leases may not be correctly accounted for. | | |
| Significant risk | | |
| Normal risk | | |
| Significant management estimate or judgement | | |
| Use of experts | | |
| Unadjusted error | | |
| Adjusted error | | |
| Additional disclosure required | | |
| Significant control findings to be reported | | |
| Letter of representation point | | |

Risk description

Since issuing our planning report we have added an additional risk in respect of accounting for lease premiums. This is because the City Fund received a total of £85.4 million in lease premiums in 2019/20 in respect of three assets where it is the lessor. The premiums and rents are apportioned between the land element, which will ordinarily be an operating lease recognised as revenue, and the building element which is likely to be a finance lease and recorded as a capital disposal. The element of the premium relating to the land is treated as deferred rental income and released to revenue over the term of the lease.

Given the complex calculations and significant judgements involved in the apportionment of the land and buildings there is a risk that lease premiums may not be accounted for correctly.

Work performed

We carried out the following planned audit procedures:

- We reviewed the reasonableness of the method used to apportion the lease premium received between land and buildings;
- Checked that the correct land apportionment had been accounted for as deferred rental income and that the land value had been correctly reflected in non-current assets; and
- Checked that the disposal proceeds for the apportioned share of the building had been correctly accounted for a capital receipt.

Work in progress

We are currently in the process of reviewing the reasonableness of the method used to apportion the lease premium received between land and buildings.

However, our initial review suggests that the allocation of the lease premium may have understated the amount attributable to the land (and taken to deferred income) and overstated the amount attributable to the buildings (and taken to disposal gains and usable capital receipts).

Conclusion

Work outstanding to be completed before we are able to conclude on this risk.

RELATED PARTY TRANSACTIONS

There is a risk that related party disclosures are not complete and accurate.

Risk description

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit and Risk Management Committee.

There is a risk that related party disclosures are not complete and accurate, and properly disclosed.

Historically members have provided year end declarations but the requirements to consider other connected parties (including family and business connections) may not have been explicitly considered.

Work performed

We carried out the following planned audit procedures:

- Reviewed management processes and controls to identify and disclose related party transactions;
- Reviewed relevant information concerning any such identified transactions;
- Discussed with management and reviewed members' and management declarations to ensure that there are no potential related party transactions which have not been disclosed; and
- Undertaken Companies House and Charity Commission searches for potential undisclosed interests.

Results

Our audit testing identified five related party transactions that were not disclosed in the financial statements, two related party disclosure where the receivable and payable values were not disclosed and one transaction value that had been incorrectly disclosed. Management has confirmed that these will be corrected in the revised version of the financial statements.

During our review of declarations, it was noted that a number of declarations have not been completed accurately nor completely, with the member either leaving sections blank, or omitting to sign the forms. A control weakness has been raised regarding this matter on [page 49](#).

Conclusion

Following the corrections above, the related party transactions disclosures are appropriate.

GOING CONCERN

Current conditions and interruption of normal cash flows may result in a local authority having insufficient cash to meet liabilities as the fall due.

Risk description

Since issuing our audit planning report we have added an additional risk in respect of going concern disclosures. The assessment of going concern under the effects of the coronavirus outbreak will need to incorporate unprecedented shocks to forecasts. The increased demand on services, decline in income from services, deferrals of normal payment terms or impairment of debt, decreases in asset values and supply chain disruptions may be dissimilar to any previously encountered 'real world' scenario, making forecasting the precise results difficult.

The effects of the coronavirus are likely to affect the level of uncertainty that may exist in an assertion that the entity will be able to continue as a going concern. Regardless of the result of management's assessment, many entities will need to disclose key judgments and estimates it used to arrive at this conclusion.

Key areas in a going concern assessment may include: sources of assumed liquidity and cash flows, forecasts of future revenue or additional expenditure, and support from government.

If a material uncertainty does exist, this should be disclosed in terms that are specific to the City Fund as users of the financial statements will wish to know how and when the uncertainty might crystallise and its effects. This will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).

Work performed

We have reviewed management's assessment and disclosures in respect of going concern, including sensitivities of the assumptions and impact on cash flows and available reserves.

Results

We have reviewed cash flow forecasts prepared by management and reasonable consideration has been made when incorporating key assumptions in relation to COVID-19 impacts, such as significantly reduced commercial property income and increased service expenditure as well as other assumptions around reduction in future government funding, changes to the business rate retention scheme and Brexit.

Whilst the impact of these assumptions could have a significant impact, management has recognised that the City Fund has a strong working capital position, with £817 million invested in short term investments and a further £178.1 million sitting with useable general reserves which would cover any cash flow shortfalls should they arise and hence do not consider there to be any material uncertainties in respect of going concern.

Conclusion

We are satisfied that the management's assessment and disclosures in respect of going concern are reasonable.

OTHER MATTERS

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

| Audit area | Description of findings |
|---|---|
| Cash and short term investments misclassification | Cash balances of £1.1 million had been misclassified as short term investments. Management has confirmed that this will be corrected in the final version of the financial statements. |
| Bank reconciliation differences | The Corporation bank reconciliation does not reconcile by £126,000. Management believe that £90,000 of this relates to an old fraud case and amounts have yet to be analysed to confirm if they should be written out. The remaining difference of £36,000 could not be fully explained by management. A bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet so we therefore recommend that the bank reconciliation differences are appropriately investigated and dealt with so that the bank reconciles. |

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Fraud

Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report in March 2020.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

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UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year



We are required to bring to your attention unadjusted differences and we request that you correct them

There are two unadjusted audit differences identified by our audit work which would increase the surplus on the provision of services for the year of £85.7 million (to £88.4 million) and net assets of £1,591.8 million (to £1,594.5 million) by £2.69 million.

There is no impact on the City Fund balance of £177 million as these adjustments would be reversed to the collection fund adjustment account through the Movement in Reserves Statement.

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

| | Income and expenditure | | | Balance Sheet | |
|--|------------------------|----------|---------------|---------------|------------|
| | NET DR/(CR) £m | DR £m | (CR) £m | DR £m | (CR) £m |
| Unadjusted audit differences | | | | | |
| Surplus on the provision of services / net assets before adjustments | (85.7) | | | 1,591.8 | |
| 1: Overstated NDR appeals provision - adjustment for mandatory and discretionary reliefs (factual) | | | | | |
| Dr NDR appeals provision liability | | | | 2.54 | |
| Cr NDR appeals provision expense | (2.54) | | (2.54) | | |
| 2: Overstated NDR appeals provision - adjustment for withdrawn appeals (judgemental) | | | | | |
| Dr NDR appeals provision liability | | | | 0.15 | |
| Cr NDR appeals provision expense | (0.15) | | (0.15) | | |
| Total unadjusted audit differences | (2.69) | | (2.69) | 2.69 | |
| Surplus on the provision of services / net assets if above issues adjusted | (88.4) | | | 1,594.5 | |

| | City Fund balance £m |
|---|-------------------------|
| Impact on the City Fund balance | |
| Balance before unadjusted audit differences | 177.0 |
| Impact on surplus on the provision of services above | 2.69 |
| Adjustments that would be reversed from the General Fund and through the Movement in Reserves Statement | (2.69) |
| Balances after the above adjustments | 177.0 |

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UNADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

We are required to bring to your attention other financial reporting matters that the Audit and Risk Management Committee is required to consider

The following unadjusted disclosure matters were noted:

- Our audit testing has found that the estimate for potential withdrawn appeals and mandatory and discretionary reliefs have not been factored into the calculation of the NDR appeals provision included in the accounts as management do not consider these to have a material impact. The overall impact on the collection fund account disclosure and would reduce impairment of appeals for business rates, as described on the face of the collection fund account, by £5.61 million. We have included this as an unadjusted narrative misstatement on [page 37](#). Whilst the impact on the City Fund share of this misstatement is described on [page 25](#) and included as an adjusted misstatement on [page 36](#).
- Capital commitments note 13 - our audit testing has identified differences between the values of commitments disclosed in the financial statements and supporting audit evidence. The differences indicate that capital commitments have been overstated by £2.8 million. Management has confirmed that the disclosure will not be amended.



ADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year



There were six audit differences identified by our audit work that were adjusted by management.

These adjustments decreased the draft surplus on the provision of services of £86.8 (to £85.7 million) and decreased net assets of £1,592.9 million (to £1,591.8 million) by £1.15 million.

The City Fund balance decreased by £1.15 million as a result of these adjustments.

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ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

| | Income and expenditure | | | Balance Sheet | |
|--|------------------------|----------|------------|---------------|------------|
| | NET DR/(CR) £m | DR £m | (CR) £m | DR £m | (CR) £m |
| Adjusted audit differences | | | | | |
| Surplus on the provision of services / net assets before adjustments | (86.8) | | | 1,592.9 | |
| 1: Overstatement of s31 NDR revenue grant | | | | | |
| Dr Taxation and non-specific grant income | 1.1 | 1.1 | | | |
| Cr Short-term debtors | | | | | (1.1) |
| 2: Understatement of IAS 19 pension liability - scheme assets re-measurement | | | | | |
| Dr Pension liability | | | | 2.7 | |
| Cr Pension reserve | | | | | (2.7) |
| 3: Overstatement of penalty charge notice (PCN) debt / allowance | | | | | |
| Dr PCN income | 3.08 | 3.08 | | | |
| Cr PCN debtors | | | | | (3.08) |
| Dr PCN impairment allowance | | | | 3.03 | |
| Cr PCN impairment expense | (3.03) | | (3.03) | | |
| 4: Misclassification of short term investments | | | | | |
| Dr Cash and cash equivalents | | | | 1.1 | |
| Cr Short-term investments | | | | | (1.1) |

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ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

| | Income and expenditure | | | Balance Sheet | |
|---|------------------------|-------------|---------------|----------------|---------------|
| | NET DR/(CR) £'000 | DR £'000 | (CR) £'000 | DR £'000 | (CR) £'000 |
| Adjusted audit differences | | | | | |
| 5: Understatement of the Guildhall Complex valuation | | | | | |
| DR PPE other land and buildings - Guildhall Complex asset | | | | 0.52 | |
| CR Revaluation reserve | | | | | (0.52) |
| 6: Understatement of the Barbican Residential Estate valuation | | | | | |
| DR PPE council dwellings - Barbican Residential Estate asset | | | | 1.3 | |
| CR Revaluation reserve | | | | | (1.3) |
| Total Adjusted audit differences | 1.15 | 4.18 | (3.03) | 8.65 | (9.8) |
| Adjusted surplus on the provision of services / net assets | (85.7) | | | 1,591.8 | |

| | City Fund balance £m |
|--|-------------------------|
| Impact on the City Fund balance | |
| Balance before adjusted audit differences | 178.1 |
| Impact on surplus on the provision of services above | (1.15) |
| Adjustments that have be reversed from the General Fund and through the Movement in Reserves Statement | 0 |
| Balances after the above adjustments | 177.0 |

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ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

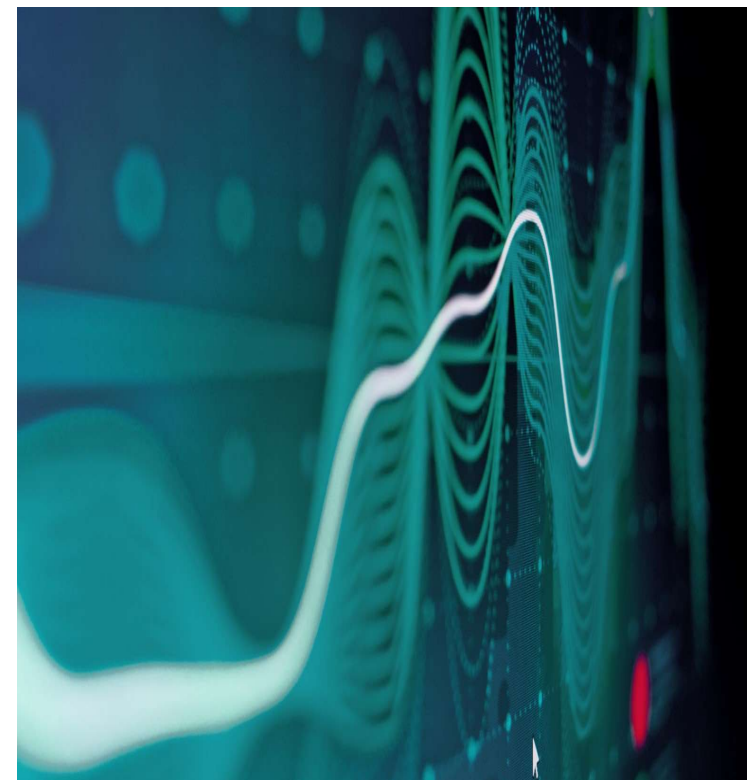
Disclosure omissions and improvements

We are required to bring to your attention other financial reporting matters that the Audit and Risk Management Committee is required to consider

The following adjusted disclosure matters were noted:

- Prior year future minimum lease payments amounts incorrectly stated for operating leases where City is the lessee and the lessor in note 30.
- Note 30 City as Lessor (Finance Lease) - the overall gross investment in lease >5 years should be reduced by £0.4 million to 39.4 million.
- Note 30 City as Lessee (Finance Lease) - current year asset value table should be £16.3 million (OLAB), 2.8, £48.4 million (Investment Property), the lease liability table should include £2.8 million for cleansing vehicles and minimum lease payments have been incorrectly stated.
- Collection Fund Statement - Impairment of NDR appeals needs to be netted down and income grossed up to be consistent with that reported in the prior year.
- Collection Fund note 1 - current year mandatory and discretionary reliefs value should be £22.6 million and prior year figures do not agree to prior year accounts.
- Note 10 Audit Fee - additional disclosure required to clearly show the additional audit fee charged for audit of the 2018/19 financial statements and certification of the housing benefits claim.
- Note 2 Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty - additional disclosure required in respect of estimates and assumptions applied.
- Note 18 Net loss on financial assets at fair value through profit and loss - fair value movements on pooled investment vehicles must be debited or credited to a reserve used only for the purpose of pooled investment vehicle per the statutory instrument.
- Balance sheet - amending the longer-term liability 'deferred credits' to 'rents received in advance' is considered more understandable to the reader of the financial statements.

Management has confirmed that the disclosures will be amended in the revised version of the financial statements.



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REPORTING ON OTHER INFORMATION

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

| Matter | Comment |
|---|---|
| We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit. | <p>We are satisfied that other information in the Narrative Report is consistent with the financial statements and our knowledge.</p> <p>We have suggested adding further detail into the financial summary section of the Narrative Report to improve the readers understandability of the financial statements.</p> <p>Management has confirmed that these changes will be made to the revised version of the financial statements.</p> |
| We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Corporation review of effectiveness and our knowledge of the Corporation. | We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge. |

WHOLE OF GOVERNMENT ACCOUNTS

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| Matter | Comment |
|--|---|
| For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Corporation for use by the Ministry for Housing, Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. | Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 30 September 2020. |
| This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies. | We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the City Fund's financial statements. |

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OVERVIEW

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- Informed decision making
- Working with partners and other third parties.

As identified in our Audit Planning Report we assessed the following matters as being the most significant risks regarding use of resources.

| Audit Risk | Criterion | Risk Rating | Issues identified that impact on conclusion |
|-----------------------------|---------------------------------|-------------|---|
| Police financial management | Sustainable resource deployment | Significant | No |
| Sustainable finances | Sustainable resource deployment | Significant | No |

POLICE FINANCIAL MANAGEMENT

There is a need for City Police to develop an MTFS with significant savings to ensure that it can continue to deliver the level of policing required in the City

Significant risk

Normal risk

Sustainable resource deployment

Informed decision making

Working with partners and other third parties

Significant control findings to be reported

Risk description

The City Police are forecasting an underlying budget deficit of £11.1 million in 2020/21, rising to £16.8 million per annum by 2023/24. It is planned that the City Fund will provide £5.4 million of support in 2020/21, with City Police responsible for making necessary savings of £5.7 million in 2020/21 rising to £9.2 million in 2023/24 to balance budgets. It has been proposed that the business rates premium is increased by 0.2p to 0.8p in the £ as this will raise £5 million in order to cover the support needed by the City Fund along with the Police savings that would balance the budget in 2020/21.

Although the 2020/21 budget can be balanced, City Police are likely to be required to make difficult decisions in order to meet savings targets necessary over the medium-term in order to balance revenue budgets and generate funds needed to deliver capital programmes that are currently unfunded.

Work performed

We carried out the following planned audit procedures:

- Reviewed the assumptions used in the Medium Term Financial Strategy and assessed the reasonableness of the cost pressures, the amount of Government grant reductions applied and increases in the business premium;
- Monitored the delivery of the budgeted savings in 2019/20 and the plans to reduce costs from 2020/21; and
- Reviewed the strategies and transformation programmes to close the budget gap after 2020/21.

Results

In line with the budgeted forecast, City Police achieved a balance budget position in 2019/20 through budgeted cost savings, increased Home Office grant and the agreed allocation, from City Fund, of additional revenue raised from the increase in Business Rates Premium.

Reasonable assumptions in terms of cost pressures and grant income have been made to date but the MTFS does still show that significant savings need to be made in the medium term to close the financial gaps identified (£11.1 million in 2020/21 rising to £16.8 million in 2023/24). It has been agreed that the City Corporation would fund £5.4 million in 2020/21, with City Police responsible for making necessary savings to balance the budget. In 2020/21, the City measures to address the deficit include Transform savings of £5.7 million, rising to £9.2 million in 2023/24. City Police are reviewing further measures, such as extending shared service arrangements, in order to balance its budget over the medium term.

While we continue to note concerns over financial management, City Police and the Corporation are actively working to address the funding gap and provide additional funding where this is required.

Conclusion

We consider there to be appropriate arrangements in place with regard to sustainable finances for the City Fund.

SUSTAINABLE FINANCES

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The Corporation will need to deliver planned savings to maintain financial sustainability in the medium term and there is a significant risk that these savings may not be delivered

| |
|---|
| Significant risk |
| Normal risk |
| Sustainable resource deployment |
| Informed decision making |
| Working with partners and other third parties |
| Significant control findings to be reported |

Risk description

The 2020/21 City Fund budget forecasts a surplus of £27.3 million. This has mainly been achieved through opportunities to increase income and make savings that do not impact on front line services, as identified by the Fundamental Review. This includes income proposals of £19.5 million, savings/resource reductions of £8.8 million and a £6.7 million draw on reserves. The Government has also pushed back its reform of Business Rates to 2021/22 which means there is an extra year of retaining the current level of rates before they are reduced. Despite the savings made to date in the Fundamental review and those identified over the next year, City Fund faces substantial growing deficits over the medium term starting in 2021/22 (£15.2 million) growing to a deficit of £31 million by the end of 2023/24 which, at present, can only be reduced and budgets balanced through use of reserves.

The impact of capital projects, such as the Museum of London and the combined courts building, is a major factor contributing to these deficits in the medium-term and over a longer 10-year horizon. The deficit could increase if the financial strategy is weighted towards borrowing, rather than asset disposal, due to the statutory need to provide an annual contribution to debt repayment. Budgets over the medium-term also include a substantial proportion (25%) of proposals relating to income generation which, the achievement of, is far less certain than cost savings and therefore a risk to the sustainability of the MTFs.

Identifying the required savings in the medium-term will be a challenge and is likely to require difficult decisions around service provision.

Work performed

We carried out the following planned audit procedures:

- Reviewed the assumptions used in the Medium Term Financial Strategy and assessed the reasonableness of the cost pressures, the level of Government grant reductions applied and income generation proposals;
- Monitored the delivery of the budgeted savings in 2019/20 and the plans to reduce costs from 2020/21; and
- Reviewed the strategies and transformation programmes to close any budget gap after 2020/21.

SUSTAINABLE FINANCES

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The Corporation will need to deliver planned savings to maintain financial sustainability in the medium term and there is a significant risk that these savings may not be delivered

| | |
|---|--|
| Significant risk | |
| Normal risk | |
| Sustainable resource deployment | |
| Informed decision making | |
| Working with partners and other third parties | |
| Significant control findings to be reported | |

Results

The City Fund achieved a better than budget position in 2019/20 by spending £6 million less than originally planned. This was achieved through reductions in operating costs (including employee costs), higher than expected income and slippage in repairs and maintenance programmes, and therefore not needing to draw on central contingencies. After taking in account a transfer from the City Fund to Police pension reserve and funding from taxation and non-specific grants the total underspend amounted to £43.4 million which has been transferred to the City Fund balance.

The 2020/21 budget and the MTFS includes reasonable measures to address cost pressures as identified through the fundamental review as well as reasonable assumptions in relation to income generation measures, including tax / premium increases and containing the cost of major projects and other programmes. The MTFS shows that the City Fund faces substantial growing deficits over the medium term starting in 2021/22 (£15.2 million) growing to a deficit of £31 million by the end of 2023/24. The impact of capital projects, such as the Museum of London and the combined courts building, is a major factor contributing to these deficits in the medium-term and over a longer 10-year horizon therefore options, such as phasing the projects, joint ventures and re-classification of projects to other funds, are now being considered in order to manage these cost pressures and deficits going forward.

The City Fund has been monitoring the financial impact of the coronavirus pandemic on the fund since April 2020 and immediate financial pressures have been incorporated into the 2020/21 budget. Given the healthy budgeted position for 2020/21, the financial implications of the pandemic do not give rise to any material uncertainties over this budget position. Financial implications are being considered and will be incorporated into the refreshed MTFS. The refreshed MTFS is also likely to include updated assumptions in respect of the reform of business rates as it is likely that the current retention level of rates will be maintained until 2022/23 rather than 2021/22. This should help to ease the pressure of a growing deficit in the medium term.

The full extent of the financial gap over the medium term has not yet been identified through savings plans however the City Fund is in a position to call on reserves, should it need to, in order to close the current financial gaps identified in the MTFS.

Conclusion

We consider there to be appropriate arrangements in place with regard to sustainable finances for the City Fund.

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SIGNIFICANT DEFICIENCIES

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit and Risk Management Committee.

As the purpose of the audit is for us to express an opinion on the City Fund’s financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

| Area | Observation & implication | Recommendation | Management response |
|----------------------|---|--|---------------------|
| Bank reconciliations | Our audit testing has found that the Corporation bank reconciliation does not reconcile by £126,000. Management believe that circa £90,000 of this relates to an old fraud case and amounts have yet to be analysed to confirm if they should be written out. The remaining difference of £36,000 could not be fully explained by management. A bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet. | The bank reconciliation differences are appropriately investigated and dealt with. | [xx] |

OTHER DEFICIENCIES

We also bring to your attention other deficiencies noted during the audit.

| Area | Observation & implication | Recommendation | Management response |
|----------------------------|--|--|---------------------|
| Impairment allowance | A proportion of NDR, Barbican residential and HRA rental arrears are impaired using impairment allowance percentages that have been rolled forward for a number of years and could not be substantiated by reference to historic collection rates or similar types of evidence. | These debts are impaired using appropriate rates that are consistent with historic collection rates or similar type of evidence. | [xx] |
| Related party transactions | <p>During our review of declarations, it was noted that a number of declarations have not been completed accurately nor completely, with the member either leaving sections blank, or omitting to sign the forms.</p> <p>Not receiving complete declarations may lead to management not identifying related party transactions during the accounts preparation process, and may also influence financial decisions during the year if a related party is not included on a register of interest.</p> | The importance of the declarations is reinforced to all members, through training if necessary. These declarations should then be reviewed when returned to ensure all information is complete before they are then subject to our review and consideration. | [xx] |
| Capital commitments | Our audit testing has identified differences between the values of commitments disclosed in the financial statements and supporting audit evidence. The differences indicate that capital commitments have been overstated by £2.8 million. | Detailed audit working papers are produced and sufficient and appropriate audit evidence are retained when producing the disclosure in order to demonstrate a clear audit trail back to the figures in the financial statements. | [xx] |

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OVERVIEW

Opinion on financial statements

Subject the matters outstanding on [page 56](#), we anticipate issuing an unmodified opinion on the financial statements.

We wish to draw attention to the ‘emphasis of matter’ that we will be including in our audit report in respect of the material uncertainty in relation to PPE and Investment Property valuations. See [page 15](#) for further details in respect of this emphasis of matter.

Conclusion on use of resources

We are proposing to issue an unqualified use of resources conclusion.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the City Fund’s ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

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INDEPENDENCE

Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC’s Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2020.

Details of services, other than audit, provided by us to the Corporation during the period and up to the date of this report are set out on the following page and were provided in our Audit Planning Report. We understand that the provision of these services was approved by the Audit and Risk Management Committee in advance in accordance with the Corporation’s policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Corporation.

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

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

FEES

| Fees summary | | | |
|---|------------------|----------------|----------------|
| | 2019/20 | 2019/20 | 2018/19 |
| | Actual | Planned | Actual |
| | £ | £ | £ |
| Audit fee | | | |
| • Code audit fee: financial statements and use of resources | TBC | 108,000 | 128,000 |
| Non-audit assurance services | | | |
| Fees for reporting on government grants: | | | |
| • Housing benefits subsidy claim | Work not started | 18,000 | 23,000 |
| • Pooling of housing capital receipts return | Work not started | 2,000 | 2,000 |
| • Teachers' pensions return | Work not started | 2,000 | 2,000 |
| Fees for other non-audit services | | | |
| • ICF China Green Finance Programme reasonable assurance report | 7,000 | 7,000 | 7,000 |
| Total fees | TBC | 137,000 | 162,000 |



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OUR RESPONSIBILITIES

Responsibilities and reporting

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of the Corporation.

We read and consider the ‘other information’ contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Corporation had not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We review the Whole of Government Accounts Data Collection Tool provided to HM Treasury and express an opinion on whether it is consistent with the audited financial statements.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Audit and Risk Management Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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| | Issue | Comments |
|---|---|---|
| 1 | Significant difficulties encountered during the audit. | The audit has been very challenging as a result of the Covid-19 lockdown. This has meant that staff on both sides are working from home and therefore the face to face communication/ review of files has not been possible resulting in increased time being spent by both sides in relation to the audit. |
| 2 | Written representations which we seek. | We enclose a copy of our draft representation letter. |
| 3 | Any fraud or suspected fraud issues. | No exceptions to note. |
| 4 | Any suspected non-compliance with laws or regulations. | No exceptions to note. |
| 5 | Significant matters in connection with related parties. | No exceptions to note. |

COMMUNICATION WITH YOU

Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Corporation as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit and Risk Management Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

| Communication | Date (to be) communicated | To whom |
|-------------------------|------------------------------|-------------------------------------|
| Audit Planning Report | March 2020 | Audit and Risk Management Committee |
| Audit completion report | November 2020 | Audit and Risk Management Committee |
| Annual Audit Letter | December 2020 / January 2021 | Audit and Risk Management Committee |

OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the financial statements and use of resources for the year ended 31 March 2020.

The following key matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Audit and Risk Management Committee meeting at which this report is considered:

- Awaiting audit evidence to support a number of capital grants selected for testing.
- Finalising the review of a number of purchase orders that have been raised after the date the invoice was received to understand the reason for this and to ensure the expenditure in the correct financial year.
- Responses to queries and outstanding information from the valuer in respect of PPE valuations.
- We need to confirm that assets not specifically valued in the year have been assessed to ensure their reported values remain materially correct.
- Awaiting a response from management to understand why benefits paid in respect of police pensions differs from that information submitted to the Actuary.
- Awaiting a response from management in relation to our queries in respect of the methodology used to apportion the lease premium between operating and finance leases.
- Awaiting audit evidence to support three creditor transactions.
- Awaiting Police income transaction breakdowns to carry out income completeness testing.
- Awaiting audit evidence to support one exit package in relation to the Barbican Centre.
- Awaiting audit evidence to support one asset under construction transaction.
- Finalisation of financial instrument and investment interest income audit testing.
- Manager, Partner and Quality Control review, and clearance of review points.
- Technical clearance.
- Subsequent events review.
- Final review and approval by you of the Statement of Accounts.
- Management letter of representation to be approved and signed.

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AUDIT REPORT

To be drafted and agreed once outstanding testing has been completed.

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LATEST REGULATORY DEVELOPMENTS

Future of Audit, Regulation and Market Competition

A number of corporate governance, financial reporting and audit failures since the ‘financial crises’ have led to auditing being the focus of the BEIS Select Committee and the commissioning of three separate, but related, independent reviews scrutinising audit, auditors and the corporate and audit regulatory environment. Although these independent reviews started at various times since 2018, none have yet fully concluded upon and further consultations on precisely what the implementation will look like is expected to take place during 2020. However, that is not to say that changes have not already begun: There are already a number of changes being made by the market participants themselves such as increased operational separation of audit from consulting and voluntary restriction of non-audit services. There have also been a number of changes arise through regulation such as the further restriction on non-audit services introduced with the new ethical standard in December 2019. Other expected changes will be implemented via a suite of consultations expected in 2020. Detailed below is a summary of the current reports issued and their status with a summary of the contents.

| Initiative | Timeline 2018 | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Status |
|--|--|---|---|---|--------------------------------|--|
| BEIS Select Committee | ‘Carillion’ report issued 5/2018 | ‘Future of audit’ report issued 24/4/2019 | Government response issued 7/6/2019 | | | It is a priority area for the Committee which has a watching brief |
| Competition and Markets Authority (CMA) Report ‘Statutory Audit Services Market Study’ | Launch of Market study 9/10/2018 | Responses to consultation 21/1/2019 | Report and recommendations published 18/4/2019 | First BEIS consultation on implementation ended 13/9/2019 | | Further consultations expected in 2020 |
| ‘Report of the Independent Review in to the quality and Effectiveness of Audit’ - Sir Donald Brydon | | Team appointed to undertake review 2/2019 | Consultation ended 7/6/2019 | | Brydon report issued 9/12/2019 | Further consultations expected in 2020 |
| ‘Independent Review of the FRC’ by Sir John Kingman | Kingman Report published - 83 recommendations 18/12/2018 | Secretary of State announces plans for a new regulator (ARGA) 11/3/2019 | 48 recommendations to be implemented by FRC BEIS first implementation consultation ended 11/6/2019 | | | Further consultations expected in 2020 |

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| Report | Topic | Key points |
|---|---|---|
| ‘Independent Review of the FRC’ by Sir John Kingman | December 2018 - Future of regulation and the FRC - requested by the Secretary of State | <ul style="list-style-type: none"> Highlighted deficiencies in FRC and its operating effectiveness New regulator to replace FRC ‘Audit, Reporting and Governance Authority’ Reconsideration of which entities are classed as ‘public interest’ <p>A number of changes require legislation changes but the FRC is working on implementation where possible.</p> |
| Related BEIS consultation | BEIS consultation - independent review of the FRC - March 2019 - Recommends adopting a significant number of the Kingman proposals without further consultation - ended June 2019 | <p>The proposals being classed as:</p> <ul style="list-style-type: none"> FRC and BEIS will implement as soon as possible Can be implemented once considered, in advance of legislation Primary legislation required <p>Further consultations are expected and will form part of the 2020 suite of consultations undertaken.</p> |
| Competition and Markets Authority (CMA) Report ‘Statutory Audit Services Market Study’ | April 2019 - Future of market competition | <p>Report 18 April 2019 - suggestions include</p> <ul style="list-style-type: none"> Increased accountability of audit committees including a focus on how they select auditors and their consideration of audit quality Mandatory joint audits for largest companies including one member not from the big 4 and peer reviews An operational split between the audit and non audit practices of the big 4 A 5 year review of progress by the new regulator <p>Further consultations are expected and will form part of the 2020 suite of consultations undertaken.</p> |

LATEST REGULATORY DEVELOPMENTS

Continued

| Report | Topic | Key points |
|--|---|--|
| BEIS (Business, Energy and Industrial Strategy Committee) Report 'The Future of Audit' - 24 April | Consideration of 2 reports - CMA and Kingman - to ensure they will lead to coherent framework | <p>This report considers the CMA and Kingman reports and supports their recommendations and encourages implementation. In particular:</p> <ul style="list-style-type: none"> • Implement Kingman recommendations as soon as possible • Endorsement of CMAs suggestion to split firms operations between audit and non-audit • Segmented market cap and joint audits for FTSE 100 • Detecting fraud a priority • Tightening of dividend regime • Make audit more forward looking • Welcomes introduction of ARGAs - deal with failures more quickly and more stringently <p>Published June 2019.</p> |

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In December 2019 Sir Donald Brydon published his “Report of the Independent Review in to the quality and Effectiveness of Audit” . This report proposes a fundamental changes to the audit profession, the scope of audit and how the Audit Committee interacts with auditors and shareholders. The report introduces over 100 actions in a number of areas including:

- Audit Purpose, Audit Profession and Auditor reporting;
- Directors’ Reporting;
- Role of Shareholders;
- Other stakeholders;
- Internal Controls;
- Fraud;
- Transparency;
- Technology;
- Auditor Liability;
- Audit and Risk Committees;
- KPIs and APMs (Alternative Performance Measures); and
- ARGAs - the new regulator.

Key considerations for Audit Firms

- A new definition of audit: “ The purpose of an audit is to help establish and maintain deserved confidence in a company, in its directors and in the information for which they have responsibility to report, including the financial statements.”
- Recognition of other stakeholders alongside the company’s shareholders;
- Creation of a standalone audit profession as opposed to an extension of the accounting profession;
- Introduce the need for ‘professional suspicion’ alongside ‘professional scepticism’;

- Replace ‘true and fair’ with ‘present fairly, in all material respects’;
- Retain binary audit opinion but create continuity between reports, increase transparency further, have regard to other public information;
- Report specifically on the directors’ statement in relation to fraud; and
- Audit firms ensure a clear separation between the team which negotiates the audit fees, and the team which carries out the audit.

Key considerations for Audit Committees are as follows

- Recommendations for Directors to present to shareholders a three year audit and assurance policy dealing with auditors appointment, assurance budget and risks;
- Directors to present an annual Public Interest Statement and Resilience Statement (replacing the going concern and viability statements) in the annual report;
- Directors to present an annual statement on the actions they have taken to prevent fraud;
- CEO and CFO to provide an annual attestation to the board of directors as to the effectiveness of the company’s internal controls over financial reporting;
- Directors be required to disclose when any material failure of their internal controls has taken place;
- Any Alternative Performance Measures reported by a company, and any use of Key Performance Indicators to underpin executive remuneration, should be subject to audit; and
- Publication by the directors of a risk report in advance of the audit with shareholders to be given a formal opportunity to propose matters to be covered in the audit and also permitted to question the Audit Committee Chair and the auditor.

LATEST REGULATORY DEVELOPMENTS

Redmond

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Audit quality

On 8 September 2020, Sir Tony Redmond published his *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting*

The Report includes a number of key recommendations, including:

- The establishment of new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit, taking on certain responsibilities from Public Sector Audit Appointments (PSAA), Institute of Chartered Accountants in England and Wales (ICAEW), FRC/ARGA, and the Comptroller and Auditor General (C&AG)
- The governance arrangements within local authorities be reviewed by local councils with the purpose of:
 - an annual report being submitted to Full Council by the external auditor;
 - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
 - formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually
- The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
- Quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.
- The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
- The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.

FRC ETHICAL STANDARD

Issued in December 2019

In December 2019 the FRC published the Revised Ethical Standard 2019 ('ES'), which is applicable from 15 March 2020. There are some transitional provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines.

| Key headlines | Impact |
|--|--|
| The objective, reasonable & informed third party test | Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules, or result in an outcome that is inconsistent with the general principles. |
| Extra-territorial impact | For group audits where the audited entity has overseas operations, the ES will require all BDO Member firms to be independent of the UK audited entity and its UK and overseas affiliates in accordance with the UK Ethical Standard, irrespective of if their audit work is relied upon. |
| Contingent fees | Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities. |
| Secondments | All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities. |
| Recruitment and remuneration services | Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity. |
| Non-audit services to a public interest entity (PIE) | Moving to a "white-list" of permitted non-audit services for PIEs. The white-list largely consists of services which are either audit-related or required by law and/or regulation. The provision of services not on the white-list are prohibited. The ES separates those permitted services which are exempt from the 70% fee cap and those services which are subject to the fee cap. |
| Other entities of public interest ('OEPI') | <p>OEPI is a new term in the Ethical Standard. The FRC have imposed the 'white-list' applicable to PIE audited entities to also apply to OEPIs. OEPIs are entities which, according to the FRC, do not meet the definition of a PIE but nevertheless are of significant public interest to stakeholders. They include AIM listed entities which exceed the threshold to be an <i>SME listed entity</i> - generally those with a market cap of more than €200m; Lloyd's syndicates; Private sector pension schemes with more than 10,000 members and more than £1billion of assets; Entities that are subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860), excluding fund management entities which are included within a private equity or venture capital limited partnership fund structure. These would be entities which:</p> <ul style="list-style-type: none"> – Have more than 2000 employees; and / or – Have a turnover of more than £200 million and a balance sheet total of more than £2 billion. <p>The FRC have noted that the rules applicable to OEPIs will apply from periods commencing on or after 15 December 2020.</p> |

FRC PRACTICE AID FOR AUDIT COMMITTEES

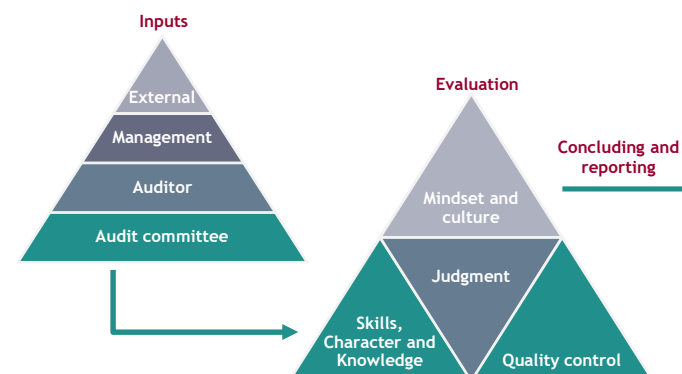
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The FRC issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the [FRC website](#). In their practice aid the FRC note: ‘The directors of a company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the company’s internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and worthy basis for taking decisions.’

The practice aid then discusses how the role of audit committees in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high quality audit (see note below).

It gives guidance for Audit Committees in the following areas:

- Audit tenders and the tender process including audit fee negotiations and auditor independence
- A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding:



- Transparency - reporting to the Board on how the audit committee has discharged these responsibilities
- Some guidance on key areas of audit judgement

The provision of high quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high quality audits. A copy of the letter can be found on the [FRC website](#).

LETTER OF REPRESENTATION

[Client name and Letter headed paper]

BDO LLP
55 Baker Street
London
W1U 7EU

Dear Sirs

Financial statements of the Corporation of London - City Fund for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of the City Fund's financial statements for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Corporation.

The Chamberlain has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the City Fund as of 31 March 2020 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Corporation, in respect of the City Fund, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Corporation's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Corporation, in relation to the City Fund, have been made available to you for the purpose of your audit and all the transactions undertaken by the City Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Corporation's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release.

As a result of our assessment we consider that the Corporation is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Corporation and City Fund's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the City Fund's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

LETTER OF REPRESENTATION

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To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 35 to the financial statements, there were no loans, transactions or arrangements between the Corporation and Corporation members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) and Police pension scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of inflation (CPI): 1.9%
- Rate of increase in salaries: LGPS 2.9% / Police 3.4%
- Rate of increase in pensions: 1.9%
- Rate of discounting scheme liabilities: LGP 2.35% / Police 2.4%
- Commutation take up option: LPS 50% / Police 50%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

b) Valuation of housing, other land and buildings and investment properties

We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to dwellings and other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

The yields used in the valuation of investment property and other land and buildings valued on an income approach are appropriate and reflect current market conditions. There are principally:

- City office space (EC1 to EC4) 3.00% to 4.00%
- City strategic estate (Bonhill and Worship St) 4.50% to 5.00%

LETTER OF REPRESENTATION

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The rebuild costs applied for depreciated replacement cost valuations are appropriate and reflect our best estimate of replacing the service potential of the buildings. The rebuild cost assumptions have been agreed to data provided by RICS for Building Cost Indices including Weighted Overall Cost Rate, Location, Location Factor, professional fees percentages and overall obsolescence factors applied.

We are satisfied that investment properties have been appropriately assessed as Level 2 or Level 3 on the fair value hierarchy for valuation purposes and valued at fair value, based on highest and best use.

c) Non domestic rates appeals provision

We are satisfied that the provision recognised for non-domestic rates appeals is materially correct, and the calculation of historical appeals are consistent with those advised to me by the Valuation Office Agency. We confirm that the successful rates applied to outstanding appeals as at 31 March 2020 are consistent with our knowledge of the business.

[To insert key assumptions when provided by Analyse LOCAL]

d) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for non-domestic rates, housing rent and sundry debt arrears are reasonable. The historic collection rates calculated in previous years for NDR arrears, Barbican residential and HRA rents remain consistent with collection rates in 2019/20.

We are satisfied that historic collection rates are a reasonable basis for calculating expected credit losses and that enhanced forecasting of losses will not result in material differences in the impairment allowances.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Corporation in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Peter Kane

Chamberlain

Date:

AUDIT QUALITY

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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the FRC's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

Leigh Lloyd-Thomas

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e: leigh.Lloyd-thomas@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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| | |
|---|------------------------|
| Committee(s) | Dated: |
| Audit and Risk Management Committee | 03/11/2020 |
| Subject: Internal Audit Update – Amended Internal Audit Plan 2020/21 | Public |
| Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly? | N/A |
| Does this proposal require extra revenue and/or capital spending? | N |
| If so, how much? | N/A |
| What is the source of Funding? | N/A |
| Has this Funding Source been agreed with the Chamberlain’s Department? | N/A |
| Report of: Head of Audit and Risk Management | For Information |
| Report author: Matt Lock | |

Summary

The 2020/21 Internal Audit Plan has been amended to reflect the impact of COVID-19 and some further events within the current year that have impacted the level of audit resources available. The revised Audit Plan remains sufficient in depth and breadth of coverage to enable the Head of Audit and Risk Management to provide an annual opinion on the adequacy of the City of London Corporation’s systems of internal control.

Recommendation

Members are asked to note the report and the updated 2020/21 Internal Audit Plan.

Main Report

Background

1. The 2020/21 Internal Audit Plan was approved in draft at the January 2020 meeting of this Committee, with the Final Audit Plan approved at the March 2020 meeting. The Audit Plan is subject to change throughout the year, reflecting changes in priorities and emerging risks, against which assurance is required, such changes are often relatively minor with additions and removals off-setting each other. From time to time, however, it is necessary to make more substantive changes, as is the case this year, reflecting the impact of COVID-19 and other factors impacting resources available for the delivery of Internal Audit Work.

Current Position

2. While the pace of work has now broadly returned to what may ordinarily be expected, COVID-19 has significantly disrupted the delivery of planned Internal Audit work in 2020/21. There have also been some other, unanticipated changes that impact the resources available to deliver the Audit Plan. In summary:
 - The prioritisation and relevance of some planned Audit work has changed
 - Long term sickness absence of a team member reducing capacity of the team

- Phased retirement of a team member reducing capacity of the team
 - Inaccurate budget assumptions resulting in overstatement of resources in the original plan
3. A refresh of the Internal Audit resource base and an in-depth review of the 2020/21 Internal Audit plan have been undertaken, re-balancing the plan to available resources. The revised 2020/21 Internal Audit Plan is included at Appendix 1, which identifies work completed and in progress.
4. There are a number of amendments that have been made which are detailed on the remaining appendices to this report:
- Appendix 3: Items removed from the plan
 - Appendix 4: Items to be deferred to the following year
 - Appendix 5: A summary of other variations to planned work

There are some further additions that were made to the plan in the first few weeks of the current year that have not been separately identified but are included in the revised 2020/21 Plan.

5. The table below summarises the impact of the changes made, Members should note that the overall resource base for the year has reduced from 1082 audit days to 902 audit days, the total number of planned audit days for the City of London Corporation has reduced from 1082 to 935 days. This results in a small net shortfall of resources (33 days) which the team will look to make up through efficiencies in delivering individual audit reviews.

Summary of Adjustments to the 2020/21 Internal Audit Plan

Reduction to Resource Base Assumptions

| | |
|---|------------|
| Long Term Sickness Absence | 60 |
| Flexible Retirement | 50 |
| Increase in Direct Admin/Support Budget | 40 |
| Net reduction in bought in Audit Days | <u>100</u> |
| Total Reduction to Resource Base (a) | 250 |

Additions to Audit Plan

| | |
|--|-----------|
| COVID Response Assurance Work | 15 |
| Increase in Follow-up Review Allocation | 25 |
| Net Increase of Additional Work/Consolidation of Reviews | <u>23</u> |
| Total Additions to Audit Plan | 63 |

Items Removed from Plan

| | |
|--|-------------------|
| Deferrals to 2021/22 | 229 |
| Deletions from Plan | <u>51</u> |
| Total Removals from Audit Plan | 280 |
| Net Reduction to Audit Plan (b) | <u>217</u> |

| | |
|---|-----------|
| Net Shortfall of Audit Resources (a-b) | 33 |
|---|-----------|

6. Those items removed and deferred from the 2020/21 Internal Audit Plan were assessed as lower priority work for the year, with the remainder of the work identified as being of greater significance to being able to provide an annual opinion on the adequacy of the control environment.
7. Appendix 2 of the report provides a “dashboard” summary of delivery of the Audit Plan, no further update is provided in respect of work completed since the Committee received a full update at its meeting on 01/10/2020.

Corporate & Strategic Implications

8. The Internal Audit Plan is designed to provide assurance as to the adequacy of the City of London Corporation’s systems of internal control and governance. This programme of activity is aligned with the Corporate Plan, Corporate Risk Register and Departmental Top Risks.

Conclusion

9. Members are asked to note the amendments made to the 2020/21 Internal Audit Plan. The revised plan is comprehensive and wide reaching across the organisation and the changes made do not impact the Head of Audit and Risk Management’s ability to provide an annual opinion on the adequacy of the City of London Corporation’s system of internal control.

Appendices

- Appendix 1: 2020/21 Updated Audit Plan
- Appendix 2: Audit Plan Delivery Summary
- Appendix 3: Items Removed from 2020/21 Plan
- Appendix 4: Items Deferred from 2020/21
- Appendix 5: Other Amendments to Plan

Matt Lock

Head of Audit and Risk Management, Chamberlain’s Department

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| Department | Audit | Plan Priority | Audit Days | Status | Assurance Rating |
|-----------------------------------|--|---------------|------------|--------------------|------------------|
| Chamberlain's IT | Sharepoint/Digital Content Management | 1 | 10 | Final Report | Amber |
| Chamberlain's IT | Software Lifecycle Management | 1 | 1 | Final Report | Red |
| Chamberlain's IT | Direct Access | 1 | 14 | Final Report | Green |
| Markets and Consumer Protection | Heathrow Animal Reception Centre and Animal Welfare | 1 | 12 | Final Report | Amber |
| City of London Police | Financial Forecasting | 1 | 4 | Draft Report | Green |
| Community and Children's Services | Housing Tenancies | 1 | 10 | Draft Report | Amber |
| Corporate Wide | Asset Management | 1 | 9 | Draft Report | Amber |
| Markets and Consumer Protection | Markets - Health and Safety | 1 | 2 | Draft Report | Amber |
| City of London Police | Transform Phase 2 | 1 | 15 | Fieldwork Complete | |
| City of London Police | Workforce Planning | 1 | 4 | Fieldwork Complete | |
| Community and Children's Services | Housing Safety | 1 | 5 | Fieldwork Complete | |
| Barbican Centre | Facilities Management | 1 | 15 | Work in Progress | |
| Barbican Centre | Security | 1 | 15 | Work in Progress | |
| City of London Police | Grant Funding | 1 | 12 | Work in Progress | |
| City of London Police | Procurement Cards | 1 | 10 | Work in Progress | |
| Corporate HR | Gender/Equalities Pay Gap Reporting | 1 | 14 | Work in Progress | |
| Corporate Wide | Climate Action/Air Quality | 1 | 15 | Work in Progress | |
| Chamberlain's | Accounts Receivable and Debt Management | 1 | 15 | Work in Progress | |
| Chamberlain's IT | Business Continuity and Disaster Recovery | 1 | 10 | Work in Progress | |
| Chamberlain's IT | Cyber Security | 1 | 20 | Work in Progress | |
| Community and Children's Services | Housing Fire Safety | 1 | 12 | Work in Progress | |
| City of London Police | Digital Policing | 1 | 10 | Work in Progress | |
| City Surveyor's | Rents, Lettings and Vacancies | 1 | 15 | Work in Progress | |
| Community and Children's Services | Adult Skills and Education Service Safeguarding | 1 | 15 | Work in Progress | |
| Corporate Wide | Safer City Partnership | 1 | 15 | Work in Progress | |
| Police Authority | Police Funding | 1 | 15 | Work in Progress | |
| Barbican Centre | Health and Safety | 1 | 15 | Not Started | |
| Built Environment | Gigabit City | 1 | 12 | Not Started | |
| Chamberlain's | Fundamental Review | 1 | 25 | Not Started | |
| Chamberlain's | Development of a Corporate Finance Strategy - Debt Financing | 1 | 12 | Not Started | |
| Chamberlain's | Corporate Contract Management | 1 | 15 | Not Started | |
| Chamberlain's | Payroll | 1 | 8 | Not Started | |
| City of London Police | Key Financial Controls | 1 | 20 | Not Started | |
| City of London Police | CoLP Transform Programme Audit Phase 3 | 1 | 8 | Not Started | |
| City Surveyor's | Project Resourcing | 1 | 12 | Not Started | |
| Community and Children's Services | Lone Working | 1 | 7 | Not Started | |
| Community and Children's Services | Rough Sleepers | 1 | 7 | Not Started | |
| Community and Children's Services | Unregulated Placements - Children | 1 | 12 | Not Started | |

| Department | Audit | Plan Priority | Audit Days | Status | Assurance Rating |
|-------------------------------------|--|---------------|------------|--------------------|------------------|
| Corporate Wide | Governance Arrangements for Safeguarding | 1 | 10 | Not Started | |
| Corporate Wide | Major Projects Governance Arrangements | 1 | 15 | Not Started | |
| Markets and Consumer Protection | Brexit Implications | 1 | 15 | Not Started | |
| Police Authority | Value for Money Scrutiny and Oversight | 1 | 20 | Not Started | |
| Town Clerks | Community Safety and Resilience | 1 | 12 | Not Started | |
| Town Clerks | Innovation and Growth - Partnerships and Engagement | 1 | 15 | Not Started | |
| Town Clerks | City Bridge Trust - Grants Administration and Compliance with Strategy | 1 | 15 | Not Started | |
| Chamberlain's | COVID Support - Pre and Post Payment Assurance | 1 | 15 | Completed | |
| Barbican Centre | Corporate Membership and Sponsorship | 2 | 2 | Final Report | Amber |
| Barbican Centre | Bars | 2 | 7 | Draft Report | Amber |
| Guildhall School of Music and Drama | Internationalisation | 2 | 12 | Fieldwork Complete | |
| Chamberlain's IT | Legacy Technology | 2 | 10 | Work in Progress | |
| Corporate Wide | P-Cards | 2 | 25 | Work in Progress | |
| Guildhall School of Music and Drama | Diversifying Funding / Fundraising | 2 | 12 | Work in Progress | |
| Open Spaces Department | Department Wide - Wayleaves | 2 | 12 | Work in Progress | |
| Town Clerks | Social Media | 2 | 8 | Work in Progress | |
| Chamberlain's IT | Data Storage | 2 | 15 | Work in Progress | |
| Guildhall School of Music and Drama | Under 18s Offer | 2 | 12 | Work in Progress | |
| Barbican Centre | Ticketing System | 2 | 12 | Not Started | |
| Built Environment | Waste Collection Income and Expenditure | 2 | 8 | Not Started | |
| Built Environment | Building Control and Planning Income and Expenditure | 2 | 15 | Not Started | |
| Chamberlain's | Supplier Resilience | 2 | 12 | Not Started | |
| Chamberlain's IT | Information Management | 2 | 20 | Not Started | |
| City Surveyor's | Operational Property Management and Governance Process | 2 | 15 | Not Started | |
| Community and Children's Services | Social Care Contract Monitoring | 2 | 7 | Not Started | |
| Corporate Wide | Recruitment Moratorium | 2 | 5 | Not Started | |
| Guildhall School of Music and Drama | Governance | 2 | 12 | Not Started | |
| Guildhall School of Music and Drama | Data Quality | 2 | 10 | Not Started | |
| Markets and Consumer Protection | Fee Recovery - All sites | 2 | 10 | Not Started | |
| Markets and Consumer Protection | Markets - Medium Term Financial Strategy | 2 | 10 | Not Started | |
| Open Spaces Department | Entity Review | 2 | 15 | Not Started | |
| Corporate Wide | Allocation for Follow-up Reviews | 1 | 100 | On-going work | |
| Town Clerks | Guildhall Club Accounts | n/a | 5 | Completed | |
| Total | | | 935 | | |

| | |
|--------------|-----------|
| Count | 71 |
|--------------|-----------|

2020/21 Audit Plan

| Work in Progress | Audit Review Status | Count | Percentage of Count | Audit Days |
|------------------------------------|---------------------------|-----------|---------------------|------------|
| | Final Report | 5 | 7% | 39 |
| | Draft Report | 5 | 7% | 32 |
| | Fieldwork Complete | 4 | 6% | 36 |
| | Fieldwork in Progress | 8 | 12% | 116 |
| | Terms of Reference Issued | 7 | 10% | 89 |
| | Planning | 7 | 10% | 97 |
| | Not started | 32 | 47% | 406 |
| Total | | 68 | 100% | 815 |
| Notes: reflects amendments to plan | | | | |

| Other Audit Activity | Days |
|--------------------------|-----------------|
| Recommendation Follow-up | In Progress 100 |
| Guildhall Club Accounts | Complete 5 |
| COVID Response Assurance | Complete 15 |
| Total | 120 |

Aggregate Position (all client work, excluding follow-up)

| Completed Work | Audit Review Status | Count | Percentage of Count | Audit Days |
|------------------|---------------------------|-----------|---------------------|-------------|
| | Final Report | 6 | 7% | 49 |
| | Draft Report | 7 | 9% | 47 |
| | Other Audit Activity | | | 20 |
| | Fieldwork Complete | 4 | 5% | 36 |
| | Fieldwork in Progress | 12 | 15% | 161 |
| | Terms of Reference Issued | 7 | 9% | 89 |
| | Planning | 7 | 9% | 97 |
| Work in Progress | Not started | 39 | 48% | 551 |
| | Total | 82 | 100% | 1050 |

3rd Party Audit Work

| London Councils | Audit Review Status | Count | Percentage of Count | Audit Days |
|-----------------|-----------------------------------|----------|---------------------|------------|
| | Final Report | 1 | 14% | 10 |
| | Draft Report | 1 | 14% | 5 |
| | Fieldwork Complete | 0 | 0% | 0 |
| | Fieldwork in Progress | 2 | 29% | 20 |
| | Not Started | 3 | 43% | 20 |
| | Follow up activity - 5 Audit Days | | | 5 |
| | Total | 7 | 100% | 60 |

Museum of London

| Audit Review Status | Count | Percentage of Count | Audit Days |
|-----------------------|----------|---------------------|------------|
| Final Report | 0 | 0% | 0 |
| Draft Report | 1 | 14% | 10 |
| Fieldwork Complete | 0 | 0% | 0 |
| Fieldwork in Progress | 2 | 29% | 25 |
| Not Started | 4 | 57% | 15 |
| Follow up activity | | | 5 |
| Total | 7 | 100% | 55 |

Audit Plan Reconciliation

| | | Days | Days |
|---------------------------|--|------|------------|
| Audit Resource Base | | | |
| In-House Team | | 847 | |
| Mazars | | 170 | |
| Total | | | 1017 |
| Total Planned Audit Days | | | 1050 |
| Resource Shortfall | | | -33 |

| Department | Audit | Priority | Audit Days | Justification |
|--|---|----------|------------|--|
| Chamberlain's | Chamberlain's Court Income | 4 | 8 | No material risk |
| Mansion House and Central Criminal Court | Roger Gifford Trust Fund (Conservation of Art Collection) | 4 | 5 | Not relevant to Annual Opinion |
| Mansion House and Central Criminal Court | Premises Related Expenditure | 3 | 10 | Changed audit approach, now delivering a corporate wide review |
| Markets and Consumer Protection | Safe Disposal of ceased/condemned goods/food | 3 | 10 | Lower perceived risk than originally anticipated |
| Remembrancer's | Supplies and Services | 3 | 8 | No material risk |
| Markets and Consumer Protection | Contract Management | 3 | 7 | Including in Markets Consolidation review |
| Open Spaces Department | Wanstead Flats - Reservoir Management (risk mitigation) | 1 | 3 | Localised issue being managed and reported against as part of RM process |
| Total | | | 51 | |

| | |
|--------------|----------|
| Count | 7 |
|--------------|----------|

Items Deferred from 2020-21

Appendix 4

| Department | Audit | Plan Priority | Audit Days | Justification |
|-------------------------------------|---|---------------|------------|--|
| Community and Children's Services | Libraries - Entity Review | 4 | 10 | Low priority |
| Open Spaces Department | Department Wide - Lodges | 4 | 12 | Low priority |
| Community and Children's Services | Barbican Estate Rents | 3 | 10 | Extensive plan in DCCS, need to balance coverage for Housing across the 3 year period |
| Comptroller and City Solicitor | Direct Charging for Legal Services | 3 | 10 | Low priority |
| Open Spaces Department | Department Wide - Commercial Leases | 3 | 8 | Low priority |
| Town Clerks | Guildhall Art Gallery - Income and Expenditure | 3 | 12 | Low materiality |
| Barbican Centre | Professional Development & Progression (Artistic Offering/Supporting Artists) | 2 | 8 | Less relevant in current circumstances |
| Chamberlain's | Procurement Category Management - Governance and Effectiveness | 2 | 7 | Need to spread Procurement related coverage over 3 year planning period |
| City of London Freeman's School | Financial Sustainability | 2 | 8 | Not critical in year, ref Governance Review |
| Community and Children's Services | Joint Health and Wellbeing | 1 | 12 | Extensive plan in DCCS, insufficient time/capacity to accommodate all originally intended work in year |
| Community and Children's Services | Housing Rents | 2 | 10 | Extensive plan in DCCS, too much coverage in Housing within year |
| Corporate Wide | Infrastructure/Physical Security | 1 | 15 | Not critical in year under current circumstances |
| Corporate Wide | Performance Management/Delivery of Business Plan Objectives | 1 | 15 | To be reconsidered in future years following announcement and implementation of the TOM |
| Guildhall School of Music and Drama | Data Futures | 2 | 12 | Office For Students scheme not yet launched |
| Open Spaces Department | Tower Bridge - Exhibition Income | 2 | 12 | Less relevant in current circumstances |
| Town Clerks | Corporate wide - Emergency Planning | 1 | 20 | Emergency response well tested under live circumstances, limited value in undertaking an audit review of this at present, suggest keeping in mind for a future review, looking at a different scenario |
| Town Clerks | Corporate Recruitment | 2 | 15 | Less relevant given recruitment moratorium |
| City of London Police | Management of Service Contracts | 2 | 12 | Replaced with other work delayed as a result of COVID-19 |
| City of London Police | Defendants Funds/Ceased Goods | 2 | 7 | Replaced with other work delayed as a result of COVID-19 |
| City of London School | Financial Sustainability | 2 | 7 | Not critical in year, ref Governance Review |
| City of London School for Girls | Financial Sustainability | 2 | 7 | Not critical in year, ref Governance Review |
| | | Total | 229 | |

| | |
|--------------|-----------|
| Count | 21 |
|--------------|-----------|

Other Amendments to Plan

Appendix 5

| | | Priority | Audit Days | Changes made |
|-----------------------|---|----------|------------|---|
| Built Environment | Building Control Income and Expenditure | 2 | 10 | Combined and reduced days to 15 in total |
| Built Environment | Planning Income and Expenditure | 2 | 12 | |
| DCCS | Safeguarding | 1 | 25 | Split to 2 reviews: Adult Skills and Education Service Safeguarding 15 Days Corporate Wide Governance Arrangements for Safeguarding 10 Days |
| Corporate HR | Equality Pay Gap | 1 | 7 | Budget increased to 14 days to accommodate increased scope |
| City of London Police | CoLP Transform Programme Audit Phase 3 | 1 | 8 | Added in to Plan |
| Police Authority | Police Funding | 1 | 15 | Added into Plan, allocated from PA budget of 35 days |

| | |
|---|-------------------------|
| Committee(s) | Dated: |
| Audit & Risk Management Committee | 03 November 2020 |
| Subject: Anti-Fraud & Investigations - 2020/21 Update Report | Public |
| Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly? | N/A |
| Does this proposal require extra revenue and/or capital spending? | N/A |
| If so, how much? | N/A |
| What is the source of Funding? | N/A |
| Has this Funding Source been agreed with the Chamberlain's Department? | N/A |
| Report of: Head of Audit & Risk Management | For Information |
| Report author: Chris Keesing, Corporate Anti-Fraud Manager | |

Summary

In total 16 investigations, across all disciplines, have been completed between 01 April 2020 and 30 September 2020, with an associated value of £140,218. There has been a small reduction in the volume of completed investigations when measured against the same period in 2019/20, where 23 completed investigations were recorded with an associated value of £214,852. Whilst it is difficult to determine the volume of cases that are likely to be referred for investigation during the second part of this reporting year, the National Fraud Initiative (NFI) data-matching is expected to provide a number of additional cases, leading to consistent levels of identified fraud and associated values at year end, when compared to previous years.

The COVID-19 pandemic has impacted the work of the team, shifting the focus of some work to prevention rather than recovery. The team has also seen an increase in response to emerging fraud risks resulting from the pandemic, specifically:

- Providing advice and guidance to front line service providers in relation to new services and support provided
- Undertaking investigations in relation to those new services
- Pre- and post-payment assurance checking in relation to COVID Business Grants (resulting in four applications for further investigation, one of which is subject to recovery action with the other three still under active investigation)

Recommendation

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 between 01 April 2020 and 30 September 2020. It also provides Members with an update against our key anti-fraud initiatives.

COVID-19 Support and Response

2. The COVID-19 pandemic has brought about a shift in focus from some of the work undertaken by the team, it has also resulted in a sustained period where visiting activity has not been possible for social housing tenancy fraud investigations. The Team has responded to the emerging fraud risks from the COVID-19 financial support administered by the City by providing advice, information and support to colleagues, and by assisting with the development of the various grants administration processes and application forms as well as undertaking a programme of comprehensive post-payment verification activity in respect of COVID grants paid by the City's Revenues Team.
3. Three different COVID-19 Business Grants have been administered by the City, these being:
 - Small Business Rates Relief (SBRR)
 - Retail Hospitality & Leisure Grants (RHLG)
 - Discretionary Business Grants

The eligibility criteria for SBRR and RHLG grants was defined by the Department for Business, Energy & Industrial Strategy, whilst the Discretionary Grants scheme was designed by The City to target those sectors most in need of financial support. In total, more than 1,500 grant applications were processed by the City, with those businesses that may be in scope contacted by City Revenues and invited to apply. The applications were assessed by colleagues in the City Revenues Team and payments made to those identified as being in scope.

4. Following guidance from the Ministry of Housing Communities & Local Government, post payment assurance work was undertaken by the Anti-Fraud Team; this assurance work involved analysing Companies House, Open Source and Vat data and gathering further evidence in those cases where there was an indication that the information provided by grants applicants was incorrect. Four Discretionary Business Grants were identified for detailed investigation and of these, one grant is subject to recovery, and the other three remain under active investigation.

NFI Pilot Exercise

5. Additional post-payment COVID Business Grants assurance work was undertaken with the NFI. This pilot exercise involved eight local authorities across England and focused on matching RHLG and SBRR grants data against pre-determined data including credit reference data and live business data to identify potential concerns. 46 matches were identified where further investigation was undertaken, however, upon detailed review no fraud was identified. Positive assurance for the pre-payment and post-payment checks undertaken by the City was achieved through participation in this exercise.

Likewise, participation by the City and other pilot authorities has helped in shaping the development of the national NFI response to this area of work.

Track & Trace Grants

6. The City's Benefits Team are responsible for assessing and administering the recently introduced Track & Trace Grants, these are grants of £500 issued to those on low incomes who are unable to work from home and who have been adversely affected financially through the need to self-isolate following a positive COVID-19 result. The Anti-Fraud Team has worked closely with the Benefits Manager to assist with the design of the on-line application form and to build in robust anti-fraud controls. This scheme is due to go live soon, and the Team will continue to support by investigating those cases where fraud concerns are identified.

Investigation Activity Summary

7. An analysis of the number of cases investigated during the first half of the 2020/21 reporting year (01/04/2020 – 30/09/2020) vs. the same period last year can be found at Appendix 1 to this report, showing all fraud types along with the value of frauds detected. Despite the current challenges to traditional ways of working and the shift in focus during the COVID pandemic, our investigations have progressed well, with the associated value of identified fraud from the 16 completed investigations during this period amounting to £140,218.

Social Housing Tenancy Fraud

8. The team provides full investigative support across all aspects of housing, from initial applications, to the investigation of tenancy breaches and right to buy screening. The COVID-19 pandemic has changed the focus of investigation activity, specifically, emphasis has shifted more to proactive counter-fraud activity in relation to applications (which is desk-based and focussed on prevention) rather than tenancy fraud investigations (which often requires physical visits to property and direct contact with tenants and results in recovery of property). This is owing to current restrictions and Government guidance on working safely in the COVID era. Members should note, however, that social housing tenancy fraud remains a key fraud risk area for the City and other social housing providers and that the balance of work will change as restrictions ease. Between 01 April 2020 and 30 September 2020, seven successful outcomes have been secured, comprising of two cases where recovery of the property was secured and five cases where housing application fraud was identified, consistent in overall numbers with the same period last year.
9. In addition, we currently have two cases with the Comptroller and City Solicitor for criminal prosecution action and three cases for civil recovery action. A further two cases are currently being prepared for prosecution.
10. A summary of our work in this area, during the first half of the 2019/20 reporting year vs. the same period last year can be found at Appendix 2 to this report.

11. A ban on evictions was introduced by Central Government at the start of the pandemic and this has limited our options when tenancy fraud was detected, however, we have still been able to recover two properties through voluntary returns by sub-tenants. These properties have now been re-let to those in greater need of affordable housing.

Council Tax Fraud

12. The Team has investigated four Council Tax frauds in this reporting year to date; two investigations have centred around single person discounts with investigations resulting in the removal of the single person discount awards and overpayments of £308. A further case involved a dishonest student exemption claim where following investigation this claim was denied and a £70 fine (in line with Council Tax Regulations) issued. The final case relates to a Council Tax Reduction Scheme investigation, identified as a direct result of our tenancy fraud work which has resulted in an overpayment of £5,400 over a fraud period of almost six years. This case will be considered for further civil and/or criminal action.

Corporate Anti-Fraud & Investigation Activity

13. Three Corporate investigations have been concluded between 01/04/2020 and 30/09/2020, with an associated value of £8,440; this included a joint investigation between the Anti-Fraud Team and City Bridge Trust to investigate an allegation of corruption, an allegation of breaches of the Landlord & Tenant Act and a one completed grants investigation.

Whistleblowing

14. The City's Whistleblowing Policy identifies the Head of Audit & Risk Management as one of the main contacts for reporting a concern and Internal Audit is responsible for maintaining a confidential and secure register of all concerns raised through the Whistleblowing Policy.
15. 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.
16. During the period 01/04/2020 to 30/09/2020, two whistleblowing referrals (as defined in the policy) have been received and both have been concluded.
17. The table below provides an overview of the allegation and outcome of the investigation:

| Allegation | | Outcome |
|------------|---|---|
| 1 | Corruption - allegation that a family member of the person submitting the concern had set-up businesses on Companies House with City addresses in order to benefit from COVID-19 Business Grants. | Case fully investigated and when the data was analysed on Companies House, the businesses would have had no entitlement to the grants as they were set-up post 11/03/2020 – the applicable date set by BEIS. Checks against grants application data did not identify any applications in scope. |
| 2 | Accusation of historic racism against a current member of staff. Matter referred to Corporate HR. | Matter investigated – no evidence to support the allegations could be found. Case closed. |

NFI Biennial Exercise 2020/21

18. The City Corporation and City of London Police are required by law to participate in the Cabinet Office's biennial NFI exercise. The Anti-Fraud Manager is the Key Contact for both the City Corporation and City Police's involvement in the NFI. The NFI is a sophisticated national data-matching exercise run by the Cabinet Office and designed to identify fraud across local authority functions including payments, payroll, pensions, housing and council tax. Preparation for the NFI 2020/21 continued successfully throughout the summer with Departmental NFI contacts recently having extracted data from their systems. This data has now been securely submitted to the NFI. Output from the data-matching will be available to the City from 28th January 2021 for further investigation.

Corporate & Strategic Implications

19. The work of the Team is designed around minimising the risk of fraud across the organisation by providing a comprehensive counter fraud and investigation response with a clear focus on safeguarding the Corporations assets and recovering any losses due to fraud. This is underpinned by our Anti-Fraud & Corruption Strategy, which gives due regard to the Corporate Plan. The confidential whistleblowing arrangements managed by the Team ensure that a safe and secure mechanism for raising concerns is maintained and that these concerns are acted upon.

Conclusion

20. The COVID-19 Pandemic has impacted on the work of the Anti-Fraud Team, with some traditional investigation methods not being possible, despite these restrictions the Team have continued to effectively progress investigations to conclusion and to achieve successful outcomes as detailed in this report and its appendices.
21. The Team has shifted some focus to support the quickly implemented COVID Business Grants administered by the City Revenues Team, by undertaking post-payment verification of all grants paid by the City. Our work in this area also involved participation in an NFI pilot exercise which, although not identifying fraud, resulted in assurance as to the quality of the work

undertaken by the Team and by City Revenues colleagues. It has also helped to shape the NFI's response to this fraud risk nationally. Further COVID-19 response support has been, and continues to be, provided to colleagues across the organisation.

22. The biennial NFI exercise is underway for the City Corporation and City Police, with output expected in January for further investigation.

Appendices:

- Appendix 1 – Analysis of the number of cases investigated between 01/04/2020 and 30/09/2020
- Appendix 2 - Housing Tenancy Fraud Caseload Analysis 01/04/2020 to 30/09/2020

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Appendix 1 - Analysis of the number of cases investigated between 01/04/2020 and 30/09/2020

1. The chart below provides a detailed analysis of the number of completed investigations, during the first half of the reporting year 2020/21, 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. It also provides the previous half yearly reporting data for comparative purposes.
2. The nature of the concerns raised under the City's whistleblowing channels mean that not all investigations completed under this discipline will have a financial value attached, but may instead result in other outcomes such as disciplinary action, or control environment recommendations.

| Activity | Completed Investigations 01/04/2020 – 30/09/2020 | Investigation Value (£'s) 01/04/2020 – 30/09/2020 | | <i>Completed Investigations 01/04/2019 – 30/09/2019</i> | <i>Investigation Value (£'s) 01/04/2019 – 30/09/2019</i> |
|--|---|--|--|---|--|
| Social Housing Tenancy Fraud ¹ | 2 | 36,000 | | <i>7</i> | <i>126,000</i> |
| Right to Buy ² | 0 | Nil | | <i>0</i> | <i>Nil</i> |
| Housing Application Fraud ¹ | 5 | 90,000 | | <i>1</i> | <i>18,000</i> |
| Blue Badge Fraud | 0 | Nil | | <i>0</i> | <i>Nil</i> |
| Corporate Investigations ³ | 3 | 8,440 | | <i>7</i> | <i>69,825</i> |
| Council tax investigations | 4 | 5,778 | | <i>5</i> | <i>1,027</i> |
| Whistleblowing Referrals | 2 | Nil | | <i>3</i> | <i>Nil</i> |
| Total | 16 | 140,218 | | <i>23</i> | <i>214,852</i> |

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 2019/20, 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 01/04/2020 to 30/09/2020

| Housing Tenancy Fraud Case Referrals | 01 April 2020 to 30 Sept 2020 | 01 April 2019 to 30 Sept 2019 |
|--|-------------------------------------|-------------------------------------|
| Housing tenancy fraud referrals received in current year | 22 | 29 |
| Right to buy referrals received in current year | 7 | 16 |
| Housing application referrals received in current year | 5 | 3 |
| Cases carried forward from previous year (all disciplines) | 19 | 11 |
| Total | 53 | 59 |
| | | |
| Cases/referrals currently under investigation | 26 | 19 |
| Cases/referrals closed with no further action | 18 | 27 |
| Cases with Comptroller & City Solicitor for prosecution | 2 | 2 |
| Cases with Comptroller & City Solicitor for civil recovery | 0 | 3 |
| Cases with City Police for Financial Investigation | 0 | 0 |
| Cases where possession order granted | 0 | 0 |
| Cases where successful possession gained ¹ | 2 | 7 |
| Cases where successful prosecution action taken | 0 | 0 |
| Cases where fraudulent application identified, (Housing, Mutual Exchange, Succession) | 5 | 1 |
| Right to buy fraud successfully identified | 0 | 0 |
| Total | 53 | 59 |
| | | |
| Value where successful possession gained, housing application cancelled or right to buy fraud identified ² | £126,000 | £144,000 |
| 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 £112,300 per property. | | |

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| | |
|---|------------------------|
| Committee(s) | Dated: |
| Audit and Risk Management Committee | 03/11/2020 |
| Subject: Corporate Risk Management Strategy | Public |
| Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly? | N/A |
| Does this proposal require extra revenue and/or capital spending? | N |
| If so, how much? | N/A |
| What is the source of Funding? | N/A |
| Has this Funding Source been agreed with the Chamberlain's Department? | N/A |
| Report of: The Chamberlain | For Information |
| Report author: Paul Dudley | |

Summary

The Corporate Risk Management Policy and Strategy is presented to the Committee on an annual basis (each January) for review and endorsement. The document is included with this agenda to provide an opportunity for Members to comment, prior to the final updated version being presented for endorsement at the 13 January 2021 Committee meeting.

Recommendations

Members are requested to:

1. provide comments on the Corporate Risk Management Policy and Strategy 2020 to the Corporate Risk Manager so that they can be considered within the final revised version of this document; and,
2. note the Corporate Risk Management Policy and Strategy will be submitted, for endorsement, at the 13 January 2021 Committee meeting.

Main Report

Background

1. At the Audit and Risk Management Committee meeting held on 28 January 2020, Members endorsed the City Corporation's Risk Management Policy and Strategy and also agreed that the document should be reviewed and endorsed by the Committee on an annual basis.
2. The Corporate Risk Management Policy and Strategy will be presented, for formal endorsement, to the Committee on the 13 January 2021. It is included with

this agenda to provide an opportunity for Members to comment on the document and for these to be considered within the final updated version.

3. The Corporate Risk Management Policy and Strategy is attached as appendix 1 and includes a number of proposed tracked changes, mostly presentational in nature. Chief Officer consultation is also underway.

Current Position

4. The Corporate Risk Management Policy and Strategy consists of three sections – the Policy Statement, the Strategy and the Risk Process guide (see below). It is supported by a range of tools and techniques located on the Risk Management intranet site.
 - a) **Risk Management Policy** - The Risk Management Policy is a (signed) statement of commitment by the Town Clerk and Chairman of the Audit and Risk Management Committee underlining the importance of risk management to the City's Corporation's corporate governance arrangements, to the delivery of corporate outcomes and departmental objectives.
 - b) **Risk Management Strategy** - The Risk Management Strategy sets out the formal process by which the City Corporation identifies, assesses, mitigates and reports risk. It includes a list of roles and responsibilities for those officers and groups which are integral to the effective operation of the risk management framework.
 - c) **Risk Management Process guide** - This guide explains the five steps in the risk management process, suggesting various tools to use as well as highlighting the key outputs at each step. The guidance aims to provide officers with a consistent approach to managing risks within the City Corporation.

Best Practice

5. The City Corporation Risk Management Policy and Strategy is based upon the ISO Risk Management Standard:2018 and guidance from the HM Orange Book 2019, the HM Management of Risk Guide 2011 as well as practice identified from examination of other public sector risk management strategies.
6. The Policy and Strategy will be reviewed in the light of any lessons from the City Corporation's response to Covid19/remote working and the need for agility and expecting the unexpected.

Corporate & Strategic Implications

7. The Corporate Risk Management Policy and Strategy outlines the commitment of the City Corporation to manage its business risks as well as the framework adopted to identify, assess and mitigate and report those risks. As such it is an essential element of the City Corporation's systems of internal control and governance and supports the achievement of Corporate Plan Outcomes.

Conclusion

8. The Corporate Risk Management Policy and Strategy is presented to the Committee on an annual basis (each January) for review and endorsement. The document is included with this agenda to provide an opportunity for Members to comment, prior to the final updated version being presented for endorsement at the 13 January 2021 Committee meeting.

Appendices:

APPENDIX 1 – City Corporation’s Risk Management Policy and Strategy 2020

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City of London Corporation

Risk Management Policy and Strategy (Including the
Risk Management Process Guide)

ANNOTATED VERSION 1.1 – FOR JANUARY 2021 UPDATE

Summit Group Approved: 19 December 2019

Endorsed by Audit and Risk Management Committee: (January 2020)

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SECTION 1 – Risk Management Policy Statement

1.0 Introduction

- 1.1 The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally successful UK. It aims to contribute to a flourishing society, support a thriving economy and shape outstanding environments by strengthening the character, capacity and connections of the City, London and the UK for the benefit of people who live, learn, work and visit here. Its unique franchise arrangements support the achievement of these aims.
- 1.2 The Square Mile is the historic centre of London and is home to the ‘City’ – the financial and commercial heart of the UK. The City Corporation’s reach extends far beyond the Square Mile’s boundaries and across private, public and charitable and community sector responsibilities.
- 1.3 The City of London Corporation (“the City Corporation”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards of governance; that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively; and that arrangements are made to secure continuous improvement in the way its functions are operated.
- 1.4 In discharging this overall responsibility, the City Corporation is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.5 Well managed risk taking should be recognised by all managers and staff within the City Corporation as being fundamentally important to effective service delivery, maximising opportunities for innovation in service development and adapting to change. It underpins the City Corporation’s values of Relevant, Reliable, Responsible and Radical.
- 1.6 Only by active management of risks will the City Corporation be able to meet its corporate aims and outcomes which in turn will enhance the value of services provided to the City.
- 1.8 The City Corporation aim’s to be an exemplar of good practice and continue to meet its statutory responsibility to have in place satisfactory arrangements for managing risks, as laid out under regulation 4 of the Accounts and Audit Regulations 2015:

“The relevant body is responsible for ensuring that the financial management of the body is adequate and effective

and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.”

1.7 The effective management of risk is at the heart of the City Corporation's approach to delivering cost effective and valued services to the public as well as being an important element within the corporate governance of the organisation.

1.8 Consequently, all staff and managers must understand the importance of well thought through and managed risks in decision making and adopt an approach that will help identify, assess, manage them as well as reviewing progress.

2.0 The Policy Statement

2.1 The City Corporation recognises and accepts its legal responsibility¹ to manage its risks effectively, has adopted a proactive approach to well thought through risk taking (balancing opportunity and risk) to achieve its objectives and enhance the value of services to the Community.

2.2 The overall aim being to increase the likelihood of delivering on the Corporate Outcomes and key corporate and service objectives by supporting innovation, encouraging creativity, minimising threats and providing an environment that risk management is seen as adding value to service delivery.

2.3 This policy applies to all departments and institutions of the City Corporation.²

3.0 Policy Objectives:

- a) Ensure that risk management effectively supports the **corporate governance** of the City Corporation.
- b) Maintain and Improve **leadership** and **collaboration** of risk management activity across the City Corporation.
- c) **Integrate** risk management into the **culture** of the City Corporation as well as to its key management processes including corporate and service business planning processes, programmes, projects, performance and financial management.
- d) Ensure that the **risk management process** for identifying, evaluating, controlling, reviewing, reporting and communicating risks across the

¹ Accounts and Audit Regulations 2015 (as amended)

² The City of London Police have adopted their own risk management policy statement.

City Corporation is in line with **Best Practice**, consistently applied, understood and owned by all relevant staff.

- e) Ensure that the Summit Group, Grand/Service Committees and the Audit and Risk Management Committee, external regulators and other stakeholders obtain necessary **assurance** that the City Corporation is managing and mitigating its business risks effectively:
- f) **Continuously improve** risk management through learning and experience and actively **Communicate** to the City Corporation's risk management approach to all employees and stakeholders.

4.0 These key objectives will be achieved by:

- Ensuring that the City Corporation's risk management strategy (which includes clear roles and responsibilities) is in line with current standards and best practice guidance.
- Demonstrating effective management, reporting and challenge of risks at both Officer and Member levels. This provides assurance to external regulators, the public at large and other stakeholders that the City Corporation is managing /mitigating its risks and in line with good corporate governance practice.
- Complying with all relevant statutory requirements.
- Providing opportunities for shared learning and training on risk management across the City Corporation.
- Embedding, supporting and promoting effective risk management.

5.0 Appetite for risk

5.1 The City Corporation will minimise unnecessary risk and manage residual risk to a level commensurate with its status as a public body so that:

- The risks have been properly identified and assessed.
- The risks will be appropriately managed, including the taking of appropriate actions and the regular review of risk(s).

5.2 The City of London Corporation will also positively decide to take risks in pursuit of its strategic aims where it has sufficient assurances that the potential benefits justify the level of risk to be taken.

6.0 Roles and Responsibilities

6.1 Management and staff should be familiar with, and competent in, the application of the City Corporation's risk management policy, and are accountable for the delivery of that policy within their areas of responsibility. A full set of roles and responsibilities is set out in Risk Management Strategy.

7.0 Review


7.1 This policy will be reviewed and, where appropriate, updated, on an annual basis.

Approved:



Signed.....
John Barradell

Town Clerk



Signed
Chairman of the Audit and Risk Management
Committee

Alex Barr

Date:

SECTION 2 – Risk Management Strategy

2.0. Introduction

The aim of this risk management strategy is to set out a formal and structured approach to identifying, assessing, managing and reporting risk within the City Corporation (known as the risk management framework). It should be read in conjunction with the Risk Management Policy Statement as well as the risk management guidance for officers.

The following sections include:

- a description of the components of the risk management framework,
- the levels of risk that the City Corporation has identified, the reporting arrangements including those to Grand/Service Committees,
- criteria for escalating risks from one organisational level to another and applying the City Corporation's risk appetite to corporate risks.
- A list of the roles and responsibilities for Committees, senior management groups and officers involved in the risk management framework.

By adhering to this strategy, the City Corporation will be better placed to achieve its Corporate Outcomes and objectives in an efficient, effective and timely manner.

Every risk is linked to a business objective and this strategy will help enforce a proactive stance to managing these risks, ensuring that less time is spent reacting to situations and more time is spent taking advantage of opportunities.

The City Corporation's risk management framework is an integral part of the City Corporation's overall corporate governance arrangements as well as supporting the delivery of the Corporate Plan.

Listed below are some of the benefits of successfully implementing this strategy:

- Protecting and enhancing the City of London Corporation's reputation
- Improve organisational resilience
- Increase the likelihood of achieving its goals and delivering outcomes
- Improve the identification of opportunities and threats
- Improve governance, stakeholder confidence and trust
- Establish a reliable basis for decision making and planning
- Effectively allocate and use resources for risk mitigation

2.1 The risk management framework

The framework consists of the following components:



2.2 Levels of organisational risk

To ensure that risk is managed at the appropriate level within the City Corporation the following levels of risk have been identified:

Corporate - if they occurred, would have a significant impact on the City Corporation as a whole (or significant part of) and/or the successful delivery of its corporate outcomes and its ability to exercise its functions. See Appendix 2 for the characteristics of a corporate risk.

Departmental - if they occurred, would seriously inhibit the achievement of the aims and objectives of the department. They differ from Corporate risks in that they usually only impact on one department, rather than cutting across several departments.

Service – if they occurred would usually concern failure to achieve service objectives. Service risks are those concerned with maintaining an appropriate level business service to existing and new service users.

Team – those risks concerned with team related objectives. These will be lower order risks, often those regarded as business as usual.

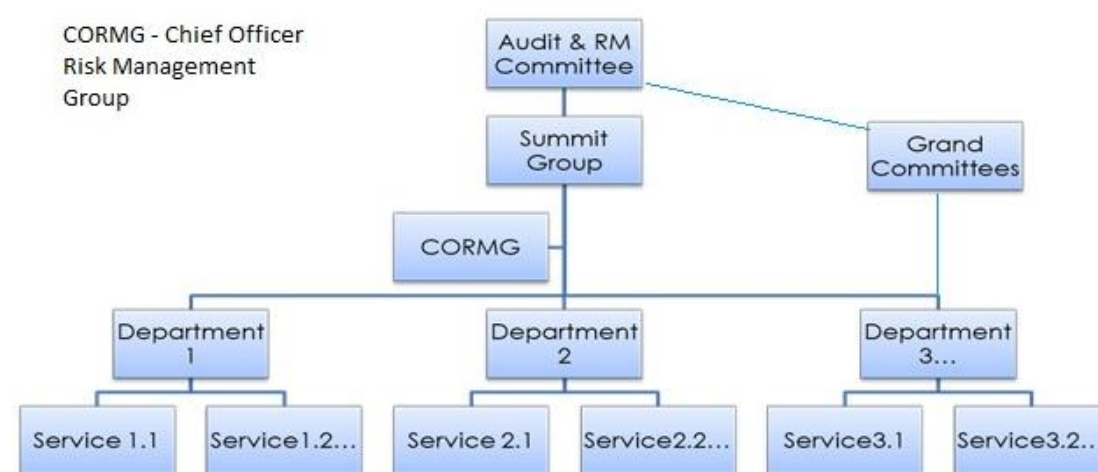
Programme/Project - their impact is limited to the programme/project's outcomes, budget, or timescales.

2.3 Review and reporting of risk registers

The following section outlines the reporting arrangements for these levels of risks.

The diagram below illustrates the reporting lines from service/team level to departmental and corporate levels. Below is a set of criteria which provides guidance on escalating/de-escalating a risk from one level to another.

There is a cyclical quarterly reporting process that is now embedded within the City Corporation. The diagram below shows the hierarchy of reporting lines from departments to Committees.



Corporate risks – all corporate risks must be owned by a Chief Officer and as such should be reviewed and updated, together with their department's risks, on at least a quarterly basis. They should be reviewed by the departmental management team.

Chief Officers who own corporate risks must report them to their relevant service committee/Grand Committee³ at least quarterly (although for schools may this is termly). The format of this report has been agreed by Summit Group and available on the [ColNet risk management page](#).

³ CoL Reporting risk information to Grand Committees

Corporate risks are reported quarterly to the Chief Officer Risk Management Group (CORMG) working on behalf of the Summit Group, to review all corporate risks as well as make recommendations for new corporate risks received from Chief Officers. CORMG will apply criteria to assess the suitability of a risk to be approved as a corporate risk. (see appendix 2)

Summit Group subsequently receive a quarterly risk update report and may approve new risks to be added or existing risks to be escalated on to the corporate risk register or de-escalated to the relevant departmental risk register.

The quarterly risk report is presented to the Audit and Risk Management Committee by the Chamberlain. Any new corporate risks must be endorsed by this Committee.

Departmental - departmental risk registers must be reviewed on at least a quarterly basis at their respective Departmental Management Team Meeting (DMT).

They may also take the opportunity to any new identify new risks as well as recommending to CORMG, departmental level risks which may to be suitable for inclusion in the Corporate Risk Register.

The Chief Officer is responsible to approving recommendations for a departmental risk to be considered as a corporate risk by CORMG.

Departmental risks, together with any corporate risks owned by the department, must be reported their respective Grand /Service Committee on at least a quarterly basis. (Note, the three schools report termly)

The Grand/Service Committee may make recommendations to the Audit and Risk Management Committee in respect of existing corporate/departmental risks or other matters for their consideration.

All red departmental risks are reported, at the same time as all corporate risks, to CORMG. These risks are also included in the quarterly risk updates to Summit Group and the Audit and Risk Management Committee.

Service – within each department there will be individual divisions, groups or functional areas. For this purpose, these are known as services and each may have a service level risk register. (Note that some departments are relatively small and may not require or need service risk registers). Service level risk registers must be reviewed at least quarterly by service management team meetings. Risks may be recommended for escalation to the departmental management team to consider for inclusion in the departmental risk register.

Team – within each service area there may be individual teams. Team level risk registers, where they exist, should be reviewed quarterly by the team management team.

Programme/Project – Programme/Project-related risks are identified from the outset during the initial risk assessment. Further risk assessments are should be undertaken at the beginning of every new stage of the project. Regular project team meetings are used for monitoring progress in manging these

risks as well as horizon scanning for project risks. Project risk guidance is available on the [CoLNet Project Management intranet page](#).

2.4 Escalation criteria

Risks may be escalated or de-escalated from one level organisational level to another (e.g. from departmental to corporate level). The guidance below sets out the factors to be taken into consideration when escalation/de-escalation should occur.

A risk may be moved to a higher level in the organisation (escalated) for the following reasons:

- The risk becomes unmanageable at current level
- The risk is outside of the appetite boundaries (see para 6 below)
- The risk remains very high even after control measures have been fully implemented
- The risk impacts on more than one department/functional area
- The risk is directly related to an organisational objective

De-escalation

A risk may be moved to a lower level in the organisation (de-escalated) for the following reasons:

- The risk can be controlled and managed at a lower level
- The risk rating has decreased significantly or is not considered to be critical to the achievement of a corporate /departmental objective.
- The risk is below appetite boundaries (see para 6 below).
- The risk will only affect one department/project or programme/functional area and is better controlled locally.

Note: Escalation/de-escalation of a risk is not automatic and will depend upon the judgement of senior management or senior management groups as to whether this should take place. There may be reasons why a risk should remain at a particular level e.g. it's the level best placed to manage it.

2.5 Risk appetite

The City Corporation's Risk Management Policy outlines its approach to taking risk (i.e. risk appetite) in that it will seek to minimise taking any unnecessary risks but also to reduce risk to an acceptable level to a public body. It also seeks to take risks to achieve its strategic /corporate outcomes/objectives, but these will be considered and well thought before such risks were taken.

Risk appetite is defined as “*the amount of risk and organisation is willing to accept*” so by articulating how much and type of risks which is acceptable it provides a basis for making judgements on the balance of the benefits and the taking of the risk.

The City Corporation has set risk appetite levels for ten categories of risk and these are be applied to all corporate risks. The following diagram shows relative risk appetites for each of these categories of risk.

Risks which are scored in the shaded area would be regarded as above risk appetite.

| | 1 - Negligible | | | | 2 - Low | | 3 - Moderate | | 4 - High | | 5 - Very High | |
|----------------------------|----------------|---|---|---|---------|---|--------------|----|----------|----|---------------|--|
| | 1 | 2 | 3 | 4 | 6 | 8 | 12 | 16 | 24 | 32 | | |
| Financial | | | | | | | | | | | | |
| Compliance & Regulatory | | | | | | | | | | | | |
| Contractual & Partnerships | | | | | | | | | | | | |
| Health & Safety, Wellbeing | | | | | | | | | | | | |
| Safeguarding | | | | | | | | | | | | |
| Innovation | | | | | | | | | | | | |
| Technology | | | | | | | | | | | | |
| Environmental | | | | | | | | | | | | |
| Physical Security | | | | | | | | | | | | |
| Reputational | | | | | | | | | | | | |

The risk appetite levels are indicative given the spread and complexity of risks within each category. These indicative risk appetite levels will be used for corporate risks only.

For risks below corporate level, officers must have regard to the indicative risk appetite ratings above when determining whether to escalate or de-escalate a risk (see para 5 above).

2.6 Effectiveness of the City Corporation’s risk management framework

The City Corporation will periodically review the effectiveness of its risk management framework through either an external benchmarking exercise or review, internal audit review or self-assessment. The Policy and Strategy will be reviewed annually.

2.7 Roles and responsibilities

The following sets of the roles and responsibilities of officers and groups within the risk management framework.

Court of Common Council

- To receive annual assurance from the Audit and Risk Management Committee on the effectiveness of the City Corporation's risk management framework and its application.

Audit and Risk Management Committee

- Provide assurance to the Court of Common Council on the effectiveness of the risk management framework and its application. (The Chairman is the Member Risk Champion).
- Review the effectiveness of risk management arrangements - Provide comment and challenge on risk management activity and progress.

Grand Committees/Service Committees

- Oversee the significant risks faced by Departments in the delivery of their service responsibilities.

Summit Group

- Promoting, steering and monitoring risk management for the Corporation. The Summit Group oversees the strategic elements of risk management.
- Overall accountability for risk management across the City Corporation including ensuring the corporate risk register is a live and up to date record of the current risk exposure
- Set the tone for risk management, promote the benefits of effective risk management and lead by example in embedding the risk management framework
- Regularly discuss and review the corporate risk register and associated risk reports.

Chief Officer Risk Management Group (CORMG)

On behalf of Summit Group:

- To review and scrutinise all Corporate and Red Departmental Risk Register on a quarterly basis or more regularly if required.

- To assure the Summit Group that there are robust and effective risk mitigation strategies and actions in place to manage these risks.
- To review any risk, which is recommended by a Chief Officer, to be added to the corporate risk register and make a recommendation to the Summit Group for inclusion/non-inclusion.
- To receive suggestions made by the Audit and Risk Management Committee on areas of corporate risk that need further consideration.
- To keep under review the outcome of the Audit and Risk Management Committee Risk Challenge sessions and consider any wider corporate lessons learnt.

Chamberlain (the City Corporation's lead officer for risk management)

- Overall leadership for the effective delivery of the City Corporation's risk management function in accordance with industry best practice.
- Ensure the risk management framework is aligned and embedded with the City Corporation's approach to and disciplines for sound corporate governance and strong internal control.
- Advice on the development of the City Corporation's risk management framework
- Review and sign off updates to the City Corporation's risk management framework.

Chief Officers

(Extract from Financial Regulations)

Chief Officers must have regard to the requirements and /or guidance issued by the Chamberlain and adhere to the City's Risk Management Policy and Strategy.

Specifically, Chief Officers are responsible for:

- Ensuring that risk management is integrated into business planning, programme and project management and finance planning.
- Ensuring that there are appropriate management arrangements for the continuous identification, assessment, mitigation, monitoring and reporting of risk within the department.
- Maintaining corporate and departmental, service, team risks on the corporate risk system and use system generated reports for management and Committee reporting purposes.
- Reporting their corporate and departmental level risks to their relevant Committee(s) in accordance with the Guidance on reporting risk information to Grand/Service Committees.
- Appointing a senior officer to act as the departmental risk co-ordinator to promote effective risk management within the department, liaise with

the Corporate Risk Manager and ensures it complies with the City Corporation's Risk Management Policy and Strategy.

- Reducing the risk of significant service disruptions by ensuring that they have in place appropriate and robust business continuity plans.

Departmental Management Teams (DMT)

- Ensure adherence with the Risk Management Policy and Strategy
- Champion the benefits of effective risk management
- Take ownership for risks within their function and ensure risk registers are regularly discussed, reviewed, updated and escalated as appropriate

Service Managers

- Manage risks effectively in their service area, in accordance with the risk management framework
- Ensure their staff have appropriate understanding and training on risk management
- Champion the benefits of risk management across their service and communicate the corporate approach to managing risk.
- Escalate serious risks to the departmental management team as appropriate.
- identify training needs; and
- Take account of risk management issues when setting staff performance targets.

Risk Management Group

To assist in developing and embedding the City of London Corporation's risk management framework, promoting the development of consistent and effective risk management across the organisation. This Group provides a forum to share best practice relating to the identification, monitoring and mitigation of risk.

Departmental risk co-ordinators

- Provide risk management support for their functions
- Cascade, communicate and promote the risk management framework as directed by the Corporate Risk Manager to drive consistency across the organisation on the management of risk.
- Attend Risk Management Group meetings.
- Support updating of departmental risks on to the corporate risk management information system.

Corporate Risk Manager -

- Embed the Risk Management Policy and Strategy and process to drive consistency in its application.
- Develop guidance, tools and training to support the business to manage risk effectively in accordance with the risk management framework.
- Provide support and training on the risk system and wider risk training.
- Provide assurance, support and challenge to the business on all areas of business risk management.
- Report on corporate and other risks to the Audit and Risk Management Committee and support the work of the Committee in its risk management role.

Programme and project managers must:

- Follow the Project risk management guidance which is now part of the Project Management Academy project. See ColNet

Risk owners must:

- seek out relevant expertise to help in the assessment of risk and appropriate control measures.
- review and report on the proximity and status of assigned risks.
- identify risk action owners for implementing control measures; and
- escalate risks to the departmental or corporate level as and when necessary.

Risk action owners must:

- Implement actions to control risks, drawing on the advice of relevant experts.
- monitor risk and control measures; and
- feedback on the progress in implementing controls and their effectiveness.

Internal Audit is expected to:

- use risk assessment to inform its annual audit plan.
- carry out risk-based audits, evaluating controls and providing an opinion of levels of assurance.
- carry out periodic audits to test the suitability and implementation of the risk management framework; and
- make recommendations for improving risk management practices.

Employees ·

- understand the City Corporation's approach to risk management.
- make active and effective use of risk management in their work.
- Suggest new risks to their managers

SECTION 3 – Risk Management Process Guide

3.1 Introduction

This guide outlines the risk management process adopted and used by the City of London Corporation. It should be read in conjunction with the City Corporation's Risk Management Policy Statement and Strategy.

This guide will be useful for all staff to gain an understanding of the City Corporation's risk management process. For managers it should help them to create some time and space to anticipate, plan effectively, act proactively and deliver on their objectives and report progress in managing risks to higher levels of management.

It outlines the definitions of risk and risk management as well as explaining the five key steps in the cyclical risk management process, the tools that may be helpful in each step which includes the City Corporation's risk matrix as well as a glossary of terms.

This guide is supported by a range of tools and other resources on the [ColNet risk management intranet site](#).

3.2 Where and when should risk management be applied?

Risk management can be applied to all business activities for example in setting strategic aims and objectives, organisational change, business planning, programme/project planning, options appraisals, procurement, commissioning, change programmes, improvements in services, projects and programmes.

The appropriate risk management approach depends upon the importance of the planned business activity to the achievement of City Corporation outcomes/ departmental objectives. The more important the planned business activity the more rigorous and robust the risk management approach needs to be.

The City Corporation's risk management framework sets out the formal process for the application of risk management to business risks.

3.3 The Risk Management process

What is ‘risk’? Simply put a risk is a potential future event that could affect the delivery of one or more objectives. The City Corporation has adopted the following formal definition of risk⁴;

“The effect of uncertainty on objectives”

This guidance focuses on the uncertainties which potentially could have a significant impact on the achievement of the City Corporation’s objectives and the stakeholder’s confidence in the way the City Corporation delivers its services (i.e. the uncertainties that matter).

In managing risk, the City Corporation seeks to minimise, though not necessarily eliminate, threats as well as maximise opportunities - (see the City Corporate’s Risk Management Policy).

3.4 What is risk management?

Risk management is an umbrella term for the identification, assessment and control of risk. The City Corporation have adopted the following formal definition⁵:

“coordinated activities to direct and control and organization with regard to risk”

Risk management is a cyclical five-step process that sets out to control the level of risk and to reduce its effects.

The five-step risk management process is described briefly below but is set out in more detail later in this document.



⁴ISO 31000:2018 Risk Management

⁵ ISO 3100:2018 Risk Management

Fig 1 – The Five Step Risk Management process

3.5 Brief overview the steps in the risk management process

Clarify objectives: Understanding the context of the planned business activity (e.g. objectives within a business plan) is the first step – the aim being to provide sufficient information on what needs to be achieved. This would include, for example, ensuring that the objectives are clear, agreed and understood by all stakeholders, determining the level of detail required by the risk process, the degree of risk (how much risk do we want to take) of the planned business activity and strategic importance.

Identify risks: This step involves identifying the risks that could adversely impact on the success of the planned business activity. Having clear and concise risk descriptions is essential for the following steps.

Assess risks: The significance of the identified risks should be assessed so they can be prioritised. Assessment is undertaken using the City Corporation's criteria for likelihood and impact (see appendix 3).

Address: This step involves developing actions that will influence either the likelihood or impact (or both) of the risks occurring. These actions need to be appropriate, achievable and affordable. The risk should be modified as a result of the actions taken.

Implement, Monitor and review: The identified actions must be implemented. Progress in managing risks as well as identifying new risks must to be assessed, monitored, and reviewed/reported regularly at management meetings and where appropriate at Committee meetings. If necessary, new risks and actions may be added and existing risks/actions removed.

3.6 How to apply risk management

This section provides guidance on the use of a risk management process that can be applied to activities at corporate, departmental, service and team levels within the City Corporation.

It needs to be applied sensibly and the level of risk management should be proportionate to the risks and the importance of achieving the planned objectives.

The five-step risk management process is explained detail below together with the tools that would be useful and the key outputs from each step.

To assist with a successful use of this process several tools have been produced. Information about each tool is included on the [Risk Management Intranet page on ColNet](#).

Step 1: Clarify Objectives

It is difficult to think about risks in isolation, so the first step is to be clear about the objectives and key deliverables and other internal and external factors that may affect the delivery of the planned activity.

This will include an understanding of:

- The planned activity's objectives and what success will look like.
- The scope of the activity.
- The assumptions that have been made.
- The internal and external stakeholders and their relative influence
- The external factors that might affect the planned activity
- The City Corporation and its capabilities, as well as its objectives and strategies that are in place to achieve them.

Tools

The tools that will be helpful include:

- PESTLE (Political, Economic, Social, Technological, Legal and Environment) analysis (External risks)
- SWOT (Strengths, weaknesses, opportunities, threats) analysis (internal risks). This will help highlight potential risk areas that need to be addressed.
- Stakeholder Analysis - a method of identifying the key stakeholders and their influence over the planned activity.

See the [ColNet risk management intranet site](#) for more information.

Reference to internal compliance documents such as financial regulations, contract regulations as well from external sources – regulations, best/ practice guidance, professional/industry standards etc may also be useful at this stage.

The key output from this stage should be a clear understanding about the activity's objectives, some of the key external and internal issues including stakeholder concerns and the likely risk management approach required.

Step 2: Identify (and Analyse) risks

The risk identification step is focussed on the risks (positive or negative) to achieving the planned activity's objectives.

Consultation is likely to be needed with staff/managers who have a good understanding of the business activity and other stakeholders, asking the following questions:

- What might prevent the achievement of the stated objectives?
- Has it gone wrong before?
- Who should own this risk?
- When should we start managing this risk?
- How and when can the risk happen?

It may also be helpful to think about the sources of the risk for example, the introduction of new legislation/regulation, budget savings, new technology, and new ways of working, may all give rise to risks. Using the headings as a prompt to think about the things that could get in the way will be a fruitful way to identify risks.

An example prompt list to identify risks is set out below.

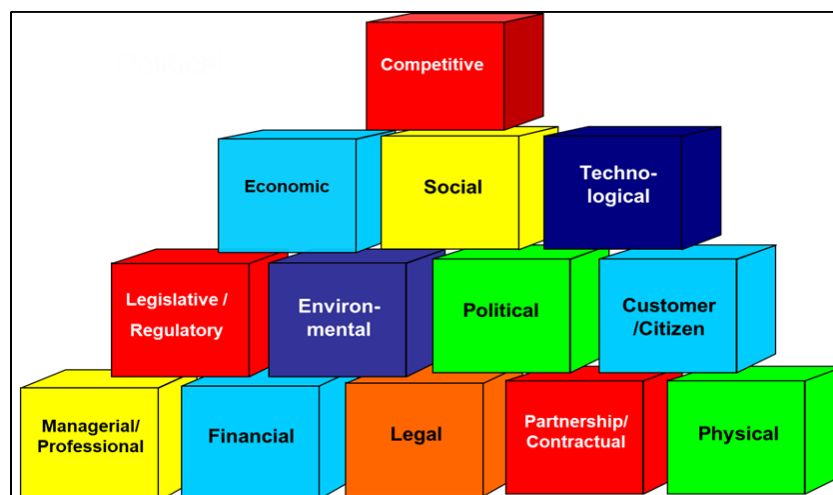


Fig 2 – Example risk prompt list

During the identification stage the following information needs to be gathered:

- A set of risks that have been described clearly and plainly, using the cause, the 'risk event' and the potential effects statement. An example is set out below:

Risk Title: Minibus fleet

Cause: As a result of lack of capital funding to replace the ageing minibus fleet

Risk event there is a risk that current vehicle reliability levels will fall in the next 12 months,

Effects: leading to higher vehicle maintenance costs, increased pressure of revenue budgets, client service disruption and increased vehicle hire costs,

- The nature of the risk – for example, political, financial, reputation, and more; and
- The name of the individual taking responsibility for the risk (i.e. the risk owner).

Tools

There are various tools that can be helpful identifying risks including horizon scanning, risk check lists, prompt lists, one to one interviews with key staff. See [ColNet Risk Management page](#).

The key output is a list of risks (described in the cause- risk event -effect statement) produced that are aligned to the planned activities objectives and each with a named risk owner. Risks should be recorded on a risk register. The City Corporation uses a risk management information system to record and report its business risks.

Step 3: Assess Risks (4x4)

Every risk should be assessed to help determine how much management attention is given to managing the risk. This is done by ranking the risks with a set of scores determined by their individual likelihood (how likely is it for that risk to occur?) and impact (what is the consequence of the risk occurring?) rating.

The City of London Corporation uses a 4-point scale and the multiple of the likelihood and impact give us the risk score, which is used to determine the risk profile. This is explained in the quick risk management guide on the [risk management page - ColNet](#)

Scoring risk is best done with those stakeholders who have a good understanding of the planned activity and coming to a consensus. Scoring risks in this manner can help avoid bias and improve ownership of the identified risks.

Risks need to be scored based on current risk (i.e. the risk score as of today and considering existing controls) and target risk score (the target risk score to be achieved by a certain date after the completion of all related actions). Both risk (current and target) scores need to be added on the risk register.

By plotting the current risk score on the risk matrix (Fig 3 below) it is the possible to determine a ranking by risk score of the identified risks. The more important the risk, the more management action will be required.

| | | | | | |
|-------------------|-----------------|---------------|----------------|--------------|----------------|
| Likelihood | Likely (4) | 4 | 8 | 16 | 32 |
| | Possible (3) | 3 | 6 | 12 | 24 |
| | Unlikely (2) | 2 | 4 | 8 | 16 |
| | Rare (1) | 1 | 2 | 4 | 8 |
| | | Minor (1) | Serious (2) | Major (4) | Extreme (8) |
| | | Impact | | | |

Fig 3 – The City Corporation’s risk matrix (see appendix 3)
The red, amber and green (RAG) ratings have the following meanings:

- Red - Urgent action required to reduce rating.
- Amber - Action required to maintain or reduce rating.
- Green - Action required to maintain rating

Tools

The key tool to use is the City Corporation’s risk matrix (see appendix 3).

The key outputs from this stage include a list of risks with a scored level of risk added to the risk register, and a consequent understanding of their relative priority for further action.

Step 4: Address Risks

Without this step, risk management would be no more than a bureaucratic process. Addressing risk involves taking practical steps to manage and control it.

Not all risks need to be dealt with in the same way. The common risk responses are outlined below should help in considering the range of management responses available when responding to risks.

Importantly, when agreeing actions to control risk, consideration is required on whether the actions themselves introduce new risks (i.e. consequential risks).

Management responses

When managing risks, the actions that are put in place should help to

effectively reduce the risk to a manageable level.

There are four approaches that can be taken when deciding on how to manage risks:

| | |
|--|--|
| Accept: An informed decision to accept the likelihood and consequence of a particular risk, e.g. the ability to do anything about some risk may be limited, or the cost of taking any action may be disproportionate to the potential benefit, or in terms of the City Corporation risk appetite the risk may be manageable. | Transfer: Shifting the responsibility or burden for the loss to another party, e.g. through insurance. Note this should be used with caution -- it is often impossible to transfer a risk entirely. This is particularly true where a service is outsourced. The operational and financial risks may lay with the contractor. In the event of poor service there may be a reputational impact on the City Corporation. |
| Avoid: An informed decision not to become involved in a risk situation. For example -the City Corporation may not be out to avoid risks associated with its statutory functions. | Reduce: A selective application of management action, by applying internal control to reduce either the likelihood or the impact, or both, designed to contain risk to accept levels, e.g. mitigation action, contingency planning. |

In most cases, the chosen option will be Reduce.

Identifying actions – Reduce option response

All risks identified and assessed need to be reviewed to determine what actions need to be put in place to mitigate them (either to prevent them occurring or lessen the effect).

There could be several actions identified for each risk – usually no more than 4 or 5- which will help reduce the risk. Actions should be written as a SMART statement for inclusion in the risk register. For example: “Prepare a detailed communication plan for approval by the project manager by (insert date).”

For each action there needs to be an action owner, that is someone responsible for one or more actions needed to mitigate the risk and to report on progress, usually to the risk owner.

Effective risk management is taking well thought through risks and balancing them against the benefits and costs.

Tools

The tool to be used in this process is the above table which shows the options for treating a risk and describing action using the SMART (Specific, Measurable, Achievable, Realistic and Time bound) statement.

The key outputs from this stage are that a completed risk register will have been produced showing the related actions to each risk with an identified risk owner. The register may also show where risks are complex and may require additional actions. As a result, there will be an overall appreciation of the total risk exposure of the planned business activity.

Step 5: Monitor, Review and Report

The primary purpose of this stage is to ensure that the planned actions are implemented, monitored for effectiveness and corrective action is taken where responses do not match expectations.

Both risks and the effectiveness of their related actions can and do change. It's important to ensure that they are regularly reviewed and amended to meet the changing risk environment. New risks and actions may be required to address new threats identified at this stage.

At the same time as reviewing the risks it can be helpful to check the corporate and departmental performance indicators as they can act as an early warning of a risk increasing or decreasing.

Tools

The key tool will be the completed risk register together with the report format used for reporting risk information to senior management and where appropriate Grand/Service Committees. For more information about the Pentana Risk system for recording and reporting risks please contact the Corporate Risk Management on ext 1297.

The key outputs from this stage are that risks, and related actions have been thoroughly reviewed and amended as appropriate. This may result in some existing risks and actions being removed or new risks/actions being added. It also provides assurance that the actions, currently being undertaken, are effective and making good progress in line to the target completion date.

In addition, the risk register has been reported in a timely manner to the appropriate levels of management and where appropriate to the relevant Grand/Service Committee. There is guidance for Chief Officers for reporting their corporate and departmental level risks to their appropriate Grand/Service Committee.

References:

This revised guide draws upon the City Corporation's Risk Management Strategy 2014 as well as best practice and various internal and external publications including CoL financial regulations, the ISO Risk Management:2018, HM Orange Book (2004 and 2019/2020) and HM (OGC) Management of Risk 2010 and other public sector risk management guides.

Appendix 1

Glossary

Acceptance - an informed decision to accept the likelihood and impact of a risk, e.g. the ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit, or in terms of the City Corporation risk appetite, the risk may be manageable,

Action owner – An action owner is the individual assigned for the implementation of the measures to mitigate the risk. They support and take direction from the risk owner. Action owners are responsible for:

- reviewing and implementing controls assigned to them and updating progress on the risk register.
- regularly reporting on progress to the risk owner via, for example, team meetings and/or one to one meeting or as required

Avoidance - an informed decision not to become involved in a risk situation. (Note: The City Corporation may not be able to avoid risks associated with its statutory functions).

Business risk - Failure to achieve business objectives/benefits

Contingency plan(ning) - The process of identifying and planning appropriate responses to be taken when, and if, a risk occurs.

Exposure - The susceptibility to loss.

Frequency - A measure of likelihood expressed as the number of occurrences of an event in each time.

Impact - Effect or consequence of a risk, should it occur e.g. time, cost, quality, reputation, financial loss, reputation etc

Incident - An event or circumstance which could have or did lead to unintended and/or unnecessary harm to a person, and/or a complaint, loss or damage.

Issue - A relevant event has happened, was not planned and requires management action. It could be a problem, query, concern, change request or risk has occurred.

Likelihood - A qualitative description of a probability or frequency of the risk event occurring.

Loss - A negative outcome.

Mitigating action - Any controls or measures that seek to reduce the likelihood or impact of a risk event to an acceptable level.

Opportunity - An uncertain event that could have a favourable impact on the objectives or benefits

Planned (business) activity - a term to describe an activity (e.g. activities in a business plan) to which the risk management process is being applied.

Programme - A set of projects and activities that are co-ordinated and managed as a unit such that they achieve outcomes and realise benefits.

Project risks - Those which are concerned with delivering defined outputs to an appropriate level of quality within agreed time, cost and scope constraints.

Reduction - A selective application of management action, by applying internal control to reduce either the likelihood or the impact, or both, designed to contain risk to acceptable levels, e.g. mitigation action, contingency planning.

Risk - The effect of uncertainty on objectives

Risk analysis - A systematic use of available information to determine how often specified events may occur and the magnitude of the impact.

Risk appetite - an organisation's unique attitude towards risk taking that in turn dictates the amount of risk that it considers acceptable in pursuit of its objectives.

Risk assessment - The identification of risk, the measurement of risk, and the process of communicating about risks.

Risk categories - Risks can be identified by category e.g. technological risks

Risk cause: a description of the sources of the risk i.e. the event or situation gives risk to the risk.

Risk effect: a description of the impact that the risk would have on the organisational activity should the risk materialise.

Risk event: A description of the area of uncertainty in terms of the threat or opportunity

Risk identification - The process, by which events, which could affect the organisation's objectives, are identified, described and recorded.

Risk management – Concerned with the “coordinated activities to direct and control and organization with regard to risk”.

Risk management framework - Sets the context within which risks are managed in terms of how they will be identified, assessed, controlled and reported.

Risk matrix - A model that visually displays the relationship between the likelihood and impact of specific risks. Visually it is a 4x4 box that plots likelihood and impact. (see appendix 3)

Risk owner - is a role or an individual that is responsible for the management and control of all aspects of that risk, including the implementation of the measures taken to mitigate it.

Risk prioritisation - The process that allows risks to be ranked into a logical order by establishing how significant they are in terms of likelihood and impact.

Risk register - A record of all identified risks relating to corporate, departmental, service, programme or project objectives.

Risk treatment - Selection and implementation of appropriate options for dealing with risk.

RMIS - Risk management Information System. A web-based system that can record risks and action and produce reports (within the City Corporation – Pentana Risk).

SMART – An action must be specific, measurable, achievable, realistic and time bound.

Stakeholder - An individual, group or organisation that can affect, be affected by, or perceives itself to be affected, by a planned business activity.

Target risk – The risk score that the organisation wishes to reduce the risk to (i.e. target risk score) after the completion of all related actions and achieved by a certain date.

Threat – An uncertain event that could have a negative impact on objectives or benefits.

Transfer - Shifting the responsibility or burden for the loss to another party, e.g. through insurance. Note this should be used with caution - it is often impossible to transfer a risk entirely. For example, if the risk to the City Corporation's reputation, notwithstanding that a contractor is obliged to compensate the organisation financially for poor performance, the risk cannot be considered as well managed

Uncertainty - A condition where the outcome can only be estimated.

Appendix 2

Characteristics of a corporate risks

The Chief Officer Risk Management Group will assess potential new risks, using the following characteristics of a corporate risk, before determining whether to recommend to Summit Group that a risk should be added to the corporate risk register.

A corporate risk is likely to have one or more of the following characteristics:

- strategic and cross-cutting, with the potential to impact on a range of different areas or statutory functions.
- related to the organisation's ability to successfully deliver one or more high priority corporate objectives/outcomes (there needs to be a significant link to the outcome at risk).
- affects the outcomes sought from one of the organisation's major programmes.
- operates over the medium or long-term; (note –occasionally short-term risks may be added where there is demonstrable business case)
- has the potential to seriously impact upon the organisation's capacity, for example by limiting, reducing or failing to maximise financial, physical assets or human resources.
- linked to the organisation's ability to successfully deliver transformational change and major initiatives, while continuing with business as usual.
- concerned with the wellbeing of the residents, businesses, the public and staff.
- may impact significantly and broadly on the organisation's reputation.
- The speed of the impact(s) if the risk occurred on the organisation.

Characteristics approved by Summit Group 19 December 2019

Appendix 3

Corporate Risk Matrix

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

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



(A) Likelihood criteria

| | Rare (1) | Unlikely (2) | Possible (3) | Likely (4) |
|----------|---------------|--------------|--------------|---------------|
| Criteria | Less than 10% | 10 – 40% | 40 – 75% | More than 75% |

(C) Risk scoring grid

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

(B) Impact criteria

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

(D) Risk score definitions

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

Contact the Corporate Risk Manager for further information. Ext 1297

Version date: January 2020

| | |
|---|------------------------|
| Committee(s) | Dated: |
| Audit and Risk Management | 03.11.2019 |
| Subject: Deep Dive: CR09 Health Safety and Wellbeing | Public |
| Report of: Chrissie Morgan, Director of Human Resources | For Information |
| Report author: Justin Tyas, Health Safety and Wellbeing Manager | |

Summary

Corporate Risk 09 concerns the City of London Corporation's health safety and wellbeing Management System and its application. Effective Health and Safety management enables innovation, growth and enhanced 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.

Key highlights/updated since last Deep Dive (November 2019):

- There was a successful retender of accident / incident reporting system which has included several improvements such as the ability to now also report online in addition to the existing 24/7 telephone line.
- Where necessary staff have been supported to work from home during the pandemic. This included providing advice and guidance and the completion of home working assessments. Additional equipment was provided where this was required.
- Focus has remained on supporting the mental health and wellbeing of staff during the pandemic. Novel ways of support have been developed including a virtual Mental Health First Aider Network.
- The City Surveyors have led on ensuring robust Covid-Secure premises risk assessments have been completed. They have provided professional support and guidance to local Premises Controllers and have a robust assurance process.
- Checks have also been established to ensure works and service contractors operate in a Covid safe way and can if necessary, support the City Corporation with responding swiftly to a symptomatic COVID case at any of its sites.
- There were also successful tenders for competent fire risk assessors and asbestos analytical consultants.
- The Public Health England (PHE) *Disparities in the risk and outcomes of Covid-19* showed that some groups of people may be at more risk of being infected and/or an adverse outcome if infected. Hence an individual risk assessment approach was developed to ensure we have a robust and fair process in place for retuning staff and those who continued to work in their normal workplace during the pandemic.

- The systems of Internal Controls and discrete actions as outline in this report demonstrate that the City Corporation has a relatively robust health, safety and wellbeing management system

Recommendation

Members are asked to note the report.

Main Report

Background

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.
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.
3. Failure to comply with these requirements can have serious consequences – for both organisations and individuals. Sanctions include fines, imprisonment and disqualification.
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.
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 enhanced productivity, as well as helping the City Corporation achieve its strategic objectives.
6. The external enforcing authority for health and safety at the City 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).
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.

Current Position: Corporate Risk (CR) 09 - Health Safety and Wellbeing Risk (management system) (Appendix 1 - below):

8. A revised risk description was endorsed at the Health Safety and Wellbeing Committee in September 2019, and the Risk Score was also revised (reduced) following the close out of an investigation by the HSE into a fatality to a member of public in the Men's Pond (North London). The HSE concluded the fatality was not work-related and there was no material breach of health and safety legislation. Observations were made and these were embedded into the swim review led by the Superintendent, NLOS.
9. Whilst CR09 is a risk associated with the health and safety management system, the risk scoring was discussed at the Health Safety and Wellbeing Committee in June 2020 and committee members endorsed the position that the current risk score be revised upwards during the Covid-19 pandemic.
10. The CR09 risk description is:
Cause - *Lack of management grip/attention to effective health and safety in the workplace, management and staff competency, poor supervision and guidance, and ineffective controls and monitoring / feedback systems.*

Event - *Significant breach/non-compliance with Statutory regulations and/or internal H&S policies and procedures by staff/managers whilst undertaking/delivery of City Corporation functions.*

Effect - *Fatality or life-threatening illness / disease compromising the safety and wellbeing of service users, public or the workforce, potential enforcement action/financial penalties to City Corporation. Adverse effect on the delivery of the Corporate Plan: Especially Outcomes 1 & 2*
11. **Current Risk Score - 12: Major x Possible** [Increased from 8 to 12 in April 2020]
12. 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.
13. **Target Risk Score – 8: Rare x Extreme** [Reduced from 12 to 8 in October 2019].

Risk Actions

14. 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 (Action: **CR09K**). Business as usual audits and inspections were suspended during lockdown except for supportive inspections at the City of London Cemetery and Crematorium and at the Covid-19 London Strategic Co-ordination Group headquarters (Union Street) in April 2020.
15. 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.
16. The Corporate Health, Safety and Wellbeing Committee, which had been monitoring the situation, 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 was made to Resource Allocation Sub-Committee (December 2018). The new post of Fire Safety Compliance Officer sits in the Property Health and Safety Team (City Surveyors) and was recruited in July 2019 and their focus has been on proactive fire safety inspection and audits across the City Corporation. As of the end of August 2020 eighty-one (81) properties' fire management systems, including fire risk assessments, had been audited. In the last update report to the Corporate Health, Safety and Wellbeing Committee, improvement was noted in the quality of fire risk assessments at the reviewed sites.
17. A programme of interactive senior leadership health and safety briefings was delivered for all Chief Officers and their reports who are represented in the Corporate Health Safety and Wellbeing Committee. In addition, briefings were also completed for two of the City Corporation's Independent Schools and for the Guildhall School (**CR09J**)
18. A re-tender for the corporate accident / incident telephone reporting service was successfully completed. As well as continuing to provide a 24/7 telephone Reportline with specialist support and close-out for incidents, a desirable outcome was to have the ability to report by other means. A new 3-year contract with potential for a 2-year extension was successfully completed. Enhancements to the service have now been realised, which include the ability of our designated safety leads to report and investigate via secure web-enabled software. In addition, a QR code has been added allowing anyone with mobile or table to report accident/incidents via secure link. Enhancements to the back-office software have improved the search and reportability functionality of the accident database (**CR09N**)

19. 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 evidence, including awareness of best practice, the “CityWell” (employee wellbeing) programme was re-focused, following a report to the Establishment Committee in 2018 on mental health as the top priority, supported by a wider health promotion / wellness programme. A Mental Health and Wellbeing Action Plan (2018 – 2021: **Appendix 2**) was developed and implemented (**CR09M**). It is being regularly monitored – last reviewed at the Corporate Health Safety and Wellbeing Committee in September 2020 and key highlights included:

- Over 150 employees trained as Mental Health First Aiders, representing most departments.
- Implementation and embedding of a Wellbeing Ambassadors’ Network
- Regular wellbeing events and campaigns (mental health and lifestyle promotions) including supporting the annual Lord Mayor’s *This is Me* campaign
- Mental health awareness training for managers and leaders – over 30% trained. Paused during the Covid-19 Pandemic.
- Routinely monitor employee mental health (monitor and review sickness absence data – implementation of wellbeing Key Performance Indicators (KPIs))
- Development of mental health and wellbeing resources (guidance, documents, assessment tools) including bespoke support and resources during the Covid-19 pandemic and *Concerns about suicide – just ask* guidance with tools.
- Work collaboratively with Occupational Health, Public Health, Staff Networks and external partners / initiatives including the Responsible Business working group
- Increase in storytelling and sharing experiences. Anecdotal and other evidence (e.g. staff *Your Voice Matters* survey) that City Corporation colleagues generally feel more able to talk about their mental health and know how to access further support

System of Internal Controls (IC)

20. 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.

Health Safety and Wellbeing Committee

21. 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.

Safety Manager Forum and other networks

22. A Health and Safety Managers’ forum is held about two weeks prior to the main Corporate Health Safety and Wellbeing Committee. Health and Safety

leads from across the City Corporation are invited to discuss and are consulted upon items which will be tabled at the Corporate Committee. In addition, departments and institutions have their own local health and safety committees. The Health Safety and Wellbeing Team also deliver a quarterly corporate Wellbeing Ambassadors meeting and Mental Health First Aiders' Network. The Health, Safety and Wellbeing team have recently supported Markets and Consumer Protection (M&CP) implement a bespoke M&CP Wellbeing Ambassadors Network to meet the departments unique needs.

Revised Corporate Transport Policy

23. The Corporate Health Safety and Wellbeing Committee endorsed a revised Corporate Transport Policy in late November 2019. Following a month's consultation with all Chief Officers / Head Teachers there was no challenge to the proposed revisions. The revised policy is awaiting an opportunity for tabling at the Establishment Committee as a non-urgent but important item. The subordinate guidance has been revised and this is being implemented.

New Corporate Overseas Travel Policy (Health and Safety)

24. To ensure the City Corporation consistently meets its duty of care and mitigates the risk of conduct being found to be unreasonable, a corporate policy for overseas travel specifically in respect of health and safety was recommended. The policy was considered and endorsed at the Establishment Committee in December 2019.

Revisions to Corporate Health and Safety Policies

The Property Health and Safety Team was proactive during the last year, reviewing and revising the following Corporate Health and Safety Policies: Control of Contractors, Work at Height and Water Hygiene (Control of Legionella)

Most significant health and safety risks

26. 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. Risks that are currently being administered effectively through Pentana include Traffic Management at Billingsgate Market, Work at Height and Fire Safety at Central Criminal Court, and High-Risk Hazard Work Areas at the Barbican Centre.

Health and Safety (Property)

27. The Property Health and Safety Team consists of five posts: A Head of Health and Safety, Fire Safety Advisor, Fire Safety Compliance Officer, Health and Safety Advisor (specialising in Asbestos and Water Safety) and an Apprentice. In addition, there is a Guildhall Health and Safety Officer funded between City Surveyors and Remembrancers. 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. The team has 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 new Corporate contracts, supporting the City

Corporation's major construction/ accommodation project, and building safety / fire compliance. The Property Health and Safety Team have been key to ensuring buildings remained safe during the pandemic and lockdown as well as instrumental in supporting the safe reopening of Covid-Secure premises (as discussed further below). They have also developed guidance for responding promptly to a potential Covid case at City Corporation sites and established new systems for checking works and service contractors Covid arrangements that harmonise with the existing procedures for reviewing risk assessments and method statements.

Health Safety and Wellbeing (People)

28. The Health Safety and Wellbeing team is based in Human Resources and consists of a Manager, Health Safety and Wellbeing Advisor; an Apprentice joined the team in August 2019. The team has been instrumental in the delivery of corporate advice, guidance and policy development including the new Overseas Travel Policy (Health and Safety) as noted above. The annual audit and inspection programme was diverse and included audits / inspections of City of London School (Girls), Barbican Library, Artizan Street Library and Community Centre, Lone / Remote working at Hampstead Ladies' Pond and a desk top review of working at height at Central Criminal Court. The team are instrumental in the development and delivery of the health safety and wellbeing training and development with the Learning and Organisational Development Team in Corporate Human Resources and lead of the Corporate "CityWell" employee wellbeing initiatives.

Covid-19 Response

29. The Corporate Health and Safety Teams have worked collaboratively with stakeholders including Occupational Health under the Gold Group and associated structures and governance. Overarching corporate support has included dedicated intranet hubs for **Covid-19: Information and Guidance** and **Covid-19 Staying Mentally Healthy**. Key live organisational documents include the *Covid Managers Guide* and *Staff Frequently Asked Question (FAQs)*.
30. **Supporting our staff during the pandemic**
Resources were developed for staff including support and guidance for parents and carers, linking in with our staff networks. Bespoke guidance and resources were developed including *Covid 19 Support (guidance) for victims of domestic abuse* and *Covid 19 bereavement guidance and support toolkit*. In addition to the existing support mechanisms for staff such as the Employee Assistance Programme (EAP) and Occupational Health, the City Corporation Mental Health First Aiders (MHFA) stepped up and created a virtual MHFA network which allowed colleagues to contact them via telephone, teams etc.
31. **Specialist Covid-19 guidance and other resources**
In addition to advice and guidance noted above additional Covid specific resources were developed including:
 - *Covid 19: Supporting Frontline Staff*
 - *Guidance for Managers: Managing Team Wellbeing during the Pandemic and the Recovery*

- *Covid 19 and PPE – Guidance for Managers on how to use PPE Safely*
- *Covid 19: Providing First Aid*
- *Home / Remote working safely*
- *Covid 19 Risk assessment [various]*
- *Managers checklist for stress and anxiety*
- *Covid 19: Returning to work checklist for managers*

The Property Health and Safety Team provided specialist technical advice and corporate guidance for the safe closure or partial closures of building services during the pandemic. Particular attention has had to be made to water safety and maintaining statutory compliance inspections.

Covid First Aid

32. At the start of the pandemic a bulletin was developed and disseminated, providing specialist advice for delivering first aid. This was then supplemented with more comprehensive guidance *Covid 19: Providing First Aid*. Procurement assisted with identifying and sourcing additional first aid items and peripherals. A series of virtual Covid First Aid CPD upskilling sessions were organised by the Learning and Organisational and Development Team, and all First Aiders whose training lapsed during the pandemic have been offered face-to-face requalification training. Commencement of full First Aid at Work training is due to start in October/November 2020.
33. **Training Needs and Development during the pandemic**
In addition to the above noted first aid training a number of learning and development sessions were held. Virtual equivalents for face-to-face formal training were delivered to develop and maintain staff competence including:
 - A series of fire safety CPD webinars
 - Managing Safely (IOSH Accredited)
 - Corporate Risk Assessment training
 - Display Screen Equipment (DSE) Assessors training
 - Practical DSE
 - Fire Safety practical training (scheduled November 2020)
 - COSHH Risk assessment (virtual) training (scheduled November 2020)
34. Formal training was also supplemented with other virtual development and supporting activities such as “PowerHours” and other workshops such as “Making Healthier Choices”. A *Pass the Cup and Move* campaign was delivered by the Corporate Wellbeing Ambassadors and two members of staff shared their *This is Me* (campaign) mental health stories via video: Sid Brewer, Head of Maintenance, New Spitalfields Market and Elena Clements, Production Arts & Drama Administration Assistant, Guildhall School
- Personal Protective Equipment (PPE) and face coverings**
35. There has been regular monitoring of PPE. For example, the Silver Public Services monitors PPE and ancillary requirements. Procurement has been supporting departments and services to acquire items where there may be supply issues or forward concerns with supply lines. The City Corporation

took the decision to further support staff by supplying three reusable face coverings as part of the recovery process. Advice from Public Health England (PHE) on face coverings (which are not PPE) has changed since the start of the pandemic, now being mandatory in certain circumstances. City Surveyors managed the purchase and distribution of coverings, including sending them direct to employees' home addresses when requested to do so.

Homeworking during the pandemic

36. The Health, Safety and Wellbeing guidance was adapted and all staff working at home are carrying out assessments on their working arrangements, including whether they have the right equipment. The City Corporation's pool of (over 100) DSE assessors and coordinators supported managers prior to signing off assessment. Where necessary, equipment and adaptations have been made available to support staff. Working collaboratively with City Surveyors, via the Home Working Group, a catalogue of equipment and further guidance was developed and disseminated to allow staff to have suitable ergonomic equipment. The Recovery Group monitored home working DSE compliance and there was generally a high level of self-reported compliance by departments.
37. To future proof the City Corporation's new ways of working and support our organisational development via the Target Operating Model (TOM), a new Agile DSE system will be launched from November 2020. It will allow staff to undertake their DSE training and assessments at a home environment and within an office or other environment to meet local needs. The new Agile version is being customised and currently being adapted to meet City Corporation needs. The training experience will more intuitive and 'feels' more modern and relevant.

Returning to the Workplace Toolkit: Safe Premises, People and Processes (Activities)

38. It is important to recognise that a significant minority of key / critical staff continued to work in their normal workplace during the pandemic, under strict PHE guidelines for social distancing and hygiene control. An organisational risk assessment was developed for the phased return of staff back into their normal working environment (**Appendix 3**).
39. A Covid Secure and safe returning to the workplace toolkit was developed. To ensure a safe return of staff three (holistic) risk assessments are being completed:
 - Safe Premises – Covid Secure premises risk assessments completed by the Premises Controller
 - Safe People – Individual risk assessment for returning staff and those who continued working throughout the pandemic
 - Safe Processes – for activities not already covered by the overarching premises assessments. For example, a Building Control surveyor may use the Covid-Secure Guildhall as a base but undertake activities outside as part of their duties, so it is important that any additional risks from these activities are also considered.

40. The City Surveyor was tasked with ensuring Covid-Secure premises for City Corporation sites. The Property Health and Safety Team has been instrumental in providing professional support and developing a corporate assurance framework to the Town Clerk.
41. As of mid-October 2020, over 125 sites have completed Covid-Secure premises risk assessments. There is a reviewing process by the City Surveyors based upon current government guidance. All premises risk assessments are reviewed, and they are not signed off until they met the required standard. Support is available to the local Premises Controller and the Property and Health Safety and Safety Teams have visited over 30 sites to check implementation and support local management.
42. The PHE *Disparities in the risk and outcomes of Covid-19* showed that some groups of people may be at more risk of being infected and/or an adverse outcome if infected. Hence the individual risk assessment approach was developed to ensure we have a robust and fair process in place. We have also endeavoured to ensure equality and inclusion are embedded throughout.
43. The individual Returning to Work (RTW) risk assessment includes a self-assessment as part of the process, is not mandatory as per the guidance and procedure, and aims to offer employees the option to think about any concerns they have and may wish to discuss prior to the manager led assessment. The questions for the assessment were developed in consultation with City and Hackney and other local authority and public bodies. The final question was agreed by Occupational Health, Human Resources and in also consultation with our Director of Public Health. Our unions (GMB and Unite) were consulted and although the Individual RTW risk assessment process is guidance and procedure (i.e. not Policy) it was endorsed by the Health Safety and Wellbeing Committee in June 2020. Over 500 RTW assessments have been completed and securely uploaded to individuals records on City People.

Sickness absence and RIDDOR

44. Sickness absence is monitored weekly and as of mid-October 2020, cumulative sickness absence for Covid-19 (including those precautionarily self-isolating) remains low at 162 cases (or 2.5% staff). Non-Covid sickness absence remains relatively low. The number of confirmed Covid cases remains low (under 10 at the start of October 2020), but as testing has become more accessible the numbers are starting to gradually increase.
45. The Health and Safety Executive (HSE) issued guidance around the requirement for reporting Covid-19 infections under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013. Advice was endorsed by the Gold Group (**Appendix 4**) around when to report – the Health Safety and Wellbeing Manager makes an assessment based on the criteria agreed in Appendix 4. To date, no Covid-19 infections have been notified to the HSE under RIDDOR.

Outbreak control and potential tightening of restrictions

46. Corporate health and safety are embedded within the outbreak planning and response within the Square Mile and beyond. This includes supporting services with Public Health notification, should this be necessary and providing advice and guidance with risk mitigation and control. Guidance and support will be available to assist should further regional or local tightening occur. The annual flu jab reimbursement scheme for staff has been promoted widely across the City Corporation.

Corporate and strategic implications

47. 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).
48. 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).
49. Fines are based on an organisation's 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.
50. The number of Directors prosecuted for health and safety offences has increased 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.

Horizon scanning / keeping pace with change

51. There is no current indication that there will be significant changes to the UK's health and safety legislative framework after leaving the transition period with 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.
52. The government has launched a consultation on legislative proposals that seek to reform building and fire safety. These proposals seek to strengthen the Regulatory Reform (Fire Safety) Order 2005, improve compliance and implement the recommendations from the Grenfell Tower inquiry phase one report. They aim to provide a better regulatory framework for managing how building control bodies consult with fire and rescue authorities, including the handing over of information.
53. The UK government has published its draft Building Safety Bill, which sets out new rules for higher-risk residential buildings (HRRBs), backed by a powerful new Building Safety Regulator. The bill creates responsibilities for

construction teams of new builds and for landlords of existing HRRBs over 18 metres or six storeys high in England and Wales and is backed by the threat of criminal sanctions if new statutory duties – such as submitting adequate safety cases or ignoring compliance notices – are not fulfilled.

54. Also, in response to Grenfell a new Fire Safety Bill is also proposed, however details are still vague, and a draft is still awaited
55. As noted above, guidance and support will be available to assist departments and services should further regional or local tightening occur in response to Covid-19.

Conclusion

56. There is no current indication that there will be significant changes to the UK's health and safety legislative framework after leaving the transition with the EU.
57. 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 continues to develop the safety framework and focus towards assuring the organisation as current resources allow.
58. Corporate Risk 09 is about the City Corporation's health, safety and wellbeing management system. The systems of Internal Control and discrete action as outlined in this report demonstrate that the City Corporation has a relatively robust health and safety management system.
59. There has been good collaboration between the Property and People Health and Safety teams along with other City Corporation professional services during the pandemic to positively support the City Corporation.

Appendices

- Appendix 1 – Risk and Progress Summary for CR09: Health and Safety
- Appendix 2 – [Mental Health and Wellbeing Action Plan \(2018 – 2021\)](#)
- Appendix 3 – [Risk Assessment: Staff Returning to Work: Covid 19 Protecting our staff](#)
- Appendix 4 – HSE RIDDOR and Covid-19 Reporting

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

H&S CR09 H&S risk

Report Author: Justin Tyas

Generated on: 13 October 2020



Rows are sorted by Risk Score

Code & Title: CR Corporate Risk Register 1

| 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 Safety and Wellbeing Risk (Management System) | <p>Cause: Lack of management grip/attention to effective health and safety in the workplace, management and staff competency, poor supervision and guidance, and ineffective controls and monitoring / feedback systems.</p> <p>Event: Significant breach/non-compliance with Statutory regulations and/ or internal H&S policies and procedures by staff/managers whilst undertaking/delivery of City Corporation functions.</p> <p>Effect: Fatality or life-threatening illness / disease compromising the safety and wellbeing of service users, public or the workforce, potential enforcement action/financial penalties to City Corporation. Adverse effect on the delivery of the Corporate Plan: Especially Outcomes 1 & 2</p> | <p>Likelihood</p> <p>Impact</p> | 12 | <ul style="list-style-type: none"> At the Corporate Health Safety and Wellbeing Committee on 25/11/19 the committee discussed the risk scoring based upon number of key factors and agreed in the current risk climate that the score could be reduced to 8 (Extreme * Rare). The committee will keep the score under regular review. Update April 2020. Risk Score increased back to previous due to Covid-19 pandemic Updated guidance and RA process for Homeworking completed with high level of corporate compliance New Individual RA procedure for staff returning to work and toolkit for managers and staff implemented | <p>Likelihood</p> <p>Impact</p> | 8 | 31-Mar-2021 | |

| | | | | | | | | |
|--------------------------------|--|--|--|---|--|--|--|----------|
| 22-Sep-2014 Chrissie Morgan | | | | <ul style="list-style-type: none"> Covid Secure risk assessment template and guidance completed and is being used for Premises risk assessments Face covering, transport and RtW resources issued New Guidance for providing FA during / post-pandemic issued along with additional recommendations for enhanced PPE and hygiene control | | | | Constant |
|--------------------------------|--|--|--|---|--|--|--|----------|

| Action no, title, | Action description | Latest Note | Action owner | Latest Note Date | Due Date |
|--|--|--|--------------|------------------|-------------|
| CR09G Health and safety leadership training for Chief Officers and their reports | To deliver a programme of training sessions for Chief Officers and their reports | H&S leadership workshop for Town Clerk's has been rearranged to 21/3/2019 Completed | Justin Tyas | 29-Mar-2019 | 31-Mar-2019 |
| CR09H Workplace Wellbeing Action Plan | To implement and deliver a Workplace Wellbeing Action Plan | Plan in place and is monitored | Justin Tyas | 07-Oct-2020 | 31-Mar-2019 |
| CR09I Policy and Guidance Review & Development | Working on a draft Lone Working and Preventing Violence Policy | Agreed by Establishment Committee 03 December 2018 | Justin Tyas | 07-Dec-2018 | 31-Dec-2018 |

| | | | | | |
|---|---|---|-------------|-------------|-------------|
| CR09J Compliance audits and inspections 2019/20 | Deliver a series of health and safety audits and compliance checks to provide corporate assurance that the organisation is being managed safely | The new inspection programme initiated and now completed | Justin Tyas | 14-Apr-2020 | 31-Mar-2020 |
| CR09K Compliance audits and inspections 2020/21 | Deliver a series of health and safety audits and compliance checks to provide corporate assurance that the organisation is being managed safely | Under development BAU audits / inspections paused during pandemic Inspection re-started focusing on Covid Secure compliance | Justin Tyas | 07-Oct-2020 | 30-Mar-2021 |
| CR09L London Health Workplace Charter | Evidence being collected for submission for Achievement Award for LHWC | Steering group in place with evidence being collected. Pushed back to 1 Dec 2020 due to C-19 pandemic | Justin Tyas | 07-Oct-2020 | 31-Dec-2020 |
| CR09M Covid-19 outbreak | Business as usual HSW suspended due to Covid-19 outbreak | Focus is on supporting the Gold strategy via Public Service Silver and other corporate mechanisms in line with HR Business Continuity / Emergency Management Plan | Justin Tyas | 07-Oct-2020 | 31-Dec-2020 |
| CR09N Accident ReportLine | Re-tender for accident reportline | Re-tender completed (3-year contract) and enhancements made including the ability to now report online via portal or QR Code enabled | Justin Tyas | 07-Oct-2020 | 30-Nov-2020 |
| CR09O DSE Software | Identify improvements to allow more flexible / agile DSE | Agile solution being implemented which allows user to undertake DSE in home, work and agile environments to suit needs | Justin Tyas | 07-Oct-2020 | 31-Dec-2020 |

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HSE Issues new guidance on reporting of Coronavirus (Covid-19) under RIDDOR 2013
Justin Tyas, Health Safety and Wellbeing Manager (16.04.2020)

Background

Under the Health and Safety at Work etc. Act 1974, employers have a general duty to ensure, so far as is reasonably practicable, the health, safety and welfare of their employees at work. The Health and Safety Executive (HSE) considers that if an employer is following the relevant Public Health England (PHE) guidance for their sector in terms of controlling the public health risks, they will be [taking reasonably practicable precautions to control workplace risks](#).

[Coronavirus has been listed as a notifiable disease](#) under the Health Protection (Notification) Regulations 2010. This change in law requires GPs to report all cases of COVID-19 to PHE.

The [HSE released a statement](#) in April 2020 relating to reporting cases of Covid-19 under RIDDOR 2013.

HSE statement:

“You must only make a report under RIDDOR (The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) when:

- an unintended incident at work has led to someone's possible or actual exposure to coronavirus. This must be reported as a dangerous occurrence.
- a worker has been diagnosed as having COVID 19 and there is reasonable evidence that it was caused by exposure at work. This must be reported as a case of disease*.
- a worker dies as a result of occupational exposure to coronavirus”

*Further clarification by HSE noted:

*'As prevalence of coronavirus increases in the general population, it will be very difficult for employers to establish whether or not any infection in an individual was contracted as a result of their work,' the HSE said in a statement. 'Therefore, diagnosed cases of COVID-19 are not reportable under RIDDOR unless there is reasonable evidence suggesting that a work-related exposure was the likely cause of the disease **and this is supported by a registered medical practitioner's diagnosis.**'*

Hence, a doctor may indicate the significance of any work-related factors when communicating the cause of death.

Examples given by the HSE

Dangerous Occurrence

“If something happens at work which results in (or could result in) the release or escape of coronavirus you must report this as a dangerous occurrence. An example of a dangerous occurrence would be a lab worker accidentally smashing a glass vial containing coronavirus, leading to people being exposed.”

Comment: *Unless you are involved in work directly with the pathogen or biological samples that may contain the pathogen then you are unlikely to experience a dangerous occurrence as detailed in [RIDDOR Regulation 7, schedule 2 – section 10](#).*

Cases of Disease: exposure to biological agents – [RIDDOR Regulation 9\(b\)](#)

“If there is reasonable evidence that someone diagnosed with COVID-19 was likely exposed because of their work, you must report this as an exposure to a biological agent using the case of disease report. An example of a work-related exposure to coronavirus would be a health care professional who is diagnosed with COVID-19 after treating patients with COVID-19.”

Comment: *In the example given by the HSE there is a high likelihood of being exposed to the disease due to the nature of work undertaken and therefore should be reported. HSE guidance given on infections states that “infections that could have been acquired as easily in the community as in work are not reportable, unless the infection was definitely acquired at work”.*

Given the current situation with community infections of COVID-19 it is unlikely that an infection would be more readily acquired in a workplace unless you are working in health/social care or a laboratory directly working with patients suffering from COVID-19 or biological samples containing the pathogen. An employee working at say a market could just as likely have acquired the infection in the community so this would not be reportable.

Work related fatalities – [RIDDOR Regulation 6\(2\)](#)

“If someone dies as a result of a work-related exposure to coronavirus and this is confirmed as the likely cause of death by a registered medical practitioner then you must report this as soon as is practical and within 10 days of the death.”

Comment: *It is unlikely that you would need to report a death from coronavirus unless the circumstances meet the criteria as outlined in previous comments.*

Conclusion

The HSE has repeated its focus on healthcare settings in its illustrative example, suggesting those workplaces are the target of this new guidance but in the absence of any specific confirmation of this all employers with open workplaces need to remain updated and alert to the potential need to report diagnosed cases. Therefore, a careful and balanced consideration on potential reporting should be undertaken on a case-by-case basis. Its unlikely that no more than a limited number of confirmed cases would be potentially reportable. Failure to report where necessary, would be an offence.

Update June 2020

The Local Government Association (LGA) has raised councils concerns about RIDDOR reporting and COVID-19 to the HSE. As a result, the HSE this week [updated the RIDDOR guidance](#). This offers additional links to assist in clarification and decision making as to whether or not a confirmed diagnosis of COVID-19 is likely to have been caused by an occupational exposure, and whether or not there is reasonable evidence that a work-related exposure is the likely cause of the disease.

‘Work with the general public, as opposed to work with persons known to be infected, is not considered sufficient evidence to indicate that a COVID-19 diagnosis is likely to be attributable to occupational exposure. Such cases do not require a report.’ [extract]

| | |
|---|------------------------|
| Committee | Dated: |
| Audit and Risk Management Committee | 3 November 2020 |
| Subject: CR10: Adverse Political Developments | Public |
| Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly? | 6, 7, 8, 10, 11 |
| Does this proposal require extra revenue and/or capital spending? | N |
| If so, how much? | N/A |
| What is the source of Funding? | N/A |
| Has this Funding Source been agreed with the Chamberlain's Department? | N/A |
| Report of: City Remembrancer | For Information |
| Report author: Bruce Hunt | |

Summary

Corporate Risk CR10 relates to political developments that might damage the future status and functioning of the City Corporation. This report provides an update to Members on the risk, and the steps being taken to mitigate the risk.

Recommendation

Members are invited to note the report.

Main Report

Background

1. The City Remembrancer is responsible for Corporate Risk 10 (CR10) – adverse political developments undermining the effectiveness of the City of London Corporation. Adverse political developments may arise from specific causes such as particular financial services issues or developments in local government or may stem from general political hostility.
2. Current political issues or events that could give rise to adverse developments include the consequences for the financial sector of the end of the Brexit transition period and the impact of the Covid-19 pandemic. Other issues range from the Government's proposed Constitution, Democracy and Rights Commission, and the elections for the London Mayor and Assembly in 2021, to the relocation of the City's wholesale markets.
3. This report provides Members with an update of recent activity to mitigate risk.

Current risk status

4. The risk status is currently amber. In reviewing this status, the effect of a number of political developments has been considered. These include the impact of the negotiations on the future relationship with the EU; issues about the way some parts of the financial sector operate; the response by London to the pandemic; and wider party-political developments at a national level. The Green Party remains the only national party to be committed to the abolition of the City Corporation. It is proposed that the risk status be maintained at amber.
5. The paragraphs below summarise the ways in which the Office mitigates political risk. Constant attention is given to the form of legislation affecting the City Corporation and the broader City, and any remedial action pursued through discussions with Officials or tabling amendments where appropriate. Making known the work of the City Corporation in promoting financial and professional services among opinion formers, particularly in Parliament and central Government, is also part of the apparatus by which the City's voice is heard and by which the Corporation is seen to be "doing a good job" for London and the nation for a crucial sector of the economy at a time of marked uncertainty.
6. Given that much of what the Corporation does in its role of supporting the City as the leading international financial and business services centre is linked to the continuing robustness of that sector, the foremost consideration remains the continuing uncertainty in the UK's post Brexit trading relations specifically in the context of financial and professional services. That said, the impact of the wider effects of COVID-19 give rise to further potential consequential uncertainty across many areas of City Corporation activity. Steps being taken by the City, such as the recent publication of the report on 'London Recharged: Our Vision for London in 2025', will be reflected in submissions and briefings. The same approach is replicated in respect of professional services; the digital economy; arts and culture; and other activities undertaken by the City Corporation. There is also the potential for more distant consequential challenges in the constitutional arena including general London governance which Members may wish to explore when the Committee sits.

Current activity

7. Government legislation is examined and, where required to meet the City's needs or concerns, drafting issues are pursued with officials. Amendments to Bills are tabled as necessary in either House. Frequent contributions are made to the proceedings of the Commons' and Lords' Select Committees and regular briefings for debates are provided to MPs and Peers. This activity has two key purposes: to advocate policies and proposals reflecting the City Corporation's strategic outcomes and to engage at an early stage of the policy-making process. These steps help to mitigate the risk of adverse political developments.

8. Priority has been given to work on the Bills forming part of preparations for after the end of the Brexit transition period. These include the UK Internal Market Bill, the Trade Bill, the Agriculture Bill, the Private International Law Bill, and the Immigration and Social Security Co-ordination (EU Withdrawal) Bill.
9. In addition to work on the above, the Office's legislative activity over the previous 12 months has included scrutiny of, and briefings on, the Business and Planning Act 2020, the Environment Bill, the Telecommunications Infrastructure (Leasehold Property) Bill, the Parliamentary Constituencies Bill, and the Corporate Insolvency and Governance Bill.
10. In collaboration with London Councils, the Office has also progressed the Emissions Reduction (Local Authorities in London) Bill which seeks to give local authorities powers to reduce emissions from combustion plant (boilers, generators, non-road mobile machinery and combined heat and power plant) and to increase the fine for the stationary idling of a vehicle. The Bill was introduced in the Lords by Lord (Graham) Tope on 13 January this year and awaits a slot for Second Reading. In parallel, the Office is working on amendments to the Government's Environment Bill which would give effect to some of the provisions contained in the private member's Bill.
11. Parliament continued to meet throughout the coronavirus pandemic, largely uninterrupted, although the public health emergency has understandably dominated its work. Briefings were provided to MPs and Peers for debates on the impact of COVID-19 on the economy, the impact on the creative industries and the economic recovery. A number of select committees have also launched inquiries focused on coronavirus. Those to which the Office has provided written evidence include public services lessons from coronavirus, post pandemic economic growth, levelling up, greening the post COVID recovery, food supply and COVID related fraud.
12. Select committees have also continued non-COVID related workstreams. Those where the Office has sought to highlight the wide-ranging work of the Corporation include the future of professional business services, the coroners service, electronic waste, future relations with the EU, environmental diplomacy, trade negotiations with the US, Australia and Japan, air quality, broadband and 5G, apprenticeships, and digital skills. The Office also co-ordinated a response to the Cabinet Office's Integrated Review of Security, Defence, Development and Foreign Policy, drawing on the importance of the City remaining open to international trade and emphasising its soft power.
13. In liaison with the Corporate Affairs team, and working closely with departments across the Corporation, the Office is developing an active programme of engagement with MPs and peers through briefings on matters of interest to the City. Coronavirus restrictions have largely prevented physical engagement on the Parliamentary estate, but a series of virtual engagements is being developed on the City's current priorities, including the Climate Action Strategy and London Recharged. The Office is also arranging a series of meetings for the Policy Chair, with Select Committee Chairs, party groupings,

senior backbenchers and MPs with a significant financial services employment in their constituency. A strong working relationship has been developed with the City's new MP following the 2019 General Election.

14. The Office has maintained its engagement with the GLA, briefing officers and Members of the London Assembly on matters of interest to the City, including the markets relocation programme, the Corporation's Transport Strategy, the Emissions Reduction Bill, the responsible use of green spaces during the COVID-19 lockdown, the Corporation's COVID transport work, sustainable finance and Climate Action Strategy. Oral evidence on Brexit and financial services was given to the Assembly's EU Exit Working Group, while an oral briefing on COVID-19 and the City was provided to the Assembly's Economy Committee. Meetings were arranged between the Policy Chair and Assembly Environment Committee Chair Caroline Russell, and Economy Committee Chair Leonie Cooper to discuss matters of interest.
15. The Office also seeks to mitigate the corporate risk more generally by promoting the work of the City Corporation in supporting broader interests. These include cultural activities, open spaces, policing, housing and education. Regular contact is maintained with those who advise on and influence policy both at a national and at a local level, designed to ensure that the City's perspective is understood and acknowledged as early as possible in the policy development process. The Office works with Innovation & Growth, the Communications team and Mansion House, and with other departments depending on the nature of the issue.

Conclusion

16. Members are asked to note the actions taken and activities under way to mitigate Corporate Risk 10.

Appendices

- Appendix 1 – CR10 Risk Report

Paul Double

City Remembrancer

REM Corporate and departmental risks - detailed report EXCLUDING COMPLETED ACTIONS

Report Author: Tom Gillings
Generated on: 20 October 2020



| Risk no, title, creation date, owner | Risk Description (Cause, Event, Impact) | Current Risk Rating & Score | | Risk Update and date of update | Target Risk Rating & Score | | Target Date | Current Risk score change indicator |
|---|---|---------------------------------|---|--|---------------------------------|---|-------------|-------------------------------------|
| CR10 Adverse Political developments Page 387 | <p>Cause: Policy issues that may compromise the City's operation as an international financial marketplace to which the City Corporation's functions are aligned; other financial services issues that make the City Corporation vulnerable to political criticism; local government proposals that call into question the justification for the separate administration of the Square Mile; overarching political hostility.</p> <p>Event: Changes in international relationships particularly those with the EU; reputational questions related to financial institutions; local government changes in London; increase in political hostility to the Corporation.</p> <p>Impact: Damage to the City's ability to put its case nationally and internationally and to the City's standing as a dedicated international financial marketplace. The City of London Corporation would be compromised if the City's position as a world-leading financial and professional services centre were undermined. Loss of City Corporation functions as a result of adverse attitudes towards the Corporation. The risk appetite is assessed on the basis of an assumption as to the Corporation's ultimate constitutional existence in its current form is beyond the risk register time-line.</p> | <p>Likelihood</p> <p>Impact</p> | 8 | Constant attention is given to the form of legislation affecting the City Corporation and the broader City, and any remedial action pursued. Making known the work of the City Corporation in the financial sphere among opinion formers, particularly in Parliament and central Government, is also part of the apparatus by which the City's voice is heard and by which the Corporation is seen to be "doing a good job" for London and the nation for a crucial sector of the economy; the foremost consideration remains the continuing uncertainty in the UK's post Brexit trading relations. The same approach is replicated in respect of professional services; the digital economy; arts and culture; and other activities undertaken by the City Corporation. The combined impact of the public health emergency gives rise to further uncertainty across all areas of City | <p>Likelihood</p> <p>Impact</p> | 8 | 31-Mar-2022 | |

| | | | | | | | | |
|----------------------------|--|--|--|---|--|--|--|----------|
| 22-Sep-2014 Paul Double | | | | Corporation activity. This is being reflected in submissions and briefings. 20 Oct 2020 | | | | Constant |
|----------------------------|--|--|--|---|--|--|--|----------|

| Action no | Action description | Latest Note | Action owner | Latest Note Date | Due Date |
|-----------|---|---|--------------|------------------|-------------|
| CR10a | Monitoring of Government legislation and proposed regulatory changes. | Relevant Bills in the Government's legislative programme will be identified and City Corporation departments alerted to issues of potential significance as the measures are introduced. Action taken through negotiation with departmental officials or amendments tabled in Parliament as required. The legislative consequences of Britain leaving the EU as they may affect the Corporation and the City more generally as an international financial centre continues to be a key priority. Policy responses to the COVID-19 pandemic are being monitored. | Paul Double | 20-Oct-2020 | 31-Jan-2022 |
| CR10b | Provision of information to Parliament and Government on issues of importance to the City. | <p>The Office has provided updates to the relevant departments and Members following major political developments and set piece Parliamentary events such as the financial statements made by the Chancellor. Reports were circulated following attendance at the Party Conferences (this year held virtually).</p> <p>The COVID-19 pandemic has given rise to complex issues affecting the City, as for other sectors, and this is being reflected in submissions and briefings. Recent Parliamentary activity has related to the rule of law, international law, soft power, professional and business services, international trade, the economic impact of COVID-19, green finance, immigration and visas, the coroners service, economic crime, the creative industries, and planning.</p> | Paul Double | 20-Oct-2020 | 31-Jan-2022 |
| CR10c | Engagement with key opinion informers in Parliament and elsewhere. Programme of work to monitor and respond to issues affecting the reputation of the City Corporation. | <p>Liaison with the City's MP and other MPs, Peers and Select Committee of both Houses on matters of importance to the City, including increased engagement on EU-related issues. Working with other organisations, including the International Law Committee, LawUK and the Financial Markets Law Committee, to analyse the legal framework following the UK's departure from the EU.</p> <p>Continuing engagement on devolution in London and liaison with London Councils and Central London Forward on the application of devolution to the London boroughs and the City, either directly from Central Government or the Mayor.</p> | Paul Double | 20-Oct-2020 | 31-Jan-2022 |

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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