



Audit and Risk Management Committee

Date: MONDAY, 12 MAY 2025
Time: 11.00 am
Venue: COMMITTEE ROOMS, GUILDHALL

Members:

Deputy Christopher Boden	David Sales
Deputy Timothy Butcher	Ruby Sayed
Simon Burrows	Naresh Hari Sonpar
Alderman Prem Goyal, OBE	James St John Davis (Ex-Officio Member)
Stephen Hodgson	Dan Worsley
Alderwoman Elizabeth Anne King, BEM JP	Alderman Kawsar Zaman
Gail Le Coz (External Member)	

Enquiries: Blair Stringman
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Whilst we endeavour to livestream all of our public meetings, this is not always possible due to technical difficulties. In these instances, if possible, a recording will be uploaded following the end of the meeting.

Ian Thomas CBE
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. **ORDER OF THE COURT OF COMMON COUNCIL**

To receive the Order of the Court of Common Council dated 25th April 2025.

For Information
(Pages 5 - 6)

4. **ELECTION OF CHAIR**

To elect a Chair in accordance with Standing Order 28.

For Decision

5. **ELECTION OF DEPUTY CHAIR**

To elect a Deputy Chair in accordance with Standing Order 29.

For Decision

6. **MINUTES**

To agree the public minutes and non-public summary of the previous meeting held on 3 February 2025

For Decision
(Pages 7 - 10)

7. **OUTSTANDING ACTIONS OF THE COMMITTEE**

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

For Information
(Pages 11 - 12)

8. **COMMITTEE WORK PROGRAMME**

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

For Information

(Pages 13 - 20)

9. **APPOINTMENT OF SUB-COMMITTEE**

Report of the Town Clerk.

For Decision
(Pages 21 - 28)

10. **EXTERNAL MEMBER APPOINTMENT - UPDATE**

Report of the Town Clerk.

For Decision
(Pages 29 - 32)

11. **RISK MANAGEMENT UPDATE**

Report of the Chief Strategy Officer.

For Information
(Pages 33 - 86)

12. **INTERNAL AUDIT UPDATE**

Report of the Head of Internal Audit.

For Information
(Pages 87 - 92)

13. **HEAD OF INTERNAL AUDIT ANNUAL OPINION**

Report of the Head of Internal Audit.

For Information
(Pages 93 - 110)

14. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY (RELATING TO TREASURY MANAGEMENT) 2025/26**

Report of the Chamberlain.

For Information
(Pages 111 - 154)

15. **STATEMENT OF ACCOUNTS UPDATE FOR CITY FUN, PENSION FUND, AND CITY'S ESTATE**

Report of the Chamberlain.

For Decision
(Pages 155 - 364)

16. **ANNUAL GOVERNANCE STATEMENT (CITY FUND) 2024-25**

Report of the Chief Strategy Officer.

For Decision
(Pages 365 - 394)

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

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

19. **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

20. **MINUTES**

To agree the non-public minutes of the previous meeting held on 3 February 2025.

For Decision
(Pages 395 - 396)

21. **NON-PUBLIC APPENDIX - ITEM 10**

Appendix 3 to be received in conjunction with Item 10.

For Information
(Pages 397 - 400)

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

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

KING, Mayor	RESOLVED: That the Court of Common Council holden in the Guildhall of the City of London on Friday 25 th April 2025, doth hereby appoint the following Committee until the first meeting of the Court in April, 2026.
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AUDIT & RISK MANAGEMENT COMMITTEE

1. **Constitution**

A Non-Ward Committee consisting of,

- ten Members elected by the Court of Common Council* at least one of whom shall have fewer than five years' service on the Court at the time of their appointment
- three external representatives (i.e. non-Members of the Court of Common Council with no voting rights)
- the Chairman and Deputy Chairman of the Finance Committee or their representatives_(ex-officio with no voting rights)
- a representative of the Policy & Resources Committee (ex-officio with no voting rights)

**NB:- The Chairmen of the Policy and Resources, and Finance Committees are not eligible for election to this Committee and the Deputy Chairman of the Audit & Risk Management Committee for the time being may not be a Chairman of another Committee.*

From April 2017 onwards, Members of the Court of Common Council are appointed for terms of three years. The maximum continuous period of service (except when serving as Chairman or Deputy Chairman) shall be nine years in any twelve-year period.

The Committee shall also have a second Deputy Chairman, appointed from the External Membership of the Committee.

2. **Quorum**

The quorum consists of five Members i.e. at least three Members elected by the Court of Common Council and at least one external representative.

3. **Membership 2025/26**

- 9 (3) Christopher Paul Boden, Deputy
- 6 (3) Prem Goyal OBE JP, Alderman
- 1 (1) Stephen Hodgson *for one year*
- 2 (2) Kawsar Zaman, Alderman
- 1 (1) Simon Burrows *for two years*
- 1 (1) Timothy Butcher, Deputy
- 2 (1) Elizabeth King BEM JP, Alderwoman
- 1 (1) David James Sales
- 6 (1) Ruby Sayed
- 4 (1) Naresh Hari Sonpar

together with three external representatives :-

Dan Worsley (*appointed for a three-year term expiring in April 2026*)

Gail Le Coz (*appointed for a three-year term expiring in April 2027*)

Vacancy

and together with the Members referred to in paragraph 1,.

4. **Terms of Reference**

Audit

- (a) To consider and approve the annual External Audit Plan.
- (b) To commission and to receive reports from the Chief Internal Auditor on the extent that the City of London Corporation can rely on its system of internal control and to provide reasonable assurance that the City of London Corporation's objectives will be achieved efficiently and within any time expectations set.
- (c) To meet with the external auditors as necessary prior to the presentation of the Accounts to the Court, consider the audited annual accounts of the City Fund and the various non-local authority funds (other than for Bridge House Estates) to receive and consider the formal reports, letters and recommendations of the City of London Corporation's external auditors (other than for Bridge House Estates) and to make recommendations relating to the approval of the accounts to the Finance Committee (other than for Bridge House Estates).

- (d) To report back, as necessary and at least annually, to the Court of Common Council.
- (e) To appoint an Independent Audit Panel to make recommendations on the appointment of external auditors to the Court of Common Council.

Risk Management

- (f) To monitor and oversee the City of London Corporation's risk management strategy and to be satisfied that the City Corporation's assurance framework properly reflects the risk environment and that the risk management framework for the identification and mitigation of existing and emerging risks is robust and effective.
- (g) To receive an annual report from the Head of Internal Audit, to include a review of the effectiveness of the City of London's risk management strategy.
- (h) To consider and report back to the Court on any risks related to all governance and value for money issues arising from the operational activities of the City Corporation.
- (i) 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 Freemens' School, the City of London Academies Trust (including its embedded academies) and the City Academies which are free-standing entities.

Anti-Fraud and Anti-Corruption Arrangements

- (j) To monitor and oversee the City of London Corporation's anti-fraud and anti-corruption arrangements.

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 3 February 2025

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Monday, 3 February 2025 at 11.00 am

Present

Members:

Alderman Prem Goyal, OBE (Chairman)
Deputy Randall Anderson
Alderman Alexander Barr
Alderwoman Elizabeth Anne King, BEM JP
Alderman Bronek Masojada
Judith Pleasance
Naresh Hari Sonpar
Gail Le Coz (External Member)
Dan Worsley (External Member)

Officers:

Caroline Al-Beyerty	- Chamberlain
Kate Limna	- Chamberlain's Department
Matt Lock	- Chamberlain's Department
Anu Newton	- Chamberlain's Department
Blair Stringman	- Town Clerk's Department
Tabitha Swann	- Town Clerk's Department
Sonia Virdee	- Chamberlain's Department
Thomas Wrench	- Town Clerk's Department

1. APOLOGIES

There were no apologies.

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

There were no declarations.

3. MINUTES

RESOLVED – That, the public minutes and non-public summary of the meeting held on 4 November 2024 be agreed as a correct record.

4. OUTSTANDING ACTIONS OF THE COMMITTEE

The Committee received a report of the Town Clerk concerning outstanding actions.

The following points were noted:

- **Non-Public Questions (Chairs of the City Schools Boards)** – It was noted that the action had taken place and could now be closed.
- **Induction Process** - A Member raised a point about the induction process for new Members and its linkage to the recruitment of a new Committee Member. The Town Clerk agreed to consider this for any new recruitment of Members both internal and external.
- **Outstanding Declarations** - There was an update on Member declarations, with eight declarations sent to the Chief Commoner, four resolved, and four still outstanding. The Chamberlain agreed to liaise with the colleagues to resolve any outstanding declarations.

RESOLVED – That the report be noted.

5. **COMMITTEE WORK PROGRAMME**

The Committee received a report of the Town Clerk concerning a draft work plan for the 2025-2026 Civic Year.

One of the key points discussed was whether the review of the internal audit update and the risk review should be included in meeting, especially if that meeting is solely for approving the accounts. There was a suggestion to stick to a regular quarterly update rather than just providing information at the latest Committee meeting. Members agreed that a fifth meeting, if required, would only cover the accounts and not require an internal audit risk update.

RESOLVED – That the report be noted.

6. **RECRUITMENT OF AN EXTERNAL MEMBER**

The Committee considered a report of the Town Clerk concerning the recruitment of an external Member to the Audit Risk Management Committee.

The Town Clerk noted the process for appointing a candidate, Members were informed of the delegated authority request and if agreed, the next stage to process any successful candidate to the April Court of Common Council meeting for formal approval. Members were informed that Interviews were planned to be scheduled at the end of February or early March.

RESOLVED – That Members,

- a) Endorse a panel consisting of the Chairman, Deputy Chairman(s) of the Audit Risk Management Committee and an appropriate officer of the Corporation to conduct interviews for potential candidates.
- b) Delegate authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman(s), to recommend a candidate to the Court of Common Council meeting in April 2025 following interviews for shortlisted candidates.

7. **INTERNAL AUDIT UPDATE**

The Committee received a report of the Chamberlain concerning an update on Internal Audit activity in Q3 of 2024-2025.

Members noted that the update covered various internal audits conducted on contracts and procurement, highlighting concerns about the inconsistent application of controls across several departments.

The Committee discussed the need for more oversight and the possibility of involving the Finance Committee or the Projects and Procurement Sub-Committee to address these issues. There were also concerns about the IR35 regulations and the need for better guidance and training to ensure compliance. Members noted that officers would bring back proposals and plans to address these concerns at the next meeting.

RESOLVED – That the report be noted.

8. **RISK MANAGEMENT UPDATE**

The Committee received a report of the Chief Strategy Officer concerning an update on the Corporate and top red departmental risk registers.

CR40 PSTN Switch Off 2027 was discussed and an update sought. The Chamberlain noted that once the audit of connections, for which funding was required, had been completed, the risk score would likely reduce to Amber. The risk entry would be updated prior to the next meeting. A Member queried what the biggest risk the organisation faced; officers noted that information security was considered the highest risk faced by the City Corporation but mitigations had been strengthened recently.

Responding to a comment from a Member, officers acknowledged the importance of positive opportunity risk, encouraging the organisation to take risks provided they are bounded and that threats have been considered. This will be taken forward in the second year of the Risk Management Strategy 2024-2029.

A Member suggested that the language and narrative of CR30 Climate Action may need to be reframed to reflect recent international political developments. This would be raised with the risk owner.

RESOLVED – That the report be noted.

9. **MID-YEAR TREASURY MANAGEMENT REVIEW 2024/25**

The Committee received a report of the Chamberlain concerning the Mid-Year Treasury Management Review 2024-2025.

Members noted that the review covered the performance of the treasury management activities, including investments and borrowing, for the first half of the financial year. It also highlighted the economic background, the strategy adopted, and the outcomes achieved.

Officers informed Members that the report notes that the treasury management activities have been conducted in accordance with the approved strategy and that the performance has been satisfactory.

RESOLVED – That the report be noted.

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

There were no questions.

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

There was no urgent business.

12. **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.

13. **NON-PUBLIC APPENDIX**

The Committee received a non-public appendix to be read in conjunction with item 6.

RESOLVED – That the non-public appendix be noted.

14. **DRAFT RISK APPETITE STATEMENT**

The Committee considered a report of the Chief Strategy Officer.

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

There were no non-public questions.

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

There was no urgent business.

The meeting ended at 12.10 pm

Chairman

Contact Officer: Blair Stringman
blair.stringman@cityoflondon.gov.uk

Title	Action Description	Priority	Status	Action Update	Assigned to	Date reported
Internal Audit Update	Officers to bring back proposals and plans to address concerns about the inconsistent application of controls across several departments and IR35 regulations at the next meeting.	Normal	Closed	Further Internal Audit work incorporated within the 2025/26 Internal Audit Plan - suggest this action is now closed	Lock, Matt;#623	03/02/25
Risk Management Update	Language and narrative of CR30 climate action to be reframed to reflect recent international political developments.	Normal	New		Corradine, Dionne;#125	03/02/25
Outstanding Actions	Review Induction Process for New Members	Normal	In progress	Town Clerk September 2024 -Induction process for new members would be reviewed when new members join. It was suggested to organise a meeting of the nominations and effectiveness sub-committee before the November meeting to discuss ideas for the induction process. November 2024 – Due to diary clashes and close timings, it has not been possible to arrange a NESC meeting. Suggested approach to consider January or February dates for Members to consider. February 2024 - Once a new external Member has been appointed, they will be referred to the various new Member inductions taking place following the Common Council elections.	Stringman, Blair;#3	16/09/24
City Bridge Accounts	Declarations	High	In progress	The Chamberlain September 2024 - it was mentioned that there were still 15 declarations of interest which were outstanding, agreed that this issue should be escalated to the Chief Commoner due to its recurrence. 4 November 24 - Officers updated that the number of related party declarations had been reduced from 15 to 8, and further action would be escalated to the Chief Commoner. 3 February 2025 - At Committee it was noted that eight declarations sent to the Chief Commoner, four resolved, and four still outstanding	Al-Beyerty, Caroline;#123;#Virdee, Sonia;#288	16/09/24

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Audit and Risk Management Committee - Indicative Work Programme (Linked to CIPFA Audit Committees Position Statement 2022)

14 July 2025	
Work Item	Link to CIPFA Position Statement
Annual Report of the Committee (decision) To be prepared following a self-evaluation of the effectiveness of the Committee, to be approved by the Committee before presentation to the Court of Common Council.	Report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.
Internal Audit Update Report (information) Quarterly update from the Head of Internal Audit, covering: <ul style="list-style-type: none"> ▪ key findings from work completed during the period since the last Committee update (including recommendation follow-up) ▪ status update for work in progress ▪ Updated programme of work for the period up to the next Committee update 	In relation to the authority's internal audit functions: <ul style="list-style-type: none"> ▪ oversee its independence, objectivity, performance and conformance to professional standards ▪ support effective arrangements for internal audit ▪ promote the effective use of internal audit within the assurance framework.
Internal Audit Charter (information) Report of the Head of Internal Audit, setting out the Internal Audit Charter. The Public Sector Internal Audit Standards require an annual review of the Charter.	In relation to the authority's internal audit functions: <ul style="list-style-type: none"> ▪ oversee its independence, objectivity, performance and conformance to professional standards ▪ support effective arrangements for internal audit ▪ promote the effective use of internal audit within the assurance framework.
Risk Management Strategy (Information) Annual update on the Risk Management Strategy	Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.

Audit and Risk Management Committee - Indicative Work Programme (Linked to CIPFA Audit Committees Position Statement 2022)

Risk Management Update (information) Annexes included: <ul style="list-style-type: none"> • Corporate Risk register above appetite • Summary report of corporate risks • Summary report of red departmental risks 	Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
Counter Fraud and Investigations 12 Month Report (information) Report summarising the outcomes from Counter Fraud and Investigation activity for the 12 months from April to March.	Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

15 September 2025

Work Item	Link to CIPFA Position Statement
Risk Management Update (information)	Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.

Audit and Risk Management Committee - Indicative Work Programme (Linked to CIPFA Audit Committees Position Statement 2022)

17 November 2025	
Work Item	Link to CIPFA Position Statement
Internal Audit Update Report (information) Regular (approx. quarterly) update from the Head of Internal Audit, covering: <ul style="list-style-type: none"> ▪ key findings from work completed during the period since the last Committee update (including recommendation follow-up) ▪ status update for work in progress ▪ intended programme of work for the period up to the next Committee update 	In relation to the authority's internal audit functions: <ul style="list-style-type: none"> ▪ oversee its independence, objectivity, performance and conformance to professional standards ▪ support effective arrangements for internal audit ▪ promote the effective use of internal audit within the assurance framework.
Risk Management Update (information)	Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
Counter Fraud and Investigations 6 Month Report (information) Report summarising the outcomes from Counter Fraud and Investigation activity for the 6 months from April to September.	Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Audit and Risk Management Committee - Indicative Work Programme (Linked to CIPFA Audit Committees Position Statement 2022)

February 2026 – Date TBC	
Work Item	Link to CIPFA Position Statement
Terms of Reference of the Committee (information) Annual review of the Terms of Reference of the Committee, giving due regard to relevant legislation and professional guidance.	Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
Internal Audit Update Report (information) Regular (approx. quarterly) update from the Head of Internal Audit, covering: <ul style="list-style-type: none"> ▪ key findings from work completed during the period since the last Committee update (including recommendation follow-up) ▪ status update for work in progress ▪ intended programme of work for the period up to the next Committee update 	In relation to the authority's internal audit functions: <ul style="list-style-type: none"> ▪ oversee its independence, objectivity, performance and conformance to professional standards ▪ support effective arrangements for internal audit ▪ promote the effective use of internal audit within the assurance framework.
Risk Management Update (information)	Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.

Audit and Risk Management Committee - Indicative Work Programme (Linked to CIPFA Audit Committees Position Statement 2022)

May 2026 – Date TBC	
Work Item	Link to CIPFA Position Statement
Internal Audit Update Report (information) Regular (approx. quarterly) update from the Head of Internal Audit, covering: <ul style="list-style-type: none"> ▪ key findings from work completed during the period since the last Committee update (including recommendation follow-up) ▪ status update for work in progress ▪ intended programme of work for the period up to the next Committee update 	In relation to the authority's internal audit functions: <ul style="list-style-type: none"> ▪ oversee its independence, objectivity, performance and conformance to professional standards ▪ support effective arrangements for internal audit ▪ promote the effective use of internal audit within the assurance framework.
Corporate Risk In-Depth Review (information) Report of the Head of Internal Audit covering findings from the programme of Corporate Risk Assurance Work undertaken by Internal Audit in consultation with the Corporate Strategy and Performance Team. Corporate Risks are reviewed on a rolling basis as minimum coverage, noting that the sequencing may be determined by proximity of risk, changing risk profile or other relevant factors.	Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
Risk Management Update (information) Annexes included: <ul style="list-style-type: none"> • Full Corporate Risk Register (first meeting of new municipal year) • Summary report of corporate risks • Summary report of red departmental risks 	Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.

Audit and Risk Management Committee - Indicative Work Programme (Linked to CIPFA Audit Committees Position Statement 2022)

Head of Internal Audit Annual Opinion (information) Annual report of the Head of Internal Audit providing an overall opinion on the adequacy and effectiveness of the Internal Control Environment, Risk Management and Governance arrangements, as required by the Public Sector Internal Audit Standards.	Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.
Draft Annual Governance Statement (decision) In accordance with the Accounts and Audit Regulations (2015), the Committee should review and feed into the Annual Governance Statement. Note that this is a requirement only for City Fund activity.	Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.

Audit and Risk Management Committee - Indicative Work Programme (Linked to CIPFA Audit Committees Position Statement 2022)

Additional Items to consider at the appropriate time in the Committee Calendar	
Work Item	Link to CIPFA Position Statement
Draft Bridge House Estates Accounts (decision) Annual Review of the Financial Statements for the Bridge House Estates.	Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
Draft City's Cash Accounts (decision) Annual review of the Financial Statements for City's Cash	Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.
Draft City Fund Accounts (decision) Annual review of the Financial Statements for City Fund	Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit. Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.

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City of London Corporation Committee Report

Committee(s): Audit Risk Management Committee	Dated: 12 May 2025
Subject: Appointment of Sub-Committees	Public report: For Decision
This proposal: <ul style="list-style-type: none"> • provides statutory duties • provides business enabling functions 	N/A
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	£0
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of:	Town Clerk
Report author:	Blair Stringman

Summary

This report asks the Audit and Risk Management Committee to appoint the Nominations and Effectiveness Sub-Committee and approve its composition and Terms of Reference; and, appoint the Chairman of the Sub-Committee as per the revised Standing Orders; and, to appoint one Member to serve on the Resource, Risk and Estates Committee of the Police Authority Board.

Recommendation(s)

The Committee is asked to:

- Agree the appointment of the Nominations and Effectiveness Sub-Committee, and consider its composition and Terms of Reference; and,
- Appoint the Chairman of the Nominations and Effectiveness Sub-Committee; and,
- Appoint one Member to the Resource, Risk and Estates Committee of the Police Authority Board.

Main Report

Background

1. The purpose of this report is to consider the appointment of the Nominations and Effectiveness Sub Committee for 2025/26 and to approve its composition and Terms of Reference. The Committee are also asked to appoint the Chairman of the Sub-Committee as per the revised Standing Orders. Additionally, the Audit and Risk Management Committee is asked to appoint one of its Members to serve on the Resource, Risk and Estates Committee of the Police Authority Board.

Current Position

Nominations and Effectiveness Sub-Committee

2. At your Committee on 16 January 2018, Members agreed to establish a Nominations Sub-Committee. The composition of the Sub-Committee was amended at the May 2022 meeting to include both Deputy Chair roles as members.
3. The Sub-Committee was renamed the Nominations and Effectiveness Committee in January 2023, and its terms of reference revised, to give it a clearer remit over reviewing the effectiveness of the Committee and its members (see background reports). The current composition and Terms of Reference are included at Appendix 1.
4. Sub Committee meetings are arranged as and when required, including for the purposes of reviewing applications and interviewing candidates, with the terms of reference stating that it must meet no less than two times a year.
5. Additionally, once the Terms of Reference and Composition are agreed, the Committee are also asked to appoint the Chairman of the Sub-Committee as per the revised Standing Orders.

Resource, Risk and Estates Committee of the Police Authority Board

6. The Committee appoints one Member to serve on the Resource, Risk and Estates Committee of the Police Authority Board.
7. Members have been asked to indicate whether they wish to serve on this Sub-Committee. The current terms of reference and composition of the Resource, Risk and Estates Committee are listed at Appendix 2.

Options

8. Option 1 – Agree the Terms of Reference and Composition, including the appointment of the Chairman as per the revised Standing Orders and appoint a Member to the Resource, Risk and Estates Committee (This is recommended).
9. Option 2 – Delay the various appointments until the next meeting which could have implications for governance arrangements (This is not recommended).

Corporate & Strategic Implications

Strategic implications – None.

Financial implications- None.

Resource implications- None.

Legal implications – None.

Risk implications – None.

Equalities implications – None.

Climate implications – None.

Security implications – None.

Conclusion

10. Members are asked to note the contents of this report and consider the appointments, composition and Terms of Reference as set out in the recommendations and appendices.

Appendices

- Appendix 1 – Terms of Reference and Composition of the Nominations and Effectiveness Sub-Committee of the Audit and Risk Management Committee
- Appendix 2 – Terms of Reference and Composition of the Resource, Risk and Estates Committee of the Audit and Risk Management Committee

Blair Stringman

Governance Officer

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APPENDIX 1

Terms of Reference and Composition of the Nominations and Effectiveness Sub Committee

Membership: 6 Members, including the Chairman and Deputy Chairs of the Grand Committee and at least one External Member to give an independent perspective.

- 2023/25 Membership:
 - Alderman Prem Goyal (Committee Chairman)
 - Gail Le Coz (Deputy Chair)
 - Naresh Sonpar
 - Rehana Ameer
 - Alderman Bronek Masojada
 - Karen Sanderson
 - Paul Singh

Meeting frequency: to meet no less than two times a year

1. To make recommendations to the Audit and Risk Management Committee on the appointment of all External Members to that Committee.
2. To consider the most appropriate way to recruit External Members to the Audit and Risk Management Committee, including the placing of advertisements or the use of personal contacts.
3. To consider proactively potential External Member talent outside of the recruitment cycle which naturally arises on the expiry of any current External Members' term, such that the City Corporation can engage at early stage with interested parties.
4. To promote the role of the Audit and Risk Management Committee to Members of the Court such that a wide pool of future Committee Member talent can be identified and encouraged to consider putting themselves forward as Members of the Committee.
5. To consider the aggregate skills and capability of the Audit and Risk Management Committee by reference to a periodically compiled skill matrix in order that Member training and development needs can be effectively established and actioned.

n.b. The Sub Committee will have advisory powers only and make recommendations on nominations to the grand Committee.

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Appendix 2

Resource, Risk and Estates Committee

Composition

- Up to six Members of the Police Authority Board appointed by the Police Authority Board, in addition to the Chair and Deputy Chair;
- One co-opted Member to be appointed by the Audit and Risk Management Committee; and
- Up to two co-opted Members of the Court of Common Council to be appointed by the Police Authority Board.
- The Chair of Finance Committee or their nominee.
- Up to two external independent members, to be appointed by the Police Authority Board.

Frequency of meetings

- The Committee shall meet four times per annum.

Quorum

Three Members (of which at least two must be Common Councillors).

Terms of Reference

To be responsible for:

- a) monitoring and challenging City of London Police's use of resources to deliver its strategic priorities efficiently and effectively
- b) overseeing City of London Police's financial management including monitoring in-year financial performance against revenue and capital budgets, scrutiny of proposed revenue and capital budgets and the Medium Term Financial Plan;
- c) overseeing the City of London Police's human resource management including strategic workforce planning and establishment strength;
- d) overseeing commercial projects and major change programmes and scrutinising capital spend and other investment to ensure value for money;
- e) monitoring the corporate risks and mitigations of the City of London Police and Police Authority;
- f) scrutinising internal audit reporting and implementation of recommendations; and
- g) scrutinising police estates strategy requirements to ensure effective delivery of services that meet community needs.

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City of London Corporation Committee Report

Committee(s): Audit Risk Management Committee – For Decision	Dated: 12 May 2025
Subject: External Member Appointment – Update	Public report: For Decision
This proposal: <ul style="list-style-type: none"> • provides statutory duties • provides business enabling functions 	
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	£0
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of:	Town Clerk
Report author:	Blair Stringman, Governance Officer

Summary

This report provides an update on the recruitment of an External Member to the Audit Risk Management Committee since its last meeting and recommends the process for recruitment to the vacancy. Following the close of advertisement, two candidates were interviewed, however, neither were successful and as such a vacancy for an external Member on the Audit Risk Management Committee remains. As such, this report asks the Committee to agree the approach outlined in the recommendations for recruitment.

Recommendation(s)

Members are asked to:

- Authorise the Town Clerk to finalise the Job Description for and External Member of the Audit Risk Management Committee.
- Endorse a panel consisting of the Chairman, Deputy Chairman(s) of the Audit Risk Management Committee and an appropriate officer of the Corporation to conduct interviews for potential candidates.

- c) Delegate authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman(s), to recommend a candidate to the Court of Common Council meeting in September 2025 following interviews for shortlisted candidates.

Main Report

Background

1. At the Committee meeting in November 2024, Karen Sanderson gave notice of her intention not to stand for reappointment following the expiry of her term in April 2025. Following this, the Committee authorised the Town Clerk to finalise the role profile and application form for External Member of The Audit and Risk Management Committee, for a term of three years.
2. Advertisement for the position closed on 17th January 2025 and at the Committee meeting in February 2025, Members reviewed the two applications received and were asked for comments. Additionally, the Committee were asked to approve a panel with the Chairman, Deputy Chairman(s) of the Audit Risk Management Committee, and a Corporation officer to conduct candidate interviews. Members also agreed to authorise the Town Clerk, in consultation with the Chairman and Deputy Chairman(s), to recommend a candidate to the Court of Common Council in April 2025 following interviews.
3. Both candidates were subsequently invited for interviews, however, the panel unanimously agreed that neither candidate was suitable for the vacancy as an Independent Member on the Corporation's Audit and Risk Management Committee and agreed that a further review needed to be undertaken to fill the vacancy.

Current Position

4. The panel provided feedback to the Town Clerk and asked that modifications be made to the Job Specification in the first instance prior to advertisement again for the role and that this be considered by the Audit Risk Management Committee at its next meeting.
5. Given the proximity of the next meeting of the Audit Risk Management Committee, there is insufficient time to advertise, interview, and fill the vacancy prior. Additionally, it would not be beneficial for the Committee to shorten the advertisement period as this may limit the number of potential applicants. Therefore, it is proposed that recommendation of a candidate be taken to Court of Common Council in September 2025.
6. The Audit Risk Management Committee remains to have a vacancy position for an Independent Member which is intended to be filled in September 2025.

Options

7. **Option 1** – Agree the recommendations to facilitate filling the vacancy of an external Member of the Audit Risk Management Committee for a full Membership to exist in September. **(This is recommended)**.
8. **Option 2** – Delay the recommended approach and wait until the next meeting of the Audit Risk Management Committee, this will delay the processes to fill the vacancy on the Committee. **(This is not recommended)**.

Proposals

9. Members are asked to endorse Option 1 as proposed in the recommendations of the report. This will ensure the Committee can effectively oversee internal control, risk management, and governance. External Members bring valuable independent perspectives, enhancing the committee's objectivity and decision-making. Agreeing to the recommendations will maintain high standards of governance and risk management within the organisation.

Corporate & Strategic Implications

Strategic implications – The recommended approach aligns with the corporate plan by ensuring recruitment of an external Member, maintaining high standards of governance, and enhancing decision-making with independent perspectives.

Financial implications – None.

Resource Implications - There are potential resource implications concerning the onboarding and training of a new member.

Legal implications – None.

Risk implications – None.

Equalities implications – The advertisement was open to all eligible candidates. A panel consisting of the Chairman, Deputy Chairman(s), and an appropriate officer will conduct interviews, ensuring a fair and balanced selection process.

Climate implications – None.

Security implications – None.

Conclusion

10. It is recommended that the Committee approves the recommendation(s) as outlined in the report in order to facilitate filling a vacancy for an external Member prior to its Committee meeting in September 2025. This will ensure that the Committee can continue to function effectively and maintain its full complement of Members, thereby supporting its ability to fulfil its responsibilities and make informed decisions.

Blair Stringman

Governance Officer, Town Clerk's Department

E: Blair.Stringman@cityoflondon.gov.uk

City of London Corporation Committee Report

Committee(s): Audit and Risk Management Committee – For Information	Dated: 12/05/2025
Subject: Risk Management Update	Public report: For Information
This report supports the successful delivery of all six Corporate Plan outcomes and our statutory obligations through identifying and managing risks in line with our business objectives.	Corporate Risk Management
Does this proposal require extra revenue and/or capital spending?	No
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:	Dionne Corradine, Chief Strategy Officer
Report author:	Thomas Wrench, Corporate Strategic Development Lead

Summary

This report provides the Committee with an update on the corporate and top red departmental risk registers since they were last reported to the Committee in February 2025. Further details can be found in the appendices listed at the end of this report.

Recommendation(s)

Members are asked to note:

- This report and the corporate and top red departmental risk registers attached.
- That since the previous update:
 - The number of corporate risks has remained at 14 with one score increased and three decreased.
 - The number of departmental red risks has decreased from 22 to 20, with two risks de-escalated.¹
- Progress on Member engagement and socialisation of the draft Risk Appetite Statement ahead of May 2025 Court of Common Council.
- That a report covering year one progress of the Risk Management Strategy 2024-2029 will be presented to the Committee at its July 2025 meeting.

¹ **Risks de-escalated:** GSMD DDP 002 Reduced Recruitment and Retention of Staff and CLS FS 004 School’s Affordability.

Main Report

Background

1. The corporate and red departmental risks are reported to this Committee as a minimum on a quarterly basis to enable the Committee to exercise its role in the monitoring and oversight of risk management within the City of London Corporation (CoLC).
2. The corporate and red departmental risk registers were reviewed by the Chief Officer Risk Management Group (CORMG) on 3 April 2025 as Senior Officers responsible for overseeing CoLC risk management actions, decisions and outcomes (including consideration of developing risk areas and cross-corporation risk management themes) on behalf of the Executive Leadership Board.

Risk Activity – Process and Culture

3. Delivery of the Risk Management Strategy 2024-2029 continues, with a current focus on promoting the brilliant basics and on the promulgation of the Risk Management Policy (as reported to the Committee in February). A report on year one progress and actions for year two will be presented to the Committee at its July meeting.
4. Following its approval by this Committee in the February meeting, the draft Risk Appetite Statement was subsequently approved by the City Bridge Foundation Board and the City of London Police Authority Board (also in February). Prior to onward submission to Court of Common Council, this committee had requested further Member engagement took place, in addition to that already underway with Chief Officers and Chairs of Committee. This has now taken place (see below).
5. Our approach to risk management at City Corporation, including the Risk Management Strategy and our risk appetite statement, was shared with new Members at the two Induction Fayres (March) and briefed at the Corporate Risk Management and Health & Safety session on 8 April.
6. Following feedback from A&RMC in February, changes have been made to the format and structure of the Risk Appetite Statement to ensure greater clarity. Additionally, activity that exists across all themes (e.g., health and safety, regulatory compliance, etc.) has been referenced separately to avoid duplication. The final draft will be presented to the Court of Common Council at its meeting on 22 May, with all Members receiving a copy of the draft statement (hard and soft copies) in late April. A copy of the draft statement is at appendix 3 (non-public) for information.
7. The Committee has previously commented on issues within the risk register. The management of issues, and its distinction from risk management and business-as-usual activity, was considered by the Chief Officer Risk Management Group in January and again in April. Actions are underway to help frame a new approach to this, aimed at ensuring clarity around process and approach to managing issues vs risks.

Current Position

8. Table 1 below shows the overall number and risk ratings of all risks recorded on the Ideagen risk management system as of 23 April 2025 compared with 17 January 2025 (the figures last seen by the Committee). Ongoing Risk Management Strategy activity to ensure a dynamic approach to risk management includes the removal of legacy risks and the addition of new risks. This results in fluctuations in the number of risks that the City Corporation carries.

Risk rating (RAG)	April 2025	January 2025	Difference
Red	49	52	-3
Amber	253	243	+10
Green	91	87	+4
Total	393	382	+11

Table 1: April 2025: Overall Risk Numbers by RAG Rating on Ideagen

9. Table 2 below shows the breakdown of the red, amber and green rated risks by risk level as of 23 April 2025 compared with 17 January 2025.

Risk rating	Red		Amber		Green	
Risk level	April 2025	Jan 2025	April 2025	Jan 2025	April 2025	Jan 2025
Corporate	4	5	10	9	0	0
Departmental	20	22	92	86	26	25
Service	25	25	151	148	65	62
Total	49	52	253	243	91	87
Difference	-3		+10		+4	

Table 2: April 2025: Breakdown of RAG Risks by Risk Level (no team or PPM risks recorded as of 23 April)

10. A full risk register of all corporate risks can be found at Appendix 1. There are currently 14 corporate risks on the corporate risk register (4x Red and 10x Amber). Since the last report to the Committee one risk has been increased in score with three decreasing (see paragraphs 12 and 13).² Corporate risks are being reviewed by CORMG to ensure they accurately reflect the greatest threats and concerns to the City Corporation.
11. *CR30 Climate Action* has been renamed to *CR30 Impact of Climate Change* and has been reframed to focus on the wider impact of climate change rather than delivery of the Climate Action Strategy and associated programme. Risks associated with the Climate Action Strategy will continue to be managed at the programme level. The proposed target score has been increased from Amber 4 to Amber 12 reflecting the expectation that the impact of climate change will

² We are reviewing the reporting of our above appetite risks as part of the risk appetite refresh.

continue despite mitigation efforts. The scores set measure the City Corporation's response rather than assuming complete mitigation.

12. Risk scores increased:

- a. *CR35 Unsustainable Medium Term Finances - City Fund* increased from **Amber 12** (Impact 4 Major x Likelihood 3 Possible) to **Red 16** (Impact 4 Major x Likelihood 4 Likely) following the approval of the 2025/26 City Fund Medium Term Financial Plan.

13. Risk scores decreased:

- a. *CR38 Unsustainable Medium Term Finances – City's Estate* decreased from **Red 16** (Impact 4 Major x Likelihood 4 Likely) to **Amber 12** (Impact 4 Major x Likelihood 3 Possible) following the approval of the 2025/26 City Fund Medium Term Financial Plan.
- b. *CR40 PSTN Switch Off 2027 (formerly CHB DITS 045)* decreased from **Red 16** (Impact 4 Major x Likelihood 4 Likely) to **Amber 12** (Impact 4 Major x Likelihood 3 Possible) as a result of the BT switch off deadline being extended from 2025 to 2027.
- c. *CR29 Information Management* has decreased from **Amber 12** (Impact 4 Major x Likelihood 3 Possible) to **Amber 8** (Impact 4 Major x Likelihood 2 Unlikely) to reflect progress in managing both information and data, including the implementation of key strategies and solutions.

14. The RAG matrices below show the distribution of corporate risks as of 23 April 2025 (Table 3) and 17 January 2025 (Table 4):

	Minor	Serious	Major	Extreme
Likely			2	
Possible			8	1
Unlikely			2	1
Rare				

Table 3: April 2025 Corporate Risk Heatmap

	Minor	Serious	Major	Extreme
Likely			3	
Possible			8	1
Unlikely			1	1
Rare				

Table 4: January 2025 Corporate Risk Heatmap

15. The highest scoring corporate risk is CR16 Information Security at Red 24 (Impact 8 Extreme x Likelihood 3 Possible). Actions to mitigate this risk are ongoing, with recent activity including cyber security training, the adoption of a minimum-security baseline and bringing security services in-house, giving greater control over, and visibility of, security controls.

16. Table 5 below shows a summary of all CoLC corporate risks as of 23 April 2025:










































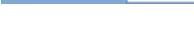
Risk reference	Title	Current Risk Score	Current risk score icon	Trend Icon	Risk flight path (last 12 assessments)	Creation Date	Risk added to CR Register (year)
CR16	Information Security (formerly CHB IT 030)	24				10-May-2019	Pre-Pentana (2014)
CR35	Unsustainable Medium-Term Finances - City Fund	16				19-Jun-2020	2022
CR36	Protective Security	16				10-Jan-2022	2022
CR37	Maintenance and Renewal of Corporate Physical Operational Assets (excluding housing assets)	16				04-Nov-2019	2022
CR01	Resilience Risk	12				20-Mar-2015	Pre-Pentana (2014)
CR02	Loss of Business Support for the City	12				22-Sep-2014	Pre-Pentana (2014)
CR09	Health, Safety and Fire Risk Management System	12				22-Sep-2014	Pre-Pentana (2014)
CR30	Impact of Climate Change	12				07-Oct-2019	2020
CR33	Major Capital Schemes	12				14-Feb-2020	2020
CR38	Unsustainable Medium-Term Finances - City's Estate	12				31-Oct-2022	2022
CR39	Recruitment and Retention	12				21-Feb-2023	2023
CR40	PSTN Switch Off 2027 (formerly CHB DITS 045)	12				26-Feb-2024	2024
CR10	Adverse Political Developments	8				22-Sep-2014	Pre-Pentana (2014)
CR29	Information Management	8				08-Apr-2019	Pre-Pentana (2014)

Table 5: April 2025: List of Current Corporate Risks by Current Risk Score

Red Departmental Risks

17. There are currently 20 departmental red risks. Since the last report to the Committee, two risks have been de-escalated to Amber. A summary of the top red departmental risks can be found at Appendix 2.

18. Changes to the register:

Risks de-escalated:

- i) GSMD DDP 002 Reduced Recruitment and Retention of Staff score decreased from Red 16 (Impact 4 Major x Likelihood 4 Likely) Amber 12 (Impact 4 Major x Likelihood 3 Possible) reflecting the progression of mitigating actions including the creation of a new training catalogue.
- ii) CLS-FS-004 School's Affordability score decreased from Red 16 (Impact 4 Major x Likelihood 4 Likely) to Amber 8 (Impact 2 Serious x Likelihood 4 Likely) reflecting increased clarity on financial position with regard to VAT.

Corporate & Strategic Implications

Strategic implications – Reporting in line with CoLC Corporate Risk Management Strategy.

Financial implications – None applicable

Resource implications – None applicable

Legal implications – None applicable

Risk implications – None applicable

Equalities implications – None applicable

Climate implications – None applicable

Security implications – None applicable

Conclusion

19. This risk update and accompanying document (see appendices) are aimed at providing assurance to the Audit and Risk Management Committee that risks within the City of London Corporation are being effectively handled.

Appendices

- Appendix 1: Corporate Risk Register – detailed report
- Appendix 2: All Red Departmental Risks – short summary report
- Appendix 3: Draft Risk Appetite Statement (non-public)

Thomas Wrench

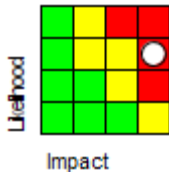

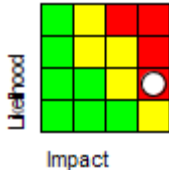
Corporate Strategic Development Lead

Corporate Risks - All fields report

Generated on: 23 April 2025



Rows are sorted by Risk Score

Code	CR16				Title	Information Security (formerly CHB IT 030)			
Description Page 39	Cause: Breach of City of London Corporation IT Systems resulting in unauthorised access to data by internal or external sources.								
	Event: The City Corporation does not adequately prepare, maintain robust (and where appropriate improve) effective IT security systems and procedures.								
	Effect: a) Failure of all or part of the IT Infrastructure with associated business systems failures. b) Harm to individuals. c) A breach of legislation such as the Data Protection Act 2018 and UK-GDPR. d) Incurrence of a monetary penalty. e) Corruption of data. f) Reputational damage to City of London Corporation as an effective body.								
Current Risk Assessment, Score & Trend Comparison		24		Constant		16			
	Likelihood	Possible	Impact			Extreme	Likelihood	Unlikely	Impact
Risk Score	24	Review Date		08-Apr-2025	Risk Score	16	Target Date		31-Oct-2025
Latest Note	We have implemented several improvements to our security posture and have a plan for future works.								

	<p>A decision was made to define a minimum-security baseline for all parts of the corporation, and this has been agreed as NCSC's Cyber Assurance Framework. We have recently received grant funding in order to progress this work.</p> <p>The security service provided by Agilisys has now been brought in-house, giving greater control and visibility over Security controls.</p> <p>We are committed to increasing our Secure Score month on month, and this is now being reported to Digital Services Committee as well as Information Management Board.</p> <p>We have also received approval for the recruitment of a CISO, which is currently awaiting agreement around reporting lines.</p> <p>Operational ownership: Zakki Ghauri</p>
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Creation Date	10-May-2019
Department	Chamberlain's

Approach	Reduce
Risk Owner	Caroline Al-Beyerty

Actions related to this risk:

Ref No:	Action Description	Latest Note	Latest Note Date	Action Owner	Due Date
CR16q User behaviour monitoring	Monitoring user activity on the network for any suspicious or unauthorised behaviour	<p>Currently, our network activity monitoring is operational, and now flows into a single platform – giving as a full view of all of our security logs.</p> <p>We have 24/7 monitoring of these logs, and are looking to work with our colleagues in our Institutions to look at a single service and common tools to protect all parts of the organisation.</p> <p>Our new 24/7 Service provides better opportunities for Institutions to be part of a single platform.</p>	08-Apr-2025	Gary Brailsford-Hart	31-Oct-2025
CR16r Access control monitoring	Monitoring access control systems and processes to ensure that only authorised users have access to sensitive information	<p>Controls are in place to manage the access control to the estate; improvements have been made in the application of multifactor authentication. However, the escalation and acceptance of privileged accounts remains within the IT department and is not subject to independent scrutiny.</p> <p>Steps for implementation</p>	08-Apr-2025	CJ Chapman	31-Jul-2025

		<p>Assessment of Current Practices Development of an Independent Oversight Protocol Implementation of a Formal Privileged Access Policy Regular Audits and Reviews Segregation of Duties Training and Awareness Enhanced Authentication and Monitoring for Privileged Accounts Feedback and Continuous Improvement</p> <p>By implementing these steps, the City can strengthen its control over privileged accounts, ensuring they are granted appropriately and are subject to rigorous and independent scrutiny.</p> <p>Review Admin rights</p>			
CR16s Incident response Page	Developing and implementing a plan to respond to any security incidents that occur.	<p>We have agreed a list of critical applications and aim to take this to Senior Security Board and then SLT for agreement.</p> <p>We have drafted an organisational Cyber Incident Plan as well as developing operating cyber testing exercises. However, there is a need to produce further playbooks and develop more testing and exercising events.</p> <p>Testing remains outstanding and is a priority for the next quarter.</p>	10-Dec-2024	Zakki Ghauri	31-Oct-2025
CR16t Security information and event management (SIEM)	Using software tools to collect and analyse data from various security sources to detect and respond to security incidents.	<p>Tooling is in place and operating.</p> <p>Microsoft Sentinel is in place and collecting activity from across CoL. This has been monitored by a 24/7 team and managed by the InfoSec team who have been detecting and investigating incidents highlighted by the SIEMOC.</p> <p>Tooling is in place but resources to review, analyse and action remain outstanding. Our SOC performs much of the remediation activity but some investigations are still with internal teams and require resourcing.</p> <p>When firewall logs are implemented, this need will increase further.</p>	16-Apr-2025	CJ Chapman	30-Jun-2025
CR16v Security Baseline assessment – COL/COLP/Institutions	Security Baseline assessment – COL/COLP/Institutions	<p>Initial assessment complete, work is ongoing to identify trends and a developments plans and updates to the CAF will continue.</p> <p>Feedback from the institutions is positive and the NCSC CAF is accepted as a baseline standard. The appetite for review has been agreed as</p>	16-Apr-2025	CJ Chapman	30-Sep-2025

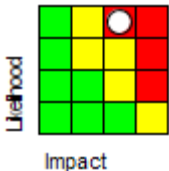
		annual owing to resource constraints and the likely timeframes for improvements to be made. Funding received, requires Carry forward request.			
CR16w Cyber Security Improvement Programme	Cyber Security Improvement Programme	<p>In ongoing action to mitigate this risk, agreement has been made to implement a Cyber Security Improvement Programme, consisting of:</p> <ul style="list-style-type: none"> • The appointment of a cross-Corporation CISO who will be responsible for Cyber Security across the Corporation and our Institutions • Investigating having a single Cyber Security team that works across the wider organisation 	09-Apr-2025	Zakki Ghauri	31-Oct-2025

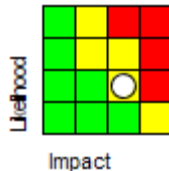
Code	CR35
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Title	Unsustainable Medium Term Finances - City Fund
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Description	<p>Causes:</p> <ul style="list-style-type: none"> Persistent high inflation, as reported and forecast by the Office for Budget Responsibility. Aging estate crystallising high levels of expenditure over short time period, putting pressure on Reserves. Reduction in rental income from the property investment portfolio to support Major Projects programmes. Anticipated reductions in public sector funding (local government and Police), escalating demands (both revenue and capital), and an ambitious program for major project delivery pose a threat to sustaining the Square Mile's vibrancy and growth. The Police Transform program fails to achieve anticipated budget mitigations outlined in the MTFP. <p>Event: The failure to manage financial pressures within the fiscal year and achieve sustainable savings as planned, or to boost income generation to address the Corporation's projected medium-term financial deficit.</p> <p>Effect: Inability to establish a balanced budget, which is a statutory requirement for the City Fund. The City of London Corporation's reputation could suffer due to failure to meet financial objectives or the necessity to curtail services provided to businesses and the community. Challenges in executing the capital program and major projects within affordable limits.</p>
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Page 49

Current Risk Assessment, Score & Trend Comparison		16	↑	Increasing
Likelihood	Likely	Impact	Major	
Risk Score	16	Review Date	22-Apr-2025	

Target Risk Assessment & Score		8		
Likelihood	Unlikely	Impact	Major	
Risk Score	8	Target Date	31-Mar-2026	

Latest Note	<p>The 2025/26 budget and medium term financial plan has been updated. The Final Local Government Settlement has confirmed the business rates reset, which moves the risk rating from Amber to Red. Inflation rates to be monitored quarterly and an inflation contingency to be maintained in 2025/26 through carried forward from 2024/25 underspends. Pressures on adult social care, children services, security and policing continue, and are addressed through increase in taxes and business rates premium.</p> <p>Other on-going pressures totalling £0.4m, plus net 2% inflation uplift approved in 2025/26 local risk budgets. The medium-term financial plan includes:</p> <ul style="list-style-type: none"> Reprofiling of cyclical works programme to cover bow-wave of outstanding works and provision for works going forward.
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	<ul style="list-style-type: none"> Funding strategy identifies where best to bring third party capital into surplus operational property opportunities, reducing demand on own Reserves. Quarterly monitoring of capital programme against budgets. Securing income generation opportunities. Developing a savings programme aligned with the Town Clerk's Fantastic Five Years, supporting organisational excellence, focusing on efficiencies and transformation across services.
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Creation Date	19-Jun-2020
Department	Chamberlain's

Approach	Reduce
Risk Owner	Caroline Al-Beyerty

Actions related to this risk:

Ref No:	Action Description	Latest Note	Latest Note Date	Action Owner	Due Date
CR35a Impact of Inflation Page 44	Monitoring the impact of inflationary pressures (including pressures on energy costs) and construction inflation impacts on capex programme • Use of inflation contingency	Regular monitoring the office of budget responsibility's inflation forecasts, The Consumer Prices Index (CPI) rose by 2.8% in the 12 months to February 2025, down from 3.0% in the 12 months to January. Identify areas that are forecasting to exceed budget envelope due to inflation increases.	22-Apr-2025	Sonia Virdee	31-Mar-2026
CR35c Major Projects	Remain within the financial envelopes approved for major projects.	Monthly update on major projects forecasts and issues arising. Major projects are presented monthly to the Chamberlain's Assurance Board with an update to the Portfolio Board chaired by the Town Clerk/Chief Executive. Regular reporting to Capital Buildings Board, Finance Committee, and Policy and Resources Committee. Court of Common Council approved an updated (additional) funding envelope for the Future Police Estates Programme.	22-Apr-2025	Sonia Virdee	31-Mar-2029

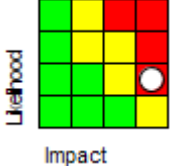
CR35f Achievement of current Savings Programme	<p>Delivering the current savings programme and securing permanent year-on-year savings (including Police Authority)</p> <ul style="list-style-type: none"> • Develop income generation opportunities 	<p>Court of Common Council, in March 2025 reaffirmed the profiling of remaining fundamental review savings.</p> <p>Ensure income generation schemes are sustainable and on-going opportunities are explored, these include but not limited to events across the Corporation, Advertising and sponsorship, Filming inside and outside the square mile, Retail opportunities and Fees and Charges.</p> <p>Pressures and mitigations are being recorded at a more granular level to improve the tracking and reporting on savings during the year, this information will be incorporated into the budget monitoring reports from 2025/26 quarter 1 onwards to help inform Members of key risks and progress.</p> <p>Savings programmes/initiatives will continue to be considered during the 2025/26 financial year in line with the Town Clerk's Fantastic Five Years with the aim to deliver by April 2026.</p> <p>An update is being presented to Policy and Resources away day in July 2025 on savings across the Corporation to inform the 2026/27 budget setting work.</p>	22-Apr-2025	Alistair Cook; Sonia Virdee; Genine Whitehorne	31-Mar-2026
CR35p Plans in place to reduce future deficits	Plans in place to reduce future deficits.	<p>The revised medium-term financial plan is only balanced over the next five years with the use of general fund reserves and further savings and/or revenue raising by increasing Council Tax and Business Rate Premium. City Fund moves into deficit position from 2026/27 onwards. The Final Local Government Settlement confirms plans to reset the business rates retention system and plans to engage with councils about reforms to the funding system. This consultation has begun in early 2025, with implementation of these reforms starting through the multi-year Settlement in 2026/27.</p> <p>Future deficits should not be ignored, previously the business rate growth had been kept separate to fund the major projects and not relied on to balance the in-year position, due to increases in inflation and reductions in property income forecasts this is no longer possible. Radical decisions are now needed on how best to bring down the annual operating deficit, over and above those already identified (income generation, operational</p>	22-Apr-2025	Sonia Virdee; Genine Whitehorne	31-Mar-2026

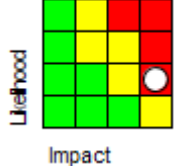
		<p>property review, investment property review), including major changes or stoppages to existing services provision and/or reduction in grants. This will require a renewed approach to transformation underpin by a clear communication plan to all members, so they are aware of the challenges ahead.</p> <p>The focus of the May/June Star Chamber meetings is to increase the attention on efficiencies, preventative approaches, aligning to strategic priorities as well as the current income generation strategies.</p>			
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Code	CR36
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Title	Protective Security
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Description	<p>Cause: Lack of appropriate governance, inadequate security risk assessments, prioritisation, and mitigation plans. Inadequate, poorly maintained or time expired security infrastructure and policies; lack of security culture and protective security mitigation; poor training, inadequate vetting, insufficient staff.</p> <p>Event: Security of an operational property and event space is breached, be that internal threat, protest and/or terrorist attack. Publicly accessible areas for which the Corporation are responsible for are subject to an undisrupted Terrorist attack.</p> <p>Effect: Injury or potential loss of life caused by an undisrupted attack, unauthorised access to our estate by criminals/protestors/terrorists; disruption of business/ high profile events; reputational damage.</p>
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Current Risk Assessment, Score & Trend Comparison		16	—	Constant
Likelihood	Unlikely	Impact	Extreme	
Risk Score	16	Review Date	17-Apr-2025	

Target Risk Assessment & Score		16		
Likelihood	Unlikely	Impact	Extreme	
Risk Score	16	Target Date	30-Jun-2025	

Latest Note	<p>The Terrorism (Protection of Premises) Bill has now concluded through Parliament. The Act received Royal Assent on 3 April 2025 and it is expected that the implementation period will be at least 24 months.</p> <p>Whilst those that fall within scope of the Act may wish to begin considering the requirements, they should note that there will be no legal requirement to comply until the legislation comes into force. The Home Office will publish statutory guidance during the 24 month implementation period. We await this guidance. This guidance will assist those responsible to understand the requirements set out in the legislation. It is being designed to be easy to follow, needing neither particular expertise nor the use of third-party products or services.</p> <p>Head of Security leads on preparedness and is the 'responsible person' in relation to the legislation. Leading through the PSAB and will update at next SSB.</p> <p>All SLT who are now on call 24/7 in addition to local training and exercise and testing have now completed the national Multi Agency Gold Incident Command Course. (MAGIC). There is cyclical planning in place for contingency planning, exercise testing and CPD.</p>
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Creation Date	10-Jan-2022
Department	Town Clerk's

Approach	Accept
Risk Owner	Gregory Moore

Actions related to this risk:

Ref No:	Action Description	Latest Note	Latest Note Date	Action Owner	Due Date
CR36c Command and Control	Incident/Event/Protest Command	All SLT who are now on call 24/7 in addition to local training and exercise and testing have now completed the national Multi Agency Gold Incident Command Course. (MAGIC). There is cyclical planning in place for contingency planning, exercise testing and CPD.	17-Apr-2025	Richard Woolford	30-Jun-2025
CR36d Prevent	Prevent	Prevent continues to be monitored across COLC in support of COLP. This is addressed within the governance board and updates to SSB.	17-Apr-2025	Valeria Cadena	30-Jun-2025
CR36f City of London Corporation Buildings	Protect	PSAB continues to monitor threat and risk and mitigation. This board leads on the Terrorism (Protection of Premises) Bill requirements, in partnership with COLP. VSAT and Ongoing reviews are monitored in this meeting looking at various attack methodology. New future COLC builds the security planning has commenced with partners.	17-Apr-2025	Neil Evans	30-Jun-2025
CR36g Protect Public Realm Board	Protect	Partnership working under the umbrella of the Public Realm Protect Board remains crucial, with the City Corporation working alongside colleagues at the City Police and TFL to identify risk and to consider proportionate mitigations. The board's ongoing focus remains new public spaces planning development and the likely implications from the upcoming legislation. Monitored at SSB. The applications and use of ATTRO by COLP and MPS is being continually reviewed and checked prior to authorisation.	17-Apr-2025	Ian Hughes	30-Jun-2025

Code	CR37
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Title	Maintenance and Renewal of Corporate Physical Operational Assets (excluding housing assets)
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Description	<p>Cause: Significant on-going and previously unmet property and renewal maintenance costs across the City's Corporate property portfolio (excluding housing).</p> <p>Event: Misalignment between funding available and that required by the asset (as defined by the relevant Asset Management Strategy).</p> <p>Impact: Built estate becomes not fit for purpose / functions / occupancy. Cost of maintenance and utility costs increases, placing further pressure on City resources. In extreme circumstances there will be H&S implications, leading to potential enforcement action, legal action by tenants or asset failure in whole or part with detrimental effects leading to impact on occupiers.</p>
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Current Risk Assessment, Score & Trend Comparison		16		Constant
Likelihood	Likely	Impact	Major	
Risk Score	16	Review Date	04-Apr-2025	

Target Risk Assessment & Score		8		
Likelihood	Likely	Impact	Serious	
Risk Score	8	Target Date	31-Mar-2029	

Latest Note	<p>This risk captures systemic property related risks across the corporate property estate (excluding housing).</p> <p>Under the organisation's property model, accountability for the delivery of mitigating activities lies with the relevant Chief Officer.</p> <p>The City Surveyor, as Head of Profession for Estates and Facilities Management, advises the relevant Chief Officer of their accountabilities with respect to property assets they occupy beyond those assets under the City Surveyor's accountability.</p> <p>The delivery of the Cyclical Works Programme (CWP) is a key mitigation of this risk under the City Surveyor's control. The target date of this risk aligns with the five-year CWP delivery timeframe.</p> <p>It should be highlighted that CWP funding is not attributable to ringfenced property assets (Police estate, New Spitalfields, Billingsgate and the three private schools).</p>
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Creation Date	04-Nov-2019
Department	City Surveyor's

Approach	Reduce
Risk Owner	Paul Wilkinson

Actions related to this risk:

Ref No:	Action Description	Latest Note	Latest Note Date	Action Owner	Due Date
CR37a Cyclical Works Programme (CWP)	<p>Cyclical Works Programme (CWP)</p> <p>The Cyclical Works Programme (CWP) is the principal way that the backlog of asset maintenance is delivered to Corporate properties (excluding ring-fenced assets).</p>	<p>In March 2024 the Court of Common Council agreed £133m funding to be delivered over five years to support the Cyclical Works Programme (CWP).</p> <p>The focus of this action will be to track the delivery of the CWP in line with programme.</p> <p>The delivery team was established in October 2024 and works have commenced with the incumbent contractors. A progress update was reported to RASC in December 2024.</p>	04-Apr-2025	Peter Collinson; Paul Wilkinson	31-Mar-2029
CR37b Ring fenced budgets	<p>Ring fenced properties and budgets</p> <p>“Ring fenced” properties include the City of London Police estate, New Spitalfields, Billingsgate and the three private schools.</p> <p>These departmental occupiers allocate their own funds for the maintenance of the built assets. Whilst the City Surveyor’s Department recommends work to be undertaken, it is the occupying department who holds the budget responsibility and thus decides with final control over maintenance activity.</p>	<p>Ring-fenced property occupiers are accountable for the identification of maintenance and renewal actions. The City Surveyor, as Head of Profession, is able to advise on required works and / or is responsible for delivering agreed maintenance services.</p> <p>Specific property related risks are noted on the relevant departmental/ Institution risk register.</p> <p>The target date for this action is considered as a 'major review' date.</p>	04-Apr-2025	Ben Milligan; Paul Wilkinson	31-Mar-2026

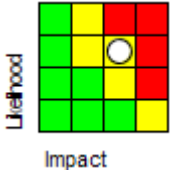

CR37f Annual Major Capital Bids	<p>Annual Major Capital Bids</p> <p>The annual capital bids programme and recommendations (October) are built into the subsequent year's organisational budget which is presented to Court</p> <p>Capital bids are only considered where funding is not possible through other funding routes (such as CWP).</p>	<p>There is no funding available for Capital Bids in 2025/26 in all instances apart from emergency circumstances.</p> <p>Where bids are approved works will need to progress before a material change in the risk scoring will result.</p> <p>The accountability for the development of capital bids lies with the relevant Chief Officer. Support is also provided to occupying departments where they are required to collate their own bids (in-line with the City Surveyor's role as Head of Profession). The City Surveyor's Department presents bids in relation to works at the Guildhall, Walbrook Wharf 3 wholesale markets and the Central Criminal Court.</p> <p>The target date on this risk reflects the annual nature of bidding process.</p>	04-Apr-2025	CORMG	31-Mar-2026
CR37g Operational Property Review	<p>Operational Property Review</p> <p>The City Corporation has commenced an Operational Property Review (OPR) programme to consider the future property requirements to deliver the organisation's services. This will align with the Resource Priority Refresh programme.</p> <p>Where properties are identified as no longer required to deliver City services, alternative uses (or disposal) can be progressed. This will both lower the maintenance backlog, and funds can be</p>	<p>The Environment, and Community & Children Services reviews have been completed and the results presented to Members. These initial reviews identified baseline operational requirements, financial position, and state of repair which has enabled the consideration of detailed costed options.</p> <p>Guidance for 2025/26 business planning was issued by the City Surveyor to all Chief Officers to assist in identifying underutilised or surplus assets no longer in use or required for the purpose they were allocated.</p>	04-Apr-2025	Judith Finlay; Katie Stewart; Sonia Virdee; Peter Young	31-Mar-2026

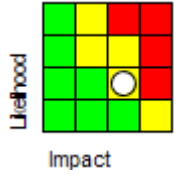
	used for maintenance projects elsewhere in the estate. Whilst a positive move, the majority of outstanding maintenance is at our major buildings (Guildhall, Barbican etc).				
CR37h Renewal Programmes	<p>Renewal Programmes</p> <p>Where appropriate it may be more efficient to wrap up a number of maintenance requirement (both forward and backlog) into a major renewal programme. By their nature these will be far wider in scope and therefore substantial funding is required. Whilst these actions are more uncertain it is useful to track progress as, should they progress, they will make a significant impact on the overall risk.</p>	<p>The Barbican Centre Renewal project has recently been approved following extensive design development, public workshops and surveys. Whilst the delivery programme will be over a long time period, interim works (to the value of £25m) have been progressed. The wider transformation programme includes £191m in investment to support the first phase of the Barbican Renewal Programme. This spans five years (2025-2030) and addresses repair, restoration and refurbishment activity.</p> <p>The Guildhall School of Music and Drama (GSMD) are working closely with corporate colleagues to develop and expand the Barbican Renewal project. GSMD have also engaged consultants who are undertaking a wide-ranging review of the site to ensure future needs are captured and future funding bids are aligned.</p>	04-Apr-2025	David Farnsworth; Jonathan Vaughan	31-Mar-2026
CR37i Maintenance and Renewal	<p>Maintenance and Renewal</p> <p>The regular maintenance and renewal of assets mitigates the risk on an on-going basis. The identification and mitigation of these items is under the accountability of the Chief Officer in occupation.</p>	<p>Under the City of London's operating model, it is the Chief Officer in occupation who is accountable for the identification and mitigation of property related risks within their area of control. This is done with the advice of the City Surveyor as Head of Profession for Estates and Facilities Management.</p> <p>This mitigating action is therefore devolved to all Chief Officers across the organisation, and actions will vary in line with the needs of that individual department. Local risks are captured on individual risk registers and are considered by the organisation's Chief Officer Risk Management Group (CORMG) as appropriate. The target date for this risk action is considered a major review date.</p>	04-Apr-2025	CORMG	31-Mar-2026
CR37j Head of	The City Surveyor's	The department is actively engaging with colleagues within HR to develop	04-Apr-2025	Alison	30-Jun-

Profession	<p>Department is Head of Profession (HOP) for Estates and Facilities Management. However, roles and responsibilities associated with organisational HOP have not been defined. Greater definition around this item will provide clarity as to the City Surveyor's responsibility to the organisation's property estate.</p>	<p>the Head of Profession (HOP) roles and responsibility. It should be noted that this work in defining the HOP roles will be applicable to all HOP, and not just the City Surveyor has HOP for Estates and Facilities Management.</p> <p>Should there be an enhanced role for the City Surveyor under HOP then there may be scope for developing an audit programme to ensure wider organisational adherence to statutory maintenance and relevant British Standards or Codes of Practice (assurance can be provided currently over assets for which the City Surveyor has accountability). This would be subject to appropriate resource.</p>		<p>Littlewood; Paul Wilkinson</p>	<p>2026</p>
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Code	CR01	Title	Resilience Risk
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Description	Cause - Lack of appropriate planning, leadership and coordination Event - Emergency situation related to terrorism or other serious event/major incident is not managed effectively Effect - Major disruption to City business, failure to support the community, assist in business recovery. Reputational damage to the City as a place to do business.		
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Current Risk Assessment, Score & Trend Comparison		12		Constant
Likelihood	Possible	Impact	Major	
Risk Score	12	Review Date	22-Apr-2025	

Target Risk Assessment & Score		8		
Likelihood	Unlikely	Impact	Major	
Risk Score	8	Target Date	31-Dec-2025	

Latest Note	Risk Connect business continuity software system has been through a successful roll out implementation period with departments across the Col completing Business Impact Analysis (BIA) – the system is currently at 95 % completion rate, to be completed across the organisation by June 2025 followed by a periodic updates refresh and testing by departments supported by resilience team.			
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Creation Date	20-Mar-2015	Approach	Reduce
Department	Town Clerk's	Risk Owner	Gregory Moore

Actions related to this risk:

Ref No:	Action Description	Latest Note	Latest Note Date	Action Owner	Due Date
CR01L Risk Connect – RC	Transfer of Business continuity plans on to the RC system	Risk Connect is the system now holding Department and organisation BC plans. Work is ongoing to ensure all depts and institutions across the Colc understand how to use the system and are implementing their plans with oversight from Directors and SLT for departments and revolving audit and refreshing of BIA throughout each year supported and driven by the	15-Apr-2025	Gary Locker	30-Jun-2025

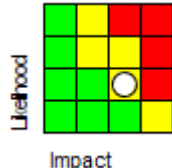
		resilience team.			
CR01M Risk Connect – RC LALO support role Local Authority Liaison Officer	Key role of a trained corporation member of staff to attend the scene of an incident deployed by resilience team and feedback reports and requests from emergency service as part of local authority response and support	LALO support role. This is a revolving process and further refresher and new staff development training and exercise in this role will be sought during 2025 Conversations ongoing with Environments team as to how Enforcement officers could possibly support this function and strengthen the current pool as well as opportunities to enhance a dedicated pool of on call LALO officers.	15-Apr-2025	Gary Locker	31-Oct-2025
CR01N Standardisation procedures including Gold leadership Training	To increase City capability and resilience in also supporting wider London boroughs during major incident response, covers the key support functions of emergency centres and Gold strategic leadership	MAGIC Multi Agency Gold Incident Command course delivered by National Police College hosted and funded by Col completed 27-30 January 2025 for Col SLT and external partners – HALO Humanitarian Lead Officer training now complete – Call/recruitment for further crisis support volunteers internally resilience team collaborating with DCCS – DROP in sessions start 29 th May for staff to understand the role of crisis support and working in emergency centres - includes form to be completed showing expression of interest follow up training to be delivered funding secured to link with British Red X training November 2025 hosted at Walbrook wharf earlier 2025. Date also being investigated for training with external facilitator to compliment British Red X session.	22-Apr-2025	Gary Locker	31-Oct-2025
CR01Q Rolling DR tests	Plan an annual calendar of IT DR tests, covering critical systems and services	Work currently underway with Contingency Planning Officer. Meetings have taken place with DITS SLT and a Business Impact Analysis template will be completed across all DITS functions.	15-Apr-2025	Zakki Ghauri	31-Dec-2025

CR02 Loss of Business Support for the City is currently under review by Innovation and Growth. A revised risk will be considered by Chief Officer Risk Management Group at its meeting in June.

Code	CR02	Title	Loss of Business Support for the City
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Description	<p>Cause: The City Corporation's assessment of the strategy and approach to promotion and support does provide the appropriate and targeted interventions at the right time, particularly following the Covid 19 pandemic.</p> <p>Risk Event: The City Corporation's actions to promote and support the competitiveness of the business City are not fully effective (post Covid).</p> <p>Effect: The City loses its ability to attract and retain high value global business activity, both as a physical location and in mediating financial and trade flows; the City Corporation's business remit is damaged, and its perceived relevance is diminished. Reputational damage to the City as a place to do business and to Corporation ability to govern effectively</p>
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Current Risk Assessment, Score & Trend Comparison	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div><div>Impact</div></div></div>	12	<div></div>	Constant
Likelihood	Possible	Impact		Major
Risk Score	12	Review Date		02-Apr-2025

Target Risk Assessment & Score		8	
Likelihood	Unlikely	Impact	Major
Risk Score	8	Target Date	31-Mar-2025

Latest Note	The risk score remains the same at an amber 12 although this is kept under regular review. Inflation is currently at 2.8%. This is above the Bank of England's (BoE) 2% target. The government continues to remain committed to growth, with the Chancellor's Spring Statement on 27 March, focusing on the UK's economic situation and outlook for growth. We continue to monitor policy announcements in relation to FPS and the government's mission to secure growth for the UK.
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Creation Date	22-Sep-2014
Department	Innovation and Growth

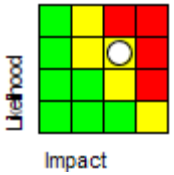

Approach	Reduce
Risk Owner	Damian Nussbaum

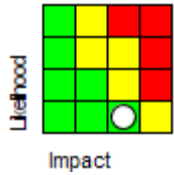
Actions related to this risk:

Ref No:	Action Description	Latest Note	Latest Note Date	Action Owner	Due Date
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Code	CR09	Title	Health, Safety and Fire Risk Management System
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Description	<p>CAUSE: Insufficient, inappropriate or ineffective management responsibility and accountability for the successful implementation of the health, safety and fire management system, also known as the health and safety management system.</p> <p>EVENT: The City Corporation does not fulfil legal and other requirements; does not identify or adequately address emerging or changing risks reducing health and safety levels; ineffective and disjointed health and safety management system across the City Corporation means assurance cannot be provided; poor or no integration of the health and safety management system with strategic and operational functions of the Corporation resulting in poor decision making and prioritisation.</p> <p>EFFECT: Work or location-related death(s), injuries and ill health; unsafe workplaces or services; physically and mentally unhealthy workplaces and activities leading to increased absence or cost of harm. Enforcement agency action. Organisation fines up to £10 million; individual imprisonment up to 2 years' custody; Corporate Manslaughter unlimited fine and offence range up to £20 million. Adverse media attention and significant reputational damage. Significant negative impact on Corporate Plan deliverables, employee morale and service user trust. City of London Corporation not the employer of choice or regarded as a world class organisation. Suspension or removal of license to operate or deliver key functions.</p>
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Current Risk Assessment, Score & Trend Comparison		12		Constant
Likelihood	Possible	Impact	Major	
Risk Score	12	Review Date	15-Apr-2025	

Target Risk Assessment & Score		4		
Likelihood	Rare	Impact	Major	
Risk Score	4	Target Date	29-Mar-2029	

Latest Note	<p>The Corporate Safety Mgt Framework is now complete and live. This will take time to embed across departments, and for mechanisms to align themselves to organisational mechanisms, our change plan is in place to support this. The development of local Safety capability is on track with departments implementing the competency requirements within their operations progress is variable and budget dependent.</p> <p>Tools (Risk Assessment / Incident Reporting / Safe365 SMS improvement) to support departments have been deployed as planned. The ESM training is on track to be delivered from 1st June. The second line of defence function is now reset, departments are meeting and the HSPN (Professional Network) is back online and meeting monthly. Safety issues are being regularly triaged by the team and guidance being offered to departments with escalations taking place as necessary to SLT and Committee (CSC) made aware as necessary.</p> <p>Safe365 has now been deployed and baseline assessments of departmental safety management processes produced. The improvement plans are being folded into this years Business Planning process. A target has been set, 65% which will ensure across all High Risk departments we attain a minimal compliance standard across the CoL for. Which to be able to provide assurance. The procedures, locally will allow us to provide assurance</p>
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	into the controls in place at a departmental level, giving rise to Corporate exposure from this risk.
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Creation Date	22-Sep-2014
Department	Town Clerk's

Approach	Reduce
Risk Owner	Gregory Moore; Oliver Sanandres

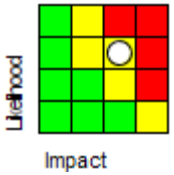

Actions related to this risk:

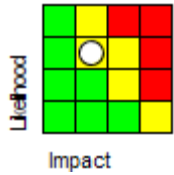
Ref No:	Action Description	Latest Note	Latest Note Date	Action Owner	Due Date
<i>CR09R Adequate management of statutory wellbeing requirements</i>	Implementation of the City Corporation H&S Business Plan. Regular monitoring of progress against the plan by the City Corporation H&S Committee.	Delay to this plan as we support HR in the creation of their wellbeing plans.	15-Apr-2025	Gregory Moore; Oliver Sanandres	30-Apr-2026

Code	CR30
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Title	Impact of Climate Change
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Description	<p>CAUSE: The Corporation is under pressure from both the physical impacts of climate change and the transition to a low-carbon economy. Climate change is leading to hotter, drier summers, warmer, wetter winters, rising sea levels, and more extreme weather events. To mitigate the worst potential impacts of climate change, the Paris Agreement (a legally binding international treaty) aims to limit the global average temperature increase to well below 2°C above pre-industrial levels, with efforts to cap the rise at 1.5°C.</p> <p>RISK EVENT: Changing weather patterns in the City of London may result in heat stress, flooding, water scarcity, biodiversity loss, increases in pests and diseases and disruption to food, trade and infrastructure. The Square Mile's dense urban environment and aging infrastructure could amplify these climate impacts. As the global drive to reduce emissions transforms the economic landscape, we are seeing tightening regulation, changing investor preferences, and technological disruption.</p> <p>EFFECT: The combination of physical and transition risks could lead to significant financial impacts through increased operational costs, stranded assets, reduced investment returns, and reduced attractiveness of the City. The Corporation's reputation and influence could be damaged if it fails to demonstrate leadership in both climate resilience and low-carbon transition, potentially weakening London's position as a sustainable financial centre.</p>
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Current Risk Assessment, Score & Trend Comparison		12		Constant
Likelihood	Possible	Impact	Major	
Risk Score	12	Review Date	11-Apr-2025	

Target Risk Assessment & Score		6		
Likelihood	Possible	Impact	Serious	
Risk Score	6	Target Date	31-Mar-2027	

Latest Note	Updated following CORMG approval on 3rd April: updating the description and closing old actions, refreshing with new ones. Previous risk was focussed on risks to delivery of the Climate Action Strategy. The new risk reflects the risks posed by climate change to the Corporation and City, including physical impacts and transition to low-carbon economy. The Climate Action Strategy offers most of the mitigating actions, managed by Innovation & Growth and delivered by City Surveyor's, Chamberlain's and Environment depts. There are supporting actions from Sustainable Finance Team (IG). Actions are set until 2027, when actions can be updated for CAS phase 2. The current risk rating remains the same: Amber 12 (4 major x 3 possible). The target risk score has changed from Green 4 (4 major x 1 rare) to Amber 6 (2 serious x 3 possible), to reflect the fact that climate change cannot be totally mitigated / avoided.
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Creation Date	07-Oct-2019
Department	Innovation and Growth

Approach	Reduce
Risk Owner	Damian Nussbaum

Actions related to this risk:

Ref No:	Action Description	Latest Note	Latest Note Date	Action Owner	Due Date
CR30a Decarbonising our operational and investment asset portfolios	As part of our Climate Action Strategy, we are aiming to achieve net zero for our own operations by 2027 and full value chain by 2040. Operational assets comprise over 95% of our operational footprint. Investment assets (both commercial and residential) comprise 25% of our total footprint. Decarbonising these portfolios is achieved through investment in energy efficiency measures, low carbon heat, and onsite renewable energy generation.	To the end of 2023/24, the operational portfolio had reduced its net emissions by 65%. The investment portfolio had reduced its emissions by 26%. Investment continues and the next performance update will be available in summer 2025.	11-Apr-2025	Emma Bushell; Kate Neale	31-Mar-2027
CR30b Decarbonising and reducing climate risk in financial investments	As part of our Climate Action Strategy, we are aiming to achieve net zero for our full value chain by 2040. Emissions from our financial investments (across all Funds) comprise over 40% of our total footprint. Emissions reductions are achieved through engagement with Fund managers and strategic alignment with lower carbon, lower risk investments.	To the end of 2023/24, emissions in financial investments had reduced by 30% against the 2018/19 baseline, predominantly driven by divestment. Reviews of investment strategy continue and the next performance update is due in summer 2025.	11-Apr-2025	Sarah Port; Kate Neale	31-Mar-2027
CR30c Decarbonising our supply chain	As part of our Climate Action Strategy, we are aiming to	As of 2023/24, we had increased emissions from our supply chain by 15% against the 2018/19 baseline. Work continues to improve data quality and	11-Apr-2025	Lisa Morre; Kate Neale	31-Mar-2027

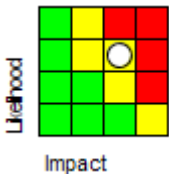

	programmes, anti-idling campaigns and working in partnership with TfL.				
CR30e Supporting nature recovery and carbon sequestration in open spaces	As part of our Climate Action Strategy, we are supporting nature and biodiversity recovery in the City and Corporation's open spaces. This focuses on protecting carbon sequestration from climate change, and increasing sequestration capacity of soils and plants. The sequestration capacity is fundamental to achieving net zero by 2027, balancing out the Corporation's emissions.	Meadow creation, tree planting and additional biodiversity-supporting measures across the City and the Corporation's open spaces.	11-Apr-2025	Andrew Impey; Kate Neale	31-Mar-2027
CR30f Increasing climate resilience in Corporation assets & open spaces	As part of our Climate Action Strategy, we are increasing resilience of the Corporation's buildings and open spaces. This includes protecting open spaces from climate risk including drought and forest-fire, and surveying Corporation assets to plan targeted interventions to mitigate impacts of flooding and overheating risk.	Resilience surveys continue, identifying measures which protect assets from extreme weather events. Resilience in open spaces is focussed on preventing forest-fire and mitigating drought, and so hundreds of leaky dams are being installed across Epping Forest and Hampstead Heath.	11-Apr-2025	Andrew Impey; Emma Bushell; Kate Neale	31-Mar-2027
CR30g Increasing climate resilience in the City	As part of our Climate Action Strategy, we are increasing resilience of the public spaces and infrastructure in the Square Mile. This includes doing extensive	Work continues to plant trees (mitigating overheating), introduce SUDS (mitigating flooding) and work with partners in public health to mitigate impact on communities.	11-Apr-2025	Kate Neale	31-Mar-2027

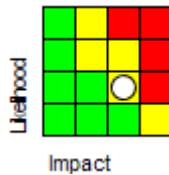
	surveying of the above and below ground infrastructure to inform opportunities for intervention, and deploying street-level interventions to mitigate flood and overheating risks.				
CR30h Supporting skills for low carbon economy	The Policy and Innovation team within Innovation & Growth lead a 'Skills for a sustainable skyline taskforce', which aims to drive change in the green skills space by encouraging and upskilling workers and attracting diverse talent.			Kate Neale	31-Mar-2026
CR30i Supporting London become a Centre for transition finance	The Policy and Innovation team within Innovation & Growth lead the Transition Finance Council (which was co-launched by Government and the City of London). The Council's aim is to make the UK the best place in the world to access and deploy finance in support of the global transition. The Council will monitor and drive implementation of the TFMR's recommendations and support transition finance capacity building and engagement. It will publish a half-yearly public progress report.			Kate Neale	31-Mar-2026

Code	CR33
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Title	Major Capital Schemes
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Description	<p>Cause: The City Corporation has set itself the ambition to deliver a portfolio of major capital schemes in a fiscally constrained environment.</p> <p>Event: There is insufficient resourcing and controls in place to effectively oversee and administer the portfolio according to strategic priorities.</p> <p>Effects:</p> <ul style="list-style-type: none"> • Failure to deliver on corporate outcomes and strategic priorities. • Schemes not delivered on time and therefore a delay to the realisation of benefits. • Potential for increased capital costs as a result of delayed decision making, and ineffective oversight and controls across the portfolio. • Inability of the organisation to move at the required pace to secure decisions. • Reputational impact on the Corporation vis a vis key stakeholders across London, UK Government, and investors. • Revenue impact of delayed delivery to services affected (e.g. Markets, Museum of London Grant, City of London Police).
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Current Risk Assessment, Score & Trend Comparison		12		Constant
Likelihood	Possible	Impact	Major	
Risk Score	12	Review Date	22-Apr-2025	

Target Risk Assessment & Score		8		
Likelihood	Unlikely	Impact	Major	
Risk Score	8	Target Date	31-Mar-2029	

Latest Note	<p>The project governance review has recommended a move to a portfolio management model which will more effectively manage the prioritisation of projects aligned to strategic objectives and the allocation of resources to enable successful delivery.</p> <p>Monthly monitoring of cashflow forecasting continues and is reported to relevant committees and the Chamberlain's Assurance Board. The new project procedure is currently being drafted and proposals tested. The final draft is due to be approved by Summer 25/26.</p> <p>A change in approach to the future of the markets has resulted in the cancellation of the Markets Co-location Programme. The landlord works at the Museum of London are nearing completion and work on Salisbury Square and the Future Police Estate Programme continues to plan.</p>
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Creation Date	14-Feb-2020
Department	Chamberlain's

Approach	Reduce
Risk Owner	Caroline Al-Beyerty

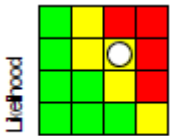
Actions related to this risk:

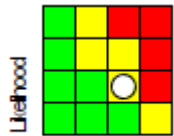
Ref No:	Action Description	Latest Note	Latest Note Date	Action Owner	Due Date
Page 65	CR33h New Project Governance Approach	Implement a new project governance approach			
		<p>The Town Clerk's portfolio board commenced in November 2023.</p> <p>A portfolio overview report approved by Projects and Procurement sub-committee, with one-off funding approved by CoCo on 7 March, further work underway to identify permanent funding source.</p> <p>A drafted project procedure and guidance is currently being reviewed by the project governance working group.</p> <p>Work ongoing with project procedure, construction of gateways and scenarios. Significant level of change for departments which suggests a phased approach.</p> <ul style="list-style-type: none"> • Phase 1 – Provision of PM Toolkit and enabling portfolio reporting to Portfolio Board and Members – reporting to commence from Summer 2025 • Phase 2 – Roll out of new Gateways in the Project Procedure from September 2025 <p>Plan to be presented and approved at Portfolio Board, PPsC (June 25), Finance Committee (July 25), and CoCo (July 25).</p>	22-Apr-2025	Genine Whitehorne	31-Jul-2025
	CR33j Project Management Academy	Refresh the Project Management Academy			
		<p>Exploratory discussions as part of soft market testing ongoing with prospective supplier to ascertain appetite and costings for an outline training proposal in line with new project procedure and framework/ PM Academy seeking for partners to undertake Green Book training.</p> <p>A vacancy in the Projects Skills and Capability Manager role is contributing pressures. However, an apprentice is being recruited to provide administrative support.</p>	22-Apr-2025	Matthew Miles	30-Sep-2025
	CR33k New Project Management System	Procure and implement a new project management system			
		A broad programme of requirements workshops for the new Cora Project Management system completed in January 2025. Moreover, User Acceptance Testing (UAT) completed in March 2025. Identified issues are being resolved as part of system configuration.	22-Apr-2025	Matthew Miles	31-Jul-2025

		The approach to user engagement and training is currently being implemented, with the system expected to be in use for the first Portfolio reports at end May 2025.			
CR33l Cashflow and Forecast Monitoring	Monitor the high-level cashflow/forecast monthly	<p>The Investment Management Monthly Meeting has been established.</p> <p>The Chamberlain's Assurance Board has also been established to review the financial dashboards and forecasts for the Major Programmes, with updates provided to the Portfolio Board.</p> <p>The cashflow and capital realisation strategy was presented to Finance and Investment Committees in February. Quarterly monitoring/reporting will continue going forwards.</p>	22-Apr-2025	Sonia Virdee	31-Mar-2029
CR33m Secure Third-Party Funding	Secure Third-Party Funding	A project update report has been prepared Finance Committee, City Bridge Foundation Board and Policy & Resources Committee on a regular basis. This will continue throughout the lifespan of the Major Programmes.	22-Apr-2025	Sonia Virdee; Paul Wilkinson	31-Mar-2029
CR33n Provide regular Member updates	Provide regular Member updates	A project update report has been prepared Projects and Procurement Sub Committee, Finance Committee, City Bridge Foundation Board and Policy & Resources Committee on a regular basis. This will continue throughout the lifespan of the Major Programmes.	22-Apr-2025	Sonia Virdee; Genine Whitehorne	31-Mar-2029

Code	CR38	Title	Unsustainable Medium Term Finances - City's Estate
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Description	<p>Causes: The embedded increased impact of inflation, following the peak of 10.7% in Autumn 2022 (as reported by the Office for Budget Responsibility). Aging estate crystallising high levels of expenditure over short time period, putting pressure on Reserves. Reduction in rental income from the property investment portfolio following post pandemic changes in workplace attendance reducing demand for grade B office accommodation.</p> <p>Event: Inability to manage financial pressures within the fiscal year, resulting in an inability to achieve anticipated savings and generate expected income, may necessitate additional reliance on Reserves. Additionally, challenges in controlling construction inflation or the inability to readjust capital projects within budget parameters pose further risks.</p> <p>Effects: The City of London Corporation's reputation could suffer from failure to achieve financial goals or from reduced services to businesses and the community. Experience challenges in delivering the capital program and major projects within budgetary limits. Inability of expenditure to align with the corporate plan, leading to inefficient resource utilisation and reduced corporate performance.</p>
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Current Risk Assessment, Score & Trend Comparison		12	↓	Decreasing
Likelihood	Possible	Impact	Major	
Risk Score	12	Review Date	22-Apr-2025	

Target Risk Assessment & Score		8		
Likelihood	Unlikely	Impact	Major	
Risk Score	8	Target Date	31-Mar-2026	

Latest Note	<p>The 2025/26 budget and 5 and 20 year financial model has been updated. The revised position shifts the risk rating from Red to Amber.</p> <p>Inflation rates to be monitored quarterly and an inflation contingency to be maintained in 2025/26 through carried forward from 2024/25 underspends. On-going pressures totalling £2.0m, plus net 2% inflation uplift approved in 2025/26 budgets.</p> <p>The five-year financial plan includes reprofiling of cyclical works programme to cover bow-wave of outstanding works, plus a further provision for works going forward.</p> <p>Earning more income from property investment portfolio. To this end the Investment Property Strategy was approved by Investment Committee in July 2024, and the team is currently being shaped in order to be able to deliver the strategy's objectives.</p> <p>The funding strategy identifies where best to bring third-party capital, reducing demand on own Reserves.</p>
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	<p>Key mitigations include quarterly monitoring of capital programme against budgets and developing comprehensive business cases and securing and implementation plans for income generation opportunities.</p> <p>Developing a savings programme aligned with the Town Clerk's Fantastic Five Years, supporting organisational excellence, focusing on efficiencies and transformation across services.</p>
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Creation Date	31-Oct-2022
Department	Chamberlain's

Approach	Reduce
Risk Owner	Caroline Al-Beyerty

Actions related to this risk:

Ref No:	Action Description	Latest Note	Latest Note Date	Action Owner	Due Date
CR38a Impact of inflation	<p>Monitoring the impact of revenue inflationary pressures (including pressures on energy costs, cost of London living wage) and construction inflation impacts on capex programme</p> <ul style="list-style-type: none"> • Monitor the use of inflation contingency 	Regular monitoring the office of budget responsibility's inflation forecasts, The Consumer Prices Index (CPI) rose by 2.8% in the 12 months to February 2025, down from 3.0% in the 12 months to January.	22-Apr-2025	Sonia Virdee	31-Mar-2026
CR38e A reduction in key income streams and increase in bad Debt	<p>Monitoring key income streams</p> <ul style="list-style-type: none"> • i.e. rental income from the property investment portfolio. 	<p>This is being monitored monthly, with action being taken to within the portfolio to maximise income generation opportunities. Ensure income generation schemes are sustainable and on-going opportunities are explored, these include but not limited to; Lord Mayor Show and events across the Corporation, Advertising and sponsorship, Filming inside and outside the square mile, Retail opportunities and Fees and Charges.</p> <p>Benchmarking exercises are currently being undertaken to provide a market comparison.</p> <p>An update is being presented to Policy and Resources away day in July</p>	22-Apr-2025	Sonia Virdee; Genine Whitehorne	31-Mar-2026

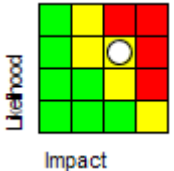

		2025 on income stream across the Corporation.			
CR38f Achievement of current Savings Programme	Delivering the current savings programme and securing permanent year-on-year savings.	<p>Quarterly revenue monitoring undertaken to ensure departments have appropriate plans in place to meet in-year pressures. High risk departments are undertaking monthly revenue monitoring. Regular updates to Executive Leadership Board / Senior Leadership built into monitoring timetable.</p> <p>Pressures and mitigations are being recorded at a more granular level to improve the tracking and reporting on savings during the year, this information will be incorporated into the budget monitoring reports from 2025/26 quarter 1 onwards to help inform Members of key risks and progress.</p> <p>An update on the revised 5- and 20-year financial plans were presented to the Joint RASC and Service Committee Chairman in January 2025. Which then informed the proposals taken forward and approved at Court of Common Council in March 2025.</p> <p>An update is being presented to Policy and Resources away day in July 2025 on savings across the Corporation to inform the 2026/27 budget setting work.</p>	22-Apr-2025	Sonia Virdee	31-Mar-2026
CR38g Major Projects Financial Envelope	Remain within the financial envelopes approved for major projects.	<p>Monthly updates and budget monitoring on major projects forecasts and issues arising. Projects are routinely reviewed by the Chamberlain's Assurance Board.</p> <p>On 26th November, the Court of Common Council ratified a decision to end its interest in co-locating the wholesale food markets of Smithfield and Billingsgate to a new site at Dagenham Docks. A Bill was deposited in Parliament on 27th November that provides for the ending of the City Corporation's responsibilities to operate markets at these sites. Under a new agreement with market traders, financial support will be provided to help them relocate to new premises, ensuring their continued success. The 5-year and longer-term plans have been updated as part of the 25/26 budget setting process to reflect these decisions and is presented to this</p>	22-Apr-2025	Sonia Virdee	31-Mar-2029

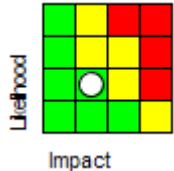
		committee. However, still subject to legal agreements signed by market traders and Parliament passing the Bill.			
CR38h Third Party Capital Funding	Bringing third party capital to surplus operational property opportunities.	<p>Identified initial opportunities which have been supported by Resource Allocation Sub Committee.</p> <p>Now that decision on markets has been made, remaining proposals for each opportunity has been worked through by the Chamberlain's and City Surveyor's teams and was submitted for member consideration to the Investment Committee in February.</p>	22-Apr-2025	Sonia Virdee; Paul Wilkinson	30-Jun-2025
CR38i Charities Review (Natural Environment)	Undertake the Charities Review (Natural Environment)	<p>The ability for charities to fundraise and generate more income to support ambitions for activities and operational property requirements.</p> <p>Finance Committee on 14 January, agreed to proceed with the implementation phase and move to a grant funding model for 2025/26. This was confirmed by RASC and P&R in February 2025.</p>	22-Apr-2025	Emily Brennan; Sonia Virdee	31-Mar-2026
CR38j Plans in place to reduce future deficits.	City's Estate continues to produce annual operating deficits over the 5-year financial plan. Over the planning period, the cumulative deficit is forecast to be £490m (including drawdown of financial asset gain of £158m). This is not sustainable over the longer-term period and radical decisions are needed now on how best to bring down the annual operating deficit, including major changes or stoppages to existing services provision and/or reduction in grants. This will	<p>The decision by Court of Common Council on the markets in November has now been modelled, however, City's Estate continues to produce annual operating deficits over the 5-year financial plan. Over the planning period, the revised cumulative deficit is forecast to be £395m in addition to the financial gain already modelled. Balance sheet modelling indicates this is manageable in the medium term Stopping the markets co-location programme has strengthened net assets, supporting the sustainability of the City's Estate fund and investment portfolio. This will in turn allow the Corporation to progress with implementing the investment strategy in diversifying its investment assets, which according to longer term modelling, suggests recovery and a transition into surplus in 15 years. Implementing these decisions shifts the risk dial from red to amber.</p> <p>However, Members should note failure to implement the investment strategy will compromise the recovery of City's Estate's I&E position. Therefore, it is not recommended to add any additional pressure on City's Estate investment assets to allow time for the strategy to be embedded. Additionally, continued emphasis on efficiencies and reducing deficit</p>	22-Apr-2025	Sonia Virdee; Genine Whitehorne	31-Mar-2026

	<p>require a renewed approach to transformation, over and above those already identified (income generation, , operational property review, investment property review and charity review) underpin by a clear communication plan to all members, so they are aware of the challenges ahead. Review of Executive Leadership Board planning for getting back to balance and operationalising the Corporation plan will be taken to Resource Allocation Sub Away day in July.</p>	<p>funding for charities will require support and progress to ensure the sustainability and future viability of both Charities and City's Estate.</p> <p>Transformation programme in flight, supported at Resource Allocation Sub away day. Progress reporting to the Efficiency and Performance Working Party to ensure corporate focus and pace.</p>			
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Code	CR39	Title	Recruitment and Retention
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Description	<p>Cause: The Corporation had an employee turnover rate of 18.69% for the period 1 January to 31 December 2022. This is a high and is affected by a wide range of factors including labour market shortages and high levels of employment in the wider economy. Like many employers, the Corporation is competing for scarce talent, particularly in highly skilled areas such professional services.</p> <p>Event: Unable to attract and retain the best talent due to factors such as remuneration, working conditions and benefits becoming out of line with competitor organisations.</p> <p>Effect: The corporation is at risk of failing to deliver its corporate objectives. Costs of delivering services increase due to high turnover, and increased reliance on agency workers and interims, particularly in shortage areas. This means our ability to deliver objectives is at risk. This affects both outcomes for policy objectives and statutory functions, as well as the brand and reputation of the organisation.</p>		
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Current Risk Assessment, Score & Trend Comparison		12		Constant
Likelihood	Possible	Impact	Major	
Risk Score	12	Review Date	15-Jan-2025	

Target Risk Assessment & Score		4		
Likelihood	Unlikely	Impact	Serious	
Risk Score	4	Target Date	31-Jul-2025	

Latest Note	Risk reviewed and Actions updated, No change to score.
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Creation Date	21-Feb-2023
Department	People and Human Resources

Approach	Reduce
Risk Owner	Alison Littlewood

Actions related to this risk:

Ref No:	Action Description	Latest Note	Latest Note Date	Action Owner	Due Date
CR39b Ambition 25 Reward Review	Full review of pay, terms and conditions to update working patterns and reward to improve recruitment and retention.	Good progress is being made across all areas of the project. A focused period of engagement with Members, the Executive Leadership Board, SLT, Future Ambition 18, Unions and Staff is planned for the next period.	23-Apr-2025	Alison Littlewood	30-Apr-2026

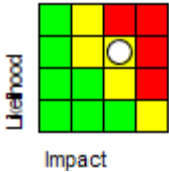

	Phase 1 completed by April 2023 with options for change. Phase 2 implementation of agreed options for change by Autumn 2025				
CR39c Alternative Service Delivery models and the Contingent Labour review project	To assure the Corporation that a robust contingent labour provider and process is implemented, a review of the current service will be undertaken.	No further update - nothing else to add at this time.	15-Apr-2025	Alison Littlewood; Dionne Williams-Dodoo	31-Jul-2025
CR39j Vision and Values	We recognise that having a positive employment brand helps to attract potential candidates.	<p>This work is to create over-arching values and a culture map to enable City Corporation to undertake related People Strategy work including the prioritisation of supporting initiatives to ultimately embed these values across the full employee lifecycle.</p> <p>City Corporation received an enormous response of 50 suppliers to stage one procurement. This resulted in a shortlist of 13 suppliers. 11 responded to the second written stage and three will be providing final presentations to the evaluation panel in early May 2025. A supplier decision is still expected by early June 2025 and the programme of work will take four to six months following contract signing. The final due date continues to be 31 December 2025.</p>	15-Apr-2025		31-Dec-2025
CR39k Staff engagement survey	Our next Our People Survey which will measure staff engagement and provide feedback on working experiences at the City of London will launch on the 15th April 2024. Through the survey we will do the follow: 1, Understand the drivers that are contributing to any potential negative experiences at working at	The departments next update to us is due mid-March, they have been asked this time to give an update on their actions undertaken and what difference they are seeing as a result of actions taken, this will be collated into the report for ELB and CSC.	05-Mar-2025		31-Dec-2025

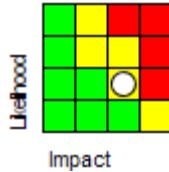
	<p>the City.</p> <p>2, Understand what City of London corporation is doing well for its employees.</p> <p>3, Understand themes and develop action plans that will enable us to position ourselves as the employer of choice.</p> <p>With a view that the summary of findings will feed into keeping the People Strategy as a living breathing document.</p>				
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Code	CR40
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Title	PSTN Switch Off 2027 (formerly CHB DITS 045)
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Description	<p>Cause: BT will retire their PSTN (Copper) Network at the end of 31 January 2027. Rendering all current connections redundant.</p> <p>Event: All current PSTN (Copper) connections will become unusable by the 31 January 2027. Forcing an upgrade to digital fibre or mobile services.</p> <p>Effect: All of our PSTN connections will cease on 31 January 2027. This is in the range of 8,500 connections, which are linked to Lift/BMS/Fire Alarms and Door entry systems. Should these systems fail to be upgraded by the end of 2026, this could lead to essential services being inactive, without anyone being aware. This work will have significant financial impact to complete and failure to complete will have significant reputational impact.</p>
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Current Risk Assessment, Score & Trend Comparison		12		Constant
Likelihood	Possible	Impact	Major	
Risk Score	12	Review Date	07-Mar-2025	

Target Risk Assessment & Score		8		
Likelihood	Unlikely	Impact	Major	
Risk Score	8	Target Date	31-Jan-2027	

Latest Note	An issues report was presented to the Digital Services Committee in January, requesting an additional drawdown of £350k at Gateway 2 (but not increasing the overall budget) to mitigate further risk by replacing failing lift and alarm systems without delay, which was approved. This approval, along with the extended timeline from 2025 to 2027, will enable us to reduce the risk score from Red to Amber. The risk will continue to be monitored throughout the life of the replacement programme. The audit of connections has begun, and is expected to complete in April, many redundant connections have already been identified, work to terminated has started. Alongside this work on the migration of lift lines has commenced. The scoring will be reviewed again at the end of the audit.
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Creation Date	26-Feb-2024
Department	Chamberlain's

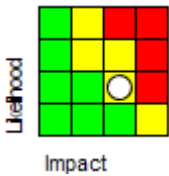

Approach	Reduce
Risk Owner	Caroline Al-Beyerty


Actions related to this risk:

Ref No:	Action Description	Latest Note	Latest Note Date	Action Owner	Due Date
CR40a Conduct investigations into the entire estate	Investigations into the 8,500 connections identified as part of PSTN sunset in Jan 2027.	Segmentation Group have been awarded the contract to complete the PSTN audits across the COL and COLP estates. Audits began on 17th Feb 2025 and are due to complete by end of April.	07-Mar-2025	Sam Collins	31-Oct-2025
CR40e Notify business owner	Business owner notification	The Audit team are working with the business to identify owners. This includes information about the potential risks associated with the PSTN sunset, details on the current services in use, and recommended upgrade paths.	07-Mar-2025	Sam Collins	31-Oct-2025
CR40f Creating a Remediation Plan	Remediation Plan	This will be produced following the results of the audit, any redundant lines will be dealt with when discovered.	07-Mar-2025	Matt Baker; Sam Collins	31-Oct-2025
CR40g Review the Remediation Plan	Review Plan	DITS PMO will review the remediation plans with FM (CoL/CoLP), H&S, ED&I and Security Operations. Making sure they are fit for purpose and capture all the relevant details.	07-Mar-2025	Sam Collins	31-Oct-2025
CR40h Order New Lines and Hardware	Order New Lines and Hardware	DITS PMO will place the orders for the new connections along with any hardware requirements identified within the remediation plans.	08-Oct-2024	Sam Collins	01-Dec-2025
CR40i Coordinate New Services	New Services	DITS PMO will assist in the co-ordination of the implementation of new services, along with any installation of new hardware required.	08-Oct-2024	Sam Collins	31-Oct-2025
CR40j Undertake Testing	Testing	DITS PMO will co-ordinate the post implementation testing for all new services and or hardware.	08-Oct-2024	Sam Collins	15-Nov-2025
CR40k Continuous Monitoring	Continuous Monitoring	DITS will provide continuous monitoring of progress, tracking the remediation efforts to help identify and address any issues promptly. This includes regular communication with business owners, providing support, and making adjustments to the plan as necessary.	08-Oct-2024	Sam Collins	31-Dec-2025

Code	CR10	Title	Adverse Political Developments
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Description	<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 and professional services issues that make the City Corporation vulnerable to political criticism; local government proposals that (either directly or indirectly) call into question the democratic legitimacy of the City of London Corporation; overarching political hostility.</p> <p>Event: Changes in international relationships particularly those with the EU or the US; reputational questions related to financial institutions; local government changes in London; low turnout for Common Council elections; increase in political hostility to the Corporation.</p> <p>Impact: Damage to the Corporation's ability to put its case nationally and internationally and to the City's standing as a dedicated international financial marketplace. Loss of investor confidence in, or attractiveness of, the Square Mile. 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 credibility for the Corporation.</p>		
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Current Risk Assessment, Score & Trend Comparison		8		Constant
Likelihood	Unlikely	Impact	Major	
Risk Score	8	Review Date	04-Apr-2025	

Target Risk Assessment & Score		4		
Likelihood	Unlikely	Impact	Serious	
Risk Score	4	Target Date	09-Jul-2029	

Latest Note	<p>The risk appetite is assessed on the basis of an assumption as to the Corporation's ultimate constitutional existence in its current form beyond the risk register timeline.</p> <p>No change to the risk rating is suggested at this time. The City of London (Markets) Bill continues its progress through Parliament and is currently awaiting its Committee stage.</p> <p>Government plans for police reform are being monitored ahead of an expected White Paper later in the year, as are the proposals arising out of the English Devolution White Paper.</p>
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Creation Date	22-Sep-2014	Approach	Reduce
Department	Remembrancer's	Risk Owner	Paul Wright

Actions related to this risk:

Ref No:	Action Description	Latest Note	Latest Note Date	Action Owner	Due Date
CR10a monitoring legislation	Monitoring of Government legislation and proposed regulatory changes.	<p>Constant attention is given to the form of legislation affecting the City Corporation and the broader City, and any remedial action pursued. City Corporation departments will be alerted to issues of potential significance as the measures are introduced.</p> <p>Targeted engagement across the political spectrum will continue on matters that directly impact the City of London, particularly around the City of London (Markets) Bill.</p>	04-Apr-2025	Paul Wright	09-Jul-2029
CR10b Provision of information	Provision of information to Parliament, Government and the London Assembly on issues of importance to the City.	<p>Making known the broad range of work of the City Corporation among opinion formers, particularly in Parliament and central Government, is 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 a crucial sector of the economy, and for London (and the nation), across a wide spectrum of activity.</p> <p>The Remembrancer's Parliamentary Team and the Corporate Affairs Team continue to provide updates to the relevant departments and Members following major political developments and set piece Parliamentary events. The most recent event of this nature was the Spring Statement on 26 March.</p> <p>Written submissions have been made to a number of select committee inquiries, notably soft power, built heritage, export-led growth, plant and animal health, and post-16 education.</p> <p>The Remembrancer's Parliamentary Team also contributes to the tracking of Government consultations and co-ordinating relevant teams to provide responses to relevant consultations.</p>	04-Apr-2025	Paul Wright	09-Jul-2029
CR10c Stakeholder engagement	Engagement with key opinion informers in Parliament and elsewhere. Programme of work to	The Policy Chairman has regular meetings with the MP for the Cities of London and Westminster and liaison with her and other MPs, Peers and Select Committee of both Houses on matters of importance to the City will continue.	04-Apr-2025	Paul Wright	09-Jul-2029

	<p>monitor and respond to issues affecting the reputation of the City Corporation.</p>	<p>A parliamentary drop in session focused on the City of London (Markets) Bill took place on 26 February.</p> <p>Working with other organisations, including TheCityUK, International Law Committee, LawUK and the Financial Markets Law Committee, to analyse the legal and regulatory framework impacting on the FPS sector. A parliamentary drop in session organised in conjunction with financial services trade associations took place on 25 March.</p> <p>The City's Annual Parliamentary Terrace Reception is being scheduled for the autumn.</p> <p>The All Party Parliamentary Group for Financial Markets and Services has been reconstituted and a programme of meetings is being developed.</p> <p>The Remembrancer's Parliamentary Team works closely with Corporate Affairs and the Office of the Policy Chairman over the Policy Chairman's parliamentary engagement programme, including providing content and briefing for bilateral meetings. An engagement plan for the Policy Chairman has been developed in close collaboration with the Corporate Affairs team.</p>			
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Code	CR29
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Title	Information Management
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Description	<p>Cause: Lack of officer commitment and investment of the right resources into organisational information management systems and culture.</p> <p>Event: The City Corporation's IM Strategy (2018-2023) is not fully and effectively implemented</p> <p>Effect: a) Not being able to use relevant information to draw insights and intelligence and support good decision-making. b) Vulnerability to personal data and other information rights breaches and non-compliance with possible significant ICO fines or other legal action. c) Waste of resources storing information beyond usefulness.</p>
--------------------	---

Current Risk Assessment, Score & Trend Comparison		8		Constant
Likelihood	Unlikely	Impact	Major	
Risk Score	8	Review Date	07-Mar-2025	

Target Risk Assessment & Score		6		
Likelihood	Possible	Impact	Serious	
Risk Score	6	Target Date	31-Mar-2025	

Latest Note	<p>CR29 (Information Management) was first raised in April 2019, and since that time significant progress has been made in the management of both Information and Data. When the Risk was first raised there was a lot of focus on Information Management, which resulted in the creation of an Information Management Strategy, Local Information Manager Network and the implementation of sensitivity labelling and retention labels for files across the COL Estate. Since that time, the focus has moved onto Data and this work has been progressed through the Data Maturity Review, facilitated by Hitachi Solutions. There has been good progress against the main recommendations of the review, principally the implementation of the Corporate Data Platform, the implementation of a Corporate CRM Solution and a review of Data Governance. These workstreams will continue to be delivered with oversights from the Director of DITS and the Assistant Director for Digital and Data. A proposal for the de-escalation of this risk to Departmental level will be considered by CORMG.</p>
--------------------	---

Creation Date	08-Apr-2019
Department	Chamberlain's

Approach	Reduce
Risk Owner	Caroline Al-Beyerty

Actions related to this risk:

Ref No:	Action Description	Latest Note	Latest Note Date	Action Owner	Due Date
CR29o Review Data Governance	Review Data Governance	<p>Working with colleagues in the Corporate Strategy and Data Team to review Data Governance and work with departments to implement effective data governance and data quality management. An initial report has been conducted against the Corporation's most significant datasets received and is under review. A Purview Workshop was also recently held with Phoenix which emphasised an initial focus on Data Loss Prevention, Retention and Sensitivity Labelling. The latter two have been configured for use but with limited adoption to date.</p> <p>The purview workshop has clarified the need to focus on retention policies and sensitivity labelling which will be the basis of a campaign to be run in 2025, subject to capacity.</p>	10-Dec-2024	Sam Collins	30-Sep-2025
CR29p Deliver Data Lighthouse Project (Corporate CRM)	Deliver Data Lighthouse Project (Corporate CRM)	Following the POC detailed requirements are being gathered and a sandbox environment has been created to allow key stakeholders access to Customer Insights. Once requirements are fully documented and approved, implementation on the live environment will commence.	01-Apr-2025	Sam Collins	31-Jul-2025

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Top red risks only - short summary by department

Generated on: 23 April 2025






Rows are sorted by Risk Score




Barbican Centre (6 risks)

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Date Reviewed	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
BBC Buildings 007	Failure to maintain and renew Buildings and Estates Infrastructure	8	4	32		24-Mar-2025	4	1	4		30-Apr-2026	Reduce	
BBC Buildings 008	BBC Conservatory Glazing	8	3	24		24-Mar-2025	8	2	16		31-Dec-2029	Reduce	
BBC Buildings 001	Building Safety Act 2022 – High Risk Building Status	8	2	16		24-Mar-2025	4	1	4		31-Mar-2025		
BBC H&S 001	Safety Maturity	8	2	16		24-Mar-2025	2	1	2		31-Mar-2025		
BBC H&S 002	Failure to deal with Emergency/Major Incident/Risk of Terrorism	8	2	16		24-Mar-2025	8	1	8		30-Sep-2024	Reduce	
BBC H&S 005	Fire Regulation Compliance	8	2	16		24-Mar-2025	2	1	2		31-Dec-2025	Reduce	




Chamberlain's Department (1 risk)

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Date Reviewed	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
CHB 002	Housing Revenue Account Financials	4	4	16		03-Feb-2025	4	2	8		31-May-2025	Reduce	







City of London Freeman's School (1 risk)

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Date Reviewed	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
CLF-016	Financial Sustainability	4	4	16		07-Mar-2025	2	2	4		31-Aug-2025	Reduce	
















City Junior School (1 risk)

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Date Reviewed	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
CJS 001	Pressures on financial model	4	4	16		23-Apr-2025	4	3	12		31-Dec-2025	Reduce	




City of London Schools for Girls (2 risks)

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Date Reviewed	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
CLSG-01	External pressures on financial model (SA5-Operations)	8	4	32		23-Apr-2025	4	3	12		30-Nov-2025	Reduce	
CLSG-13	Governance	4	4	16		23-Apr-2025	4	3	12		31-Dec-2025	Reduce	




City Surveyor's Department (5 risks)

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Date Reviewed	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
SUR SMT 005	Construction and Service Contracts Price Inflation beyond that which was anticipated or planned	4	4	16		04-Apr-2025	2	3	6		31-Mar-2026	Reduce	
SUR SMT 006	Construction Consultancy Management	4	4	16		04-Apr-2025	2	3	6		31-Mar-2026	Reduce	
SUR SMT 009	Recruitment and retention of property professional	4	4	16		04-Apr-2025	4	2	8		31-Mar-2026	Reduce	
SUR SMT 011	Contractor Failure	4	4	16		04-Apr-2025	2	3	6		31-Mar-2026	Reduce	
SUR SMT 005	Markets Parliamentary Bill	8	2	16		04-Apr-2026	4	1	4		31-Dec-2026	Reduce	




Department of Community & Children's Services (1 risk)

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Date Reviewed	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
DCCS HS 007	Blake Tower – Barbican Estate	4	4	16		22-Apr-2025	2	2	4		30-Jun-2026	Reduce	




Environment Department (1 risk)

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Date Reviewed	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
ENV-SLT 001	Maintenance and renewal of physical assets	4	4	16		23-Apr-2025	2	3	6		31-Mar-2026	Reduce	

Guildhall School of Music and Drama (1 risk)

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Date Reviewed	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
GSMD SUS 002	Inability to deliver a balanced and sustainable model over the School's Business Cycle	4	4	16		23-April-2025	2	2	4		31-Jul-2025	Reduce	

Town Clerk's (1 risk)

Code	Title	Current Impact	Current Likelihood	Current Risk Score	Current score	Date Reviewed	Target Impact	Target Likelihood	Target Risk Score	Target score	Target Date	Risk Approach	Flight Path
TC DTC PA 03	Fraud and Cyber Crime Reporting & Analysis Service (FCCRAS) Procurement	8	3	24		16-Apr-2025	8	2	16		30-Sep-2025	Reduce	

Committee(s)	Dated:
Audit and Risk Management Committee	12/05/2025
Subject: Internal Audit Update	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Head of Internal Audit	For Information
Report author: Matt Lock	

Summary

This report provides an update on Internal Audit activity between 1 January 2025 and 31 March 2025. 9 Internal Audit reviews have been completed to Final Report stage and work is in progress at various stages for a number of Audit reviews.

Recommendation(s)

Members are asked to:

- Note the outcomes of completed Internal Audit work.

Main Report

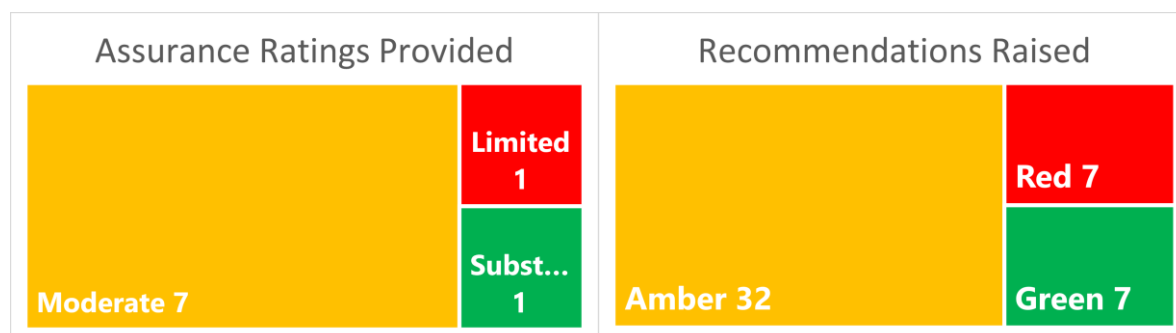
Background

1. This report provides an update on the work of Internal Audit during January, February and March 2025, further to the update report provided to the February meeting of this Committee. Specifically, this report provides an overview of the outcomes from completed Internal Audit reviews. The Head of Internal Audit Annual Report is included as a separate item on this Committee Agenda, this incorporates the cumulative dashboard of Internal Audit outcomes for 2024/25 and so is not repeated in this report.

Current Position

2. Final Audit Reports have been issued in respect of 9 Audit Reviews since the last update, resulting in 1 Limited, 7 Moderate and 1 Substantial Assurance opinions. The overall outcomes from the recently completed Audit reviews are summarised in the following table with further information provided in relation to the Limited Assurance opinion:

Department	Audit Title	Assurance Rating	Recommendations Made		
			Red	Amber	Green
Environment	Income Discrepancies	Substantial	1	2	1
Corporate Wide	P-Cards Use & Performance	Moderate	0	5	3
Environment	Planning: Accuracy of Published Data	Moderate	0	4	0
Chamberlain's	Digital Information and Technology Service - Risk Management	Moderate	0	2	0
Corporate Wide	Managing Conflicts of Interest (Procurement)	Limited	6	1	0
Barbican	Safeguarding	Moderate	0	5	2
Town Clerk's	Contract Management	Moderate	0	4	0
City of London Police	Information and Data Handling	Moderate	0	7	1
Comptroller & City Solicitor's	Risk Management	Moderate	0	2	0



Corporate Wide – Managing Conflicts of Interest (Procurement)

3. The purpose of this Audit was to provide assurance as to the effectiveness of arrangements in place for managing conflicts of interest within the procurement process with reference to the specific requirements within the Procurement Act 2023.
4. Overall, limited assurance was provided in respect of the control framework within the scope of audit and recommendations were made to address relevant requirements within the Procurement Act 2023. Key findings include the following:
 - The City's Procurement Code and Conflict of Interest Policy have not yet been updated to align with the Procurement Act 2023, which is essential for regulatory compliance. These documents outline the broad requirement to identify and assess conflicts of interest in procurement but there are significant gaps in guidance to ensure consistency of approach in assessing and mitigating actual, potential, or perceived conflicts.
 - There is a need to embed a mechanism for ensuring that conflicts are monitored and updated as appropriate throughout the procurement lifecycle. Record retention arrangements are ineffective as declarations are stored individually without a central repository, limiting accessibility, consistency in completing forms, compliance monitoring and oversight; this also increases the risk that suppliers with unfair advantages are not excluded.

5. In addition to reviewing the City Corporation's conflict management processes, Internal Audit has also assessed a set of Local Authority templates which the Commercial Service are considering for adoption. While the templates adequately capture key information to aid alignment with the Act, they are not standalone tools. Rollout of these templates should form part of a comprehensive framework that includes a documented approach to assessing conflicts of interest, training to raise awareness of requirements, and effective compliance monitoring and reporting mechanisms.

Forward Programme of Internal Audit Work

6. Appendix 1 shows the forward programme of Internal Audit work for 2025/26, the Internal Audit Plan. It is important to note that this plan will be kept under continuous review throughout the year and adjusted to reflect emerging risks and priorities, the Audit and Risk Management Committee will be kept informed of this programme of work through the regular Internal Audit Update reports provided.

Corporate & Strategic Implications

7. The work of Internal Audit 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

8. While Internal Audit work identifies areas for improvement within the systems and processes examined, the findings of Audit work have been well received by Management and appropriate actions have been identified to resolve the control weaknesses raised.

Appendices

- Appendix 1 – Internal Audit Plan 2025/26

Background Reports

- Head of Internal Audit Annual Report and Annual Opinion

Matt Lock

Head of Internal Audit, Chamberlain's Department

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2025/26 Internal Audit Plan

Category	Chief Officer Sponsor	Audit Title
Barbican	Chief Executive Officer Barbican	Health & Safety
Barbican	Chief Executive Officer Barbican	Ticket Income
Barbican	Chief Executive Officer Barbican	Barbican Renewal Programme Governance
Barbican	Chief Executive Officer Barbican	Purchase Cards
Barbican Centre	Chief Executive Officer Barbican	Fees and Charges
City Bridge Foundation	Managing Director City Bridge Foundation	Grants
City Bridge Foundation	Managing Director City Bridge Foundation	Tower Bridge Contract Management
City Bridge Foundation	Managing Director City Bridge Foundation	Tourism (Tower Bridge Exhibition) Income
City Bridge Foundation	Managing Director City Bridge Foundation	Grants Framework
City Bridge Foundation	Managing Director City Bridge Foundation	Financial Management
City Bridge Foundation	Managing Director City Bridge Foundation	Employees
City Bridge Foundation	Managing Director City Bridge Foundation	Risk Management
City of London Police	Commissioner of the City of London Police	Cost Recovery and Income Collection (part 2)
City of London Police	Commissioner of the City of London Police	Workforce Planning
City of London Police	Commissioner of the City of London Police	Risk Management
City of London Police	Commissioner of the City of London Police	Pensions Administration (Police Scheme)
City of London Police	Commissioner of the City of London Police	IT Service Delivery and Service Management
City of London Police	Commissioner of the City of London Police	Productivity Measurement (growth tracking)
City Surveyor	City Surveyor	Asset Disposal (may need to be split - to discuss at the time of auditing)
Community and Children's Services	Executive Director of Community and Children's Services	Safeguarding (audit Liaison - Lianne Coopey/Rumina Sultana)
Community and Children's Services	Executive Director of Community and Children's Services	Housing Rents(audit Liaison - Lianne coopey/Rumina Sultana)
Community and Children's Services	Executive Director of Community and Children's Services	Direct Payments (Children)
Community and Children's Services	Executive Director of Community and Children's Services	Direct Payments (Adults)
Community and Children's Services	Executive Director of Community and Children's Services	Fees and Charges
Corporate	Chamberlain	Failure to Prevent Fraud - Policy, Procedure, Process
Corporate	Chamberlain	Failure to Prevent Fraud - Education and Awareness
Corporate	Chamberlain	Failure to Prevent Fraud - Risk Management and Due Dilligence
Corporate	Chamberlain	Income Collection and Debt Management
Corporate	Chamberlain	PAR Process
Corporate	Chief Strategy Officer	Statutory Performance Reporting
Corporate	City Surveyor	Commercial Rents
Corporate	City Surveyor	Property Assets - Cyclical Maintenance
Corporate	Comptroller and City Solicitor	Data Protection - 2nd line assurance
Corporate	Deputy Town Clerk	Code of Conduct
Corporate	Deputy Town Clerk	Scheme of Delegations
Corporate	Deputy Town Clerk	Health and Safety
Corporate	Deputy Town Clerk	Complaints
Corporate	Executive Director of the Environment Department	Parking
Deputy Town Clerk	Deputy Town Clerk	Guildhall Club - Contract Management

2025/26 Internal Audit Plan

Category

Deputy Town Clerk
 Environment
 Environment
 Environment
 Environment
 Environment
 Environment
 Finance
 Finance
 Guildhall School
 Guildhall School
 Guildhall School
 Independent Schools
 Independent Schools
 Independent Schools
 Innovation and Growth
 IT
 IT
 IT
 Legal
 Legal
 People
 People
 People
 People
 People
 Programme and Projects
 Programme and Projects
 Programme and Projects
 Remembrancer

Chief Officer Sponsor

Deputy Town Clerk
 Executive Director of the Environment Department
 Executive Director of the Environment Department
 Executive Director of the Environment Department
 Executive Director of the Environment Department
 Executive Director of the Environment Department
 Executive Director of the Environment Department
 Chamberlain
 Chamberlain
 Principal of the Guildhall School of Music and Drama
 Principal of the Guildhall School of Music and Drama
 Principal of the Guildhall School of Music and Drama
 Headteacher City of London Junior School
 Headteacher City of London School for Girls
 Principal of the Guildhall School of Music and Drama
 Executive Director of Innovation and Growth
 Chamberlain
 Chamberlain
 Chamberlain
 Comptroller & City Solicitor
 Comptroller and City Solicitor
 Chamberlain
 Chamberlain
 Chamberlain
 Chief People Officer
 Chief People Officer
 Chamberlain
 Chamberlain
 Chamberlain
 Remembrancer

Audit Title

Contract Management
 Net Zero/Climate Action
 Charity Review Outcomes
 Building Control
 Fees and Charges
 Natural Environment Risk Management
 Planning and Development - Risk Management
 Cash Management
 Contract Management
 Non-substantive workforce
 Contract Management
 Fees and Charges
 Income
 Income
 Data Quality - HESA
 Risk Management
 Cyber Security
 Access Controls
 ICT Strategy
 Risk Management
 LEXCEL - reliance on assessment and accreditation
 Payroll
 Pension Administration (LGPS)
 Use of Consultants (inc IR35 Compliance)
 Recruitment and Retention
 Learning and Development
 ERP - Delivery and Oversight
 Change Control
 Programme and Projects Budget Monitoring
 Events (Commercial)

Committee(s)	Dated:
Audit and Risk Management Committee	12/05/2025
Subject: Head of Internal Audit Annual Opinion	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 Internal Audit	For Information
Report author: Matt Lock	

Summary

The Global Internal Audit Standards and the CIPFA Application note require the Head of Internal Audit to provide the Audit and Risk Management Committee with an annual Internal Audit Opinion. The opinion is used to help inform the City of London Corporation's Annual Governance Statement.

It is the Head of Internal Audit's opinion that the internal control environment, governance arrangements, and risk management processes within the City of London Corporation are generally effective.

Recommendation(s)

Members are asked to:

- Note the report.

Main Report

Background

1. The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require the City to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes. This process was governed by the Public Sector Internal Auditing Standards which have been superseded by the Global Internal Audit Standards and the associated CIPFA Application note.
2. The work of Internal Audit forms the basis of an Annual Head of Internal Audit Opinion which is part of the framework of assurances that is received by the City of London Corporation and helps to inform the Annual Governance Statement for

the organisation's local authority operations. Internal Audit also has an independent and objective role to support management in improving governance, control and risk management through the provision of advice and guidance.

3. This report summarises the Head of Internal Audit Annual Opinion, as detailed in the Head of Internal Audit's Annual Report (Appendix 1 of this report).

Head of Internal Audit Annual Opinion

4. Based on the Internal Audit reviews completed between 1st April 2024 and 31st March 2025 and building on findings from work over the previous 2 years the Head of Internal Audit has formed the following overall opinion on the adequacy of the internal control environment, governance arrangements, and risk management for the City of London Corporation:

Internal Control Environment

5. The internal control environment within the City of London Corporation has been assessed as generally effective. The audits conducted during this period have identified several areas where controls are robust and operating as intended. However, there are some areas where improvements are necessary to enhance the overall control framework and particularly in ensuring compliance with policy and procedure.

Governance Arrangements

6. The governance arrangements within the City of London Corporation are well documented and are considered generally sound, with a clear framework for decision-making and accountability. The Audit and Risk Management Committee has been effective in providing oversight.

Risk Management

7. The risk management processes within the City of London Corporation have been assessed as adequate, with a structured approach to identifying, assessing, and mitigating risks. Internal Audit has worked closely with the Corporate Strategy and Performance Team to ensure that the opportunities identified to strengthen the risk management arrangements are embedded within the framework.
8. In summary, the internal control environment, governance arrangements, and risk management processes within the City of London Corporation are generally effective. While there are areas for improvement, the organisation has demonstrated a strong commitment to maintaining a robust control framework and addressing identified weaknesses. The implementation of audit recommendations and ongoing efforts to enhance controls, governance, and risk management will further strengthen the organisation's overall resilience and effectiveness.

Corporate & Strategic Implications

9. The work of Internal Audit 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

10. While Internal Audit work continues to identify improvement areas for management, the overall opinion provided on the City's internal control environment is that it remains generally effective. There is a high level of acceptance of recommendations made and, overall, a high level of implementation has been demonstrated.

Appendices

- **Appendix 1** – Head of Internal Audit Annual Report 2024/25

Matt Lock

Head of Internal Audit, Chamberlain's Department

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Contents

- Head of Internal Audit Opinion
- Audit Plan Delivery: Cumulative Dashboard
- Audit Reviews Completed
- Emerging Corporate Themes
- Other Sources of Assurance
- Audit Recommendation Analysis
- Internal Audit Resources
- Conformance with Global Internal Audit Standards
- Internal Audit StrategyHigh-level Internal Audit Plan for 2025/26

Overall Assurance Opinion:

The internal control environment, governance arrangements, and risk management processes within the City of London Corporation are generally effective.

Sufficient Internal Audit work has been completed in order to form this opinion, demonstrated through achieving the baseline target of 600 Internal Audit Days delivered.

Resources available to Internal Audit were increased during the year, enabling increased coverage, with the team working towards delivery of 1000 Audit Days in 2025/26.

Self-assessment demonstrates good alignment with the Global Internal Audit Standards.

Head of Internal Audit Annual Opinion 2024/25

Based on the Internal Audit reviews completed between 1st April 2024 and 31st March 2025 and building on findings from work over the previous 2 years I have formed the following overall opinion on the adequacy of the internal control environment, governance arrangements, and risk management for the City of London Corporation.

This opinion is provided in accordance with the Global Internal Audit Standards.

Internal Control Environment

The internal control environment within the City of London Corporation has been assessed as generally effective. The audits conducted during this period have identified several areas where controls are robust and operating as intended. However, there are some areas where improvements are necessary to enhance the overall control framework and particularly in ensuring compliance with policy and procedure.

Governance Arrangements

The governance arrangements within the City of London Corporation are well documented and are considered generally sound, with a clear framework for decision-making and accountability. The Audit and Risk Management Committee has been effective in providing oversight.

Risk Management

The risk management processes within the City of London Corporation have been assessed as adequate, with a structured approach to identifying, assessing, and mitigating risks. Internal Audit has worked closely with the Corporate Strategy and Performance Team to ensure that the opportunities identified to strengthen the risk management arrangements are embedded within the framework.

Conclusion

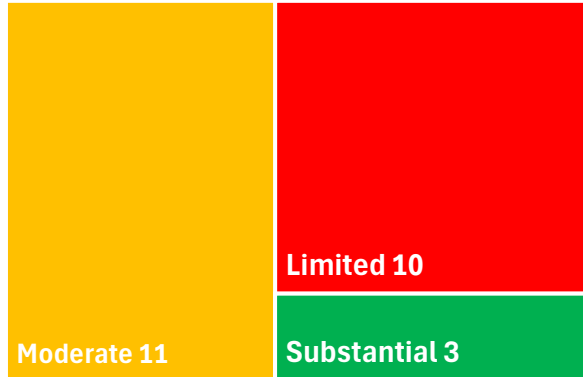
In conclusion, the internal control environment, governance arrangements, and risk management processes within the City of London Corporation are generally effective. While there are areas for improvement, the organisation has demonstrated a strong commitment to maintaining a robust control framework and addressing identified weaknesses. The implementation of audit recommendations and ongoing efforts to enhance controls, governance, and risk management will further strengthen the organisation's overall resilience and effectiveness.



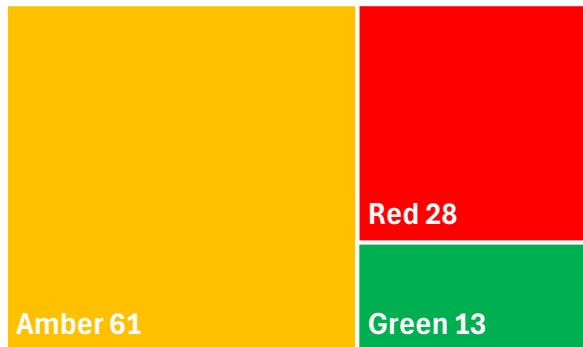
Matt Lock - Head of Internal Audit
23/04/2025

Internal Audit Plan Delivery: Cumulative Dashboard - 2024/25

Assurance Ratings Provided



Recommendations Raised



Distribution of Assurance Work



Audit Reviews Completed in 2024/25

Department	Audit Title	Assurance Rating	Recommendations Made		
			Red	Amber	Green
City of London Junior School	Key Financial Controls	Limited	0	15	0
Barbican	Business Continuity	Limited	3	7	0
Community and Children's Services	Risk Management	Limited	3	0	0
Innovation and Growth	Operational Expenditure	Moderate	0	7	0
Corporate Strategy and Performance	Application of the Risk Management Framework	Limited	1	0	0
Barbican	Financial Procedures Framework	Moderate	1	6	1
Corporate Wide	Procurement Authorisation Process	Limited	1	0	0
Corporate Wide	Contract Register and Contract Management	Limited	1	0	0
City of London Police	Payroll Controls	Substantial	0	5	2
City of London Police	Accommodation Programme Governance	Limited	0	3	0
Corporate Wide	IR35 Compliance	Limited	5	1	0
Barbican	Contract Management	Limited	4	5	0
Innovation and Growth	P-Cards	Moderate	1	5	1
Environment	Planning Governance	Moderate	0	5	2
Environment	City Operations Risk Management	Substantial	0	2	0
Environment	Income Discrepancies	Substantial	1	2	1
Corporate Wide	P-Cards Use & Performance	Moderate	0	5	3
Environment	Planning: Accuracy of Published Data	Moderate	0	4	0
Chamberlain's	Digital Information and Technology Service - Risk Management	Moderate	0	2	0
Corporate Wide	Managing Conflicts of Interest (Procurement)	Limited	6	1	0
Barbican	Safeguarding	Moderate	0	5	2
Town Clerk's	Contract Management	Moderate	0	4	0
City of London Police	Information and Data Handling	Moderate	0	7	1
Comptroller & City Solicitor's	Risk Management	Moderate	0	2	0

Emerging Corporate Themes From Internal Audit Work:

Internal Audit findings suggest a lack of discipline and consistency in following organisational process and application of the internal control framework

Contract management is found to be generally inadequate across the organisation

Compliance with the PAR process is somewhat superficial

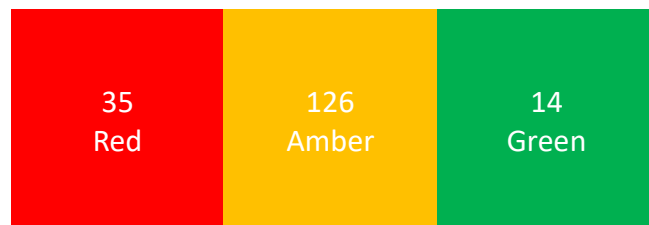
Administration and maintenance of the contract register is weak

Application of the risk management framework at a departmental level lacks rigour

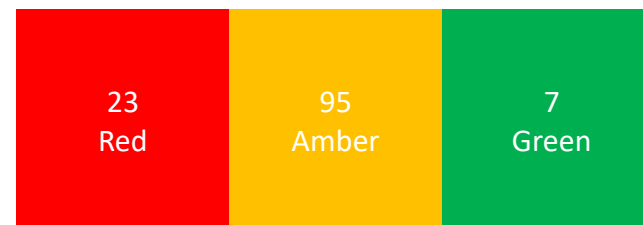
General absence of documented procedural guidance to support established processes and tasks

Internal Audit Recommendation Analysis

Summary of all Open Recommendations: 175



Summary of Recommendations Requiring
Follow-up: 125



175 Open Recommendations of which, 125 will be followed up by Internal Audit in Quarter 1 of 2025/26.

102 recommendations were raised in the current year 2024/25 some of which have been followed up and closed within the current year.

Other Factors and Sources of Assurance Informing the Opinion

In addition to work completed by the Internal Audit Team, the following factors have informed the annual opinion:

The Internal Audit Function and the role of the Head of Internal Audit are embedded within the organisation – this provides invaluable insight

Management response to Internal Audit work and the acceptance of recommendations made to address significant issues continues to be positive

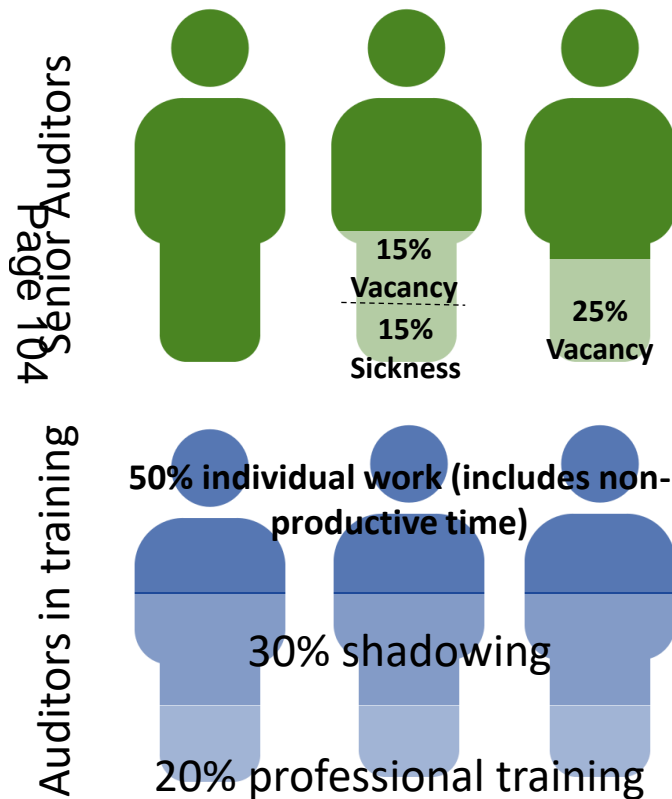
Direct engagement in key workstreams of the organisation (Portfolio/Programme Management review; Equality, Equity, Diversity and Inclusion; provision of ad-hoc advice and guidance; Speak-up Policy development)

Internal Audit work nearing completion at 31/03/2025 and work completed recently after

No limitations have been placed on the scope of Internal Audit

Internal Audit Resources Available in 2024/25

Resources available in 2024/25



Notes:

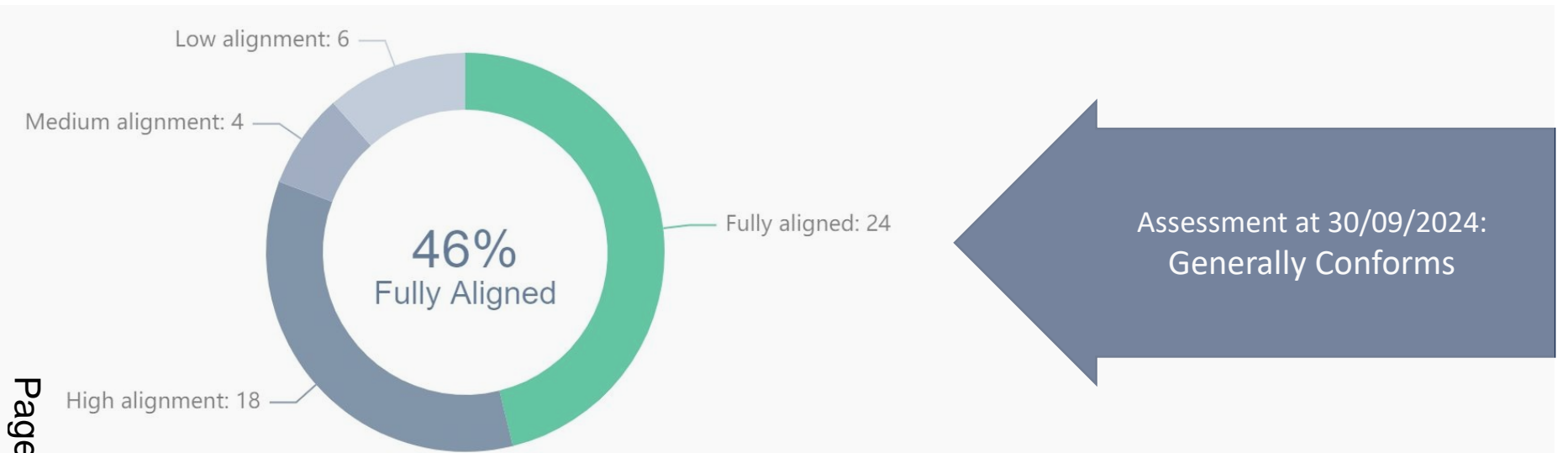
- A full time Senior Auditor equates to 180 “Audit days”.
- Auditors in training completed professional studies by October 2024, from which point proportion of “individual work” increased to at least 50%, with the proportion of time shadowing decreasing.
- Provision of Internal Audit Services to London Councils and London Museum totals 100 Audit days (55% of 1 FTE)

**Baseline
Target:
600 Audit
Days**

**Growth
Target:
1000 Audit
Days**

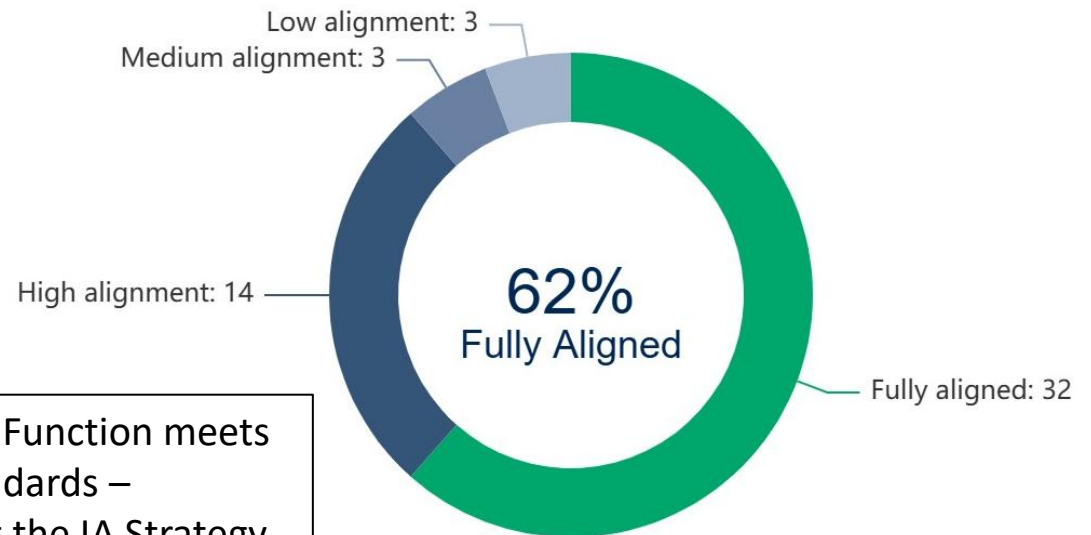
**Capacity in
2024/25:
611 Audit
Days**

Conformance with Global Internal Audit Standards



Assessment at 31/03/2025:

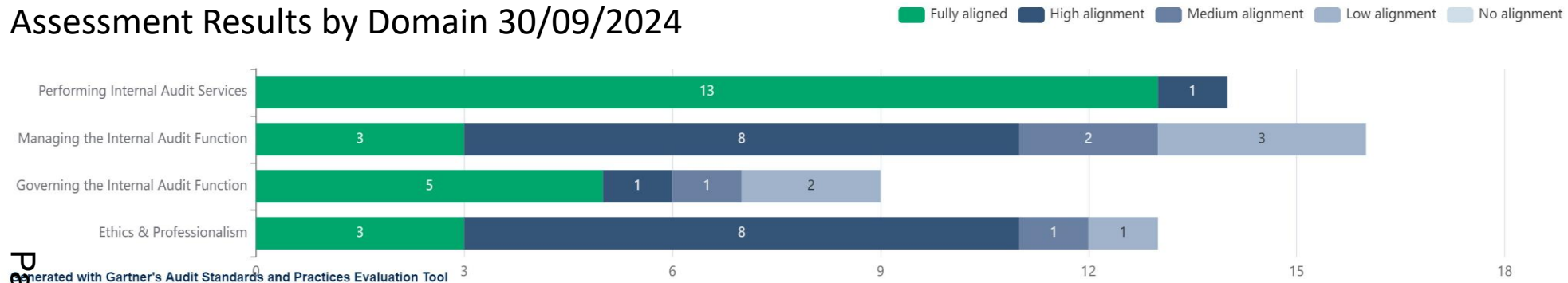
- Generally Conforms
- Significant progress demonstrated



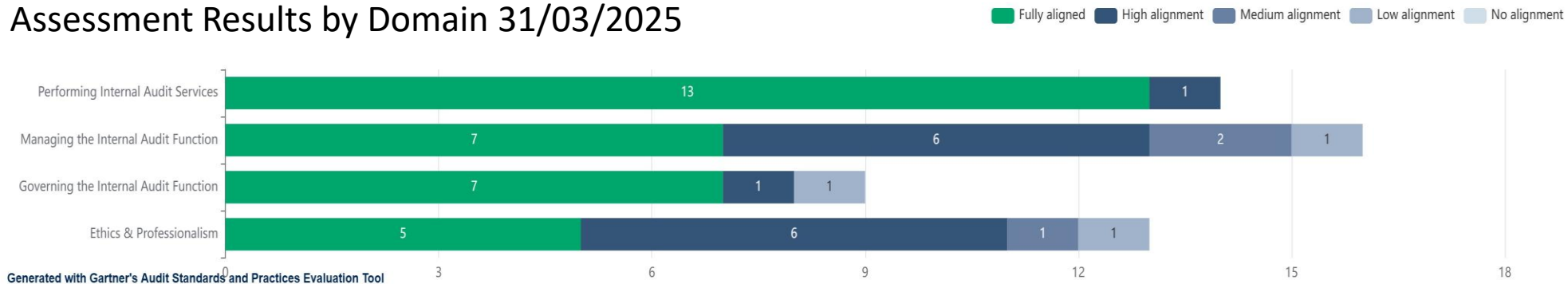
The City of London Corporation's Internal Audit Function meets the criteria set by the Global Internal Audit Standards – improved alignment is a key metric in delivering the IA Strategy

Conformance with Global Internal Audit Standards

Assessment Results by Domain 30/09/2024



Assessment Results by Domain 31/03/2025



City of London Corporation: Internal Audit Strategy

Vision Statement: To be a best-in-class Internal Audit function, driving excellence through proactive delivery of assurance work, embracing innovation within our Audit practices, and demonstrating commitment to integrity and transparency in all that we do.

Mission Statement: Improving outcomes for our communities, service users and organisation through the delivery of high-quality Internal Audit that provides timely and effective assurance across the City of London Corporation's diverse operations.

State of Audit Function in 2024

Top Metrics Describing the Current State

1. Individual Auditor Competency Assessment baselined in October 2024.
2. Internal Audit delivery capability 600 Days.
3. Average days per Audit engagement.
4. % of planned work delivered within planned allocation of time (not currently measured but very low).
5. Quality of service (not currently measured).
6. 46% fully aligned to Global Audit Standards.

Strategy

Top 5 Audit Objectives

1. Better support the individual development of Internal Audit team members to full competency at Senior Auditor level.
2. Improve the overall efficiency of the delivery of Internal Audit assignments.
3. Increased transparency and accountability for the delivery of Internal Audit work through introduction of consistent service delivery standards and robust performance measurement.
4. Better Audit planning through the adoption of more systematic and evidential risk assessment.
5. Increased Alignment with the Global Internal Audit Standards.

Underlying Assumptions: [external and internal factors influencing audit's strategy]

1. Transition to Global Internal Audit Standards raises the bar for Internal Audit Performance
2. Continuous improvement drives the ambition to become a best-in-class Internal Audit function
3. Retention of existing team members/no prolonged vacancy as a result of staff turnover or long-term absence

State of Audit Function in 2027

Top Metrics Describing the End State

1. Measured improvement in Individual Auditor Competency Assessment.
2. Internal Audit delivery capability 1000 Days.
3. Reduction in average days per Audit engagement.
4. 100% audit work delivered within planned allocation of time.
5. 95% positive feedback from clients (score of 4/5 on overall satisfaction).
6. 80% fully aligned to Global Audit Standards (by 31/12/2025).

Initiatives to Achieve Objectives

Audit Objectives

1. Empower, motivate and inspire the Internal Audit team to develop their skills and capability, and deliver to full potential.
2. Improve the overall efficiency of the delivery of Internal Audit assignments.
3. Increased transparency and accountability for the delivery of Internal Audit work.
4. Better Audit planning through the adoption of more systematic and evidential risk assessment.
5. Increased Alignment with the Global Internal Audit Standards.

Author: Matt Lock, Head of Internal Audit
Date : 7 January 2025

Audit Initiatives

1. Implementation and delivery of individual and team learning and development plans for all. Coaching and mentoring at all levels across the team to share knowledge and experience. Client portfolio management by Senior Auditors to ensure continuous professional development and pathway to career progression.
2. Audit tracker tool to mitigate risk of slippage and budget overruns ensuring delivery of quality audit outputs within agreed budget and timescales.
3. Introduction of consistent service delivery standards and robust performance measurement.
4. Seek client feedback for all completed Internal Audit assignments. Monitor performance and implement corrective measures for continuous improvement in service delivery.
5. Enhancing the Quality and Improvement Plan(QAIP) to include the specific and identified steps to maturity. Periodic reviews of the QAIP to monitor progress against the plan.

High-level Internal Audit Plan for 2025/26

Objectives

The primary objectives of the internal audit plan are to:

- Provide independent assurance on the effectiveness of governance, risk management, and internal control.
- Identify areas for improvement and recommend actions to enhance operational efficiency and effectiveness.
- Ensure compliance with relevant laws, regulations, and internal policies.

Reporting

- Regular updates to the Audit and Risk Management Committee.
- Quarterly outcome reports to senior leadership.
- Head of Internal Audit Annual Report by 30 May 2026.

This plan is designed to provide comprehensive coverage of key areas within the City of London Corporation, ensuring that the internal audit function adds value and supports the organisation's objectives.

Audit Areas and Allocation of Days

1. Governance and Compliance (200 days)

1. Review of governance structures and processes.
2. Compliance with laws, regulations, and internal policies.
3. Whistleblowing and anti-fraud measures.

2. Financial Management (250 days)

1. Financial controls and reporting.
2. Budgeting and financial planning.
3. Payroll and expenditure audits.

3. Operational Audits (300 days)

1. Review of key operational processes and controls.
2. Audits of specific departments (e.g., Housing, Education, Social Care).
3. IT audits, including cybersecurity and data protection.

4. Risk Management (150 days)

1. Assessment of risk management framework and processes.
2. Review of risk registers and mitigation plans.
3. Advisory work on emerging risks.

5. Follow-up Audits (100 days)

1. Follow-up on previous audit recommendations.
2. Verification of implementation of agreed actions.

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City of London Corporation Committee Report

Committee(s): Investment Committee of the City Bridge Foundation Board (For Decision) Investment Committee (For Decision) Finance Committee* (For Information) Audit & Risk Management (For Information)	Dated: 13 February 2025 17 February 2025 18 February 2025 12 May 2025
Subject: Treasury Management Strategy Statement and Annual Investment Strategy (relating to Treasury Management) 2025/26	Public report: For Decision/Information
This proposal: <ul style="list-style-type: none"> • delivers Corporate Plan 2024-29 outcomes • provides statutory duties • provides business enabling functions 	Diverse Engaged Communities; Dynamic Economic Growth; Leading Sustainable Environment; Vibrant Thriving Destination; Providing Excellent Services; and Flourishing Public Spaces
Does this proposal require extra revenue and/or capital spending?	No
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
Report author:	Kate Limna

* This report is for information for the Finance Committee. The Treasury Management Strategy Statement and Annual Investment Strategy 2025/26 is included as an appendix to the City Fund 2025/26 Budget report, which will be for approval.

Summary

The attached document sets out the Corporation's Treasury Management Strategy Statement and Annual Investment Strategy (relating to Treasury Management) (TMSS) for 2025/26. The Treasury Management Strategy and Annual Investment Statement (relating to Treasury Management) for 2025/26 has been updated taking account of the latest information concerning the organisation's capital plans and external factors, such as the prospects for interest rates.

The document includes various Treasury and Prudential Indicators required to be set for the City Fund to ensure that the Corporation's capital investment plans are affordable, prudent and sustainable and to help the organisation identify and control the risks around its treasury management activity.

As has historically been the case, this report covers the treasury management activity carried out across the organisation, including City's Estate (previously City's Cash) and City Bridge Foundation (previously Bridge House Estates). As City's Estate borrowing is not covered by the regulatory framework established for local authorities, the City has adopted its own formal policy in 2018/19 via the City's Estate Borrowing Policy Statement which is included in the TMSS at Appendix 8.

The main proposals within the document are incorporated within the separate report entitled '*City Fund 2025/26 Budget*' being considered by the Finance Committee on 18 February 2025 and by the Court of Common Council on 6 March 2025.

Responsibility for approving the Corporation's borrowing plans remains with the Court of Common Council, not the Investment Committee.

The Investment Committee of the City Bridge Foundation Board is responsible for approving the TMSS on behalf of City Bridge Foundation. A Supplemental Royal Charter was approved in June 2023, with various new powers being adopted. These included the power to borrow for the purposes of raising funds towards the cost of replacement, reconstruction and re-building of any of its Bridges. This may be undertaken without security or on the security of the permanent endowment fund or any part of it or its income. However, there are no current plans for borrowing to take place in the short to medium term, and thus the most relevant section for the City Bridge Foundation Board is section 5, of the Annual Investment Strategy (for Treasury Management), which sets out how surplus cash balances will be managed in the forthcoming year (it does not apply to the Charity's longer term investments which are subject to City Bridge Foundation's Investment Strategy Statement). By adopting in the Corporation's treasury management policies, the City Bridge Foundation Board can ensure that treasury risks associated with the Charity's surplus cash balances are managed efficiently and effectively.

The key areas to highlight are:

Updates to Accounting Requirements impacting the 2025/26 Treasury Management Strategy

- ***International Financial Reporting Standard (IFRS) 9: Financial Instruments - Local Authority Statutory Override (see Appendix pages 23-24)***

Since 2018/19, a statutory accounting override ("the override") has been in place that allows councils to disapply part of International Financial Reporting Standard 9 (IFRS 9), which would otherwise require councils to make provision in their budgets for changes in value (gains or losses) of certain types of financial investments (pooled investment funds).

Due to the current IFRS 9 statutory override, only the income portion of the total return on pooled investment funds (i.e. Bond Funds for the City of London Corporation) impacts the City Fund (i.e. General Fund) revenue outturn, whilst the more volatile capital component (i.e. Fair Value (FV) movement) is absorbed by an unusable reserve. As at 31 December 2024 the City had £313.6M invested in external funds (excluding MMF's), through its allocation to ultra-short dated and short-dated bond funds representing 28% of the portfolio. Whilst market volatility has seen the capital value (FV) fluctuate, they provide an income return and are held with a long term view.

The IFRS 9 Statutory Override, which mandates that fluctuations in the fair value of pooled fund investments are taken to an unusable reserve on balance sheet may cease on 31 March 2025 pending response to the current '*Local Government Finance Settlement*' consultation. From 1 April 2025, if the statutory override ceases, fluctuations in the fair value will therefore be reflected in the revenue account as at 31 March 2026. To mitigate against any reduction in value, a ringfenced IFRS9 reserve will be created in 2024/25 with funding from the overachievement of investment income - the initial transfer to this reserve will be determined based on the outcome of the consultation and the 2024/25 outturn position in consultation with the Chamberlain.

- ***International Financial Reporting Standard (IFRS) 16: Leases (see Appendix page 13 & Appendix 2 on page 28)***

IFRS16 became effective 1 April 2024 and requires that leases previously expensed through expenditure are now recognised as a right of use asset with an equal value liability, where the lease is longer than 12 months and not insignificant. The estimated balance as at 31 March 2025 includes £11.6 million of leases included as a result of the impact of IFRS16 which has been incorporated into the capital forecasts, with the *operational boundary* and *authorised limit* debt ceilings set at a level to accommodate these.

Capital financing and borrowing

- The Corporation's capital plans create a borrowing requirement across both the City Fund and City's Estate. City's Estate partially addressed this borrowing requirement through the issuance of £450m market debt in recent years. In addition, Investment Committee have approved investment strategies for both City Fund and City's Estate, including risk and return measures to secure the differing rates of return required for each fund. For City's Estate asset allocation target ranges have been set for the allocation between property and financial investments. Both the City Fund and City's Estate capital programme over the next few years to 2028/29 will be supported by Investment Property disposals (as recommended on a separate report on today's agenda), whilst City's Estate will also be supported by Financial Investment liquidations (n.b. these are not held in Treasury Management portfolio) in the short term, pending a disposal programme over the 3-5 year horizon.
- The City Fund borrowing requirement is expected to increase to £226.8m during 2024/25 where it will remain until 2028/29 predicated by proposed Investment Property disposals. Therefore, for the City Fund, there is no immediate requirement to take on external borrowing as it is expected that the City Fund can also continue to temporarily use its own cash balances (internal borrowing) for the foreseeable future. Any new external borrowing would serve to increase cash balances and create additional revenue pressures through a "cost of carry", as the rate payable on external borrowing is currently higher than the interest receivable from treasury management investment activity. Therefore, the proposed treasury management strategy recommends that the City Fund borrowing requirement is managed through the prudent use of internal resources during 2025/26, as supported by the proposed Investment property disposals.
- The benefits of this strategy (lower financing costs and reduced counterparty risk) need to be carefully evaluated against the risk of incurring higher borrowing costs in future. Interest rates peaked at 5.25% in August 2023 where they remained until 1 August 2024 with a reduction to 5.00%, and a further reduction to 4.75% in November 2024. MUFG Corporate Markets (previously known as LINK), the City's treasury investment consultants, are currently forecasting a 25bps reduction to 4.50% in Q1 of 2025, with further quarterly reductions of 25bps reaching 3.75% by March 2026, with no further changes until December 2026 where it assumed to reach 3.50% and plateau. However, there remains uncertainty surrounding the forecast, particularly following the impact on the UK from the Government's Autumn Budget, slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact of Donald Trump's US Presidential Election victory and uncertainties around US domestic and foreign policy, and the ongoing geo-political risks in Europe, the Middle East and Asia.
- Interest rates are monitored daily and should circumstances change, the Chamberlain will maintain the flexibility to meet some or all of the City Fund borrowing requirement through external borrowing. As such the operational boundary and authorised limit for

external debt (Appendix 2 of the TMSS) have been revised to enable the Corporation to secure external debt to meet some or all of the borrowing requirement.

- Local authorities are legally required to set aside a prudent amount for the provision of the repayment of prudential borrowing from revenue each year. It should be noted that this requirement applies for all unfunded City Fund capital expenditure (i.e. spending that is not immediately financed through capital grants, capital receipts etc.) not just for actual external borrowing. The Minimum Revenue Provision (MRP) Policy Statement for 2025/26 sets out this policy for the forthcoming year and is included at Appendix 2 in the TMSS.

Investments

- As at 31 December 2024, the Corporation has “cash” balances totalling £1,121.3m the majority of which is invested in money market funds and fixed income instruments. Cash is expected to decrease in 2025/26 as the Corporation progresses spending on the major projects programme. Most of the treasury cash balances pertain to the City Fund and comprise of liabilities on City Fund’s balance sheet (cash that needs to be paid out to third parties or used for a specific purpose at some point in the future) together with cash backed reserves.
- The Corporation currently manages significant short term investment cash balances. Although these balances are expected to decline in the next few years as the capital programme progresses, the programme across City’s Estate will be supported by Financial Investment liquidations (those not held in Treasury) and Investment property disposals, with the City Fund programme only having available the support of property disposals and lease premiums. Under these circumstances, a level of core cash will persist for the next ten years based on current financial plans. One of the most acute challenges within the treasury management strategy is preventing the gradual erosion of the real value of these long-term cash balances from the effects of inflation.
- It is proposed that the City continues to be prepared to lend monies for up to three years’ duration based on risk assessments for each opportunity undertaken by Treasury Officers and discussed with the Chamberlain. No changes to the Corporation’s creditworthiness policy (as set out in section 5 of the TMSS) are proposed. Officers judge that the current criteria allow the Corporation to achieve adequate diversification amongst a range of high-quality counterparties.
- The main changes to the document from last year’s version are highlighted in yellow and underlined.

Recommendations

It is recommended that the **Investment Committee** reviews and approves the attached Treasury Management Strategy Statement and Annual Investment Strategy for 2025/26 and submits it to the Finance Committee and the Court of Common Council as part of the City Fund 2025/26 Budget Report for formal adoption.

It is recommended that the **Investment Committee of the City Bridge Foundation Board** reviews and approves the Treasury Management Strategy Statement and Annual Investment Strategy for 2025/26 on behalf of **City Bridge Foundation**.

Appendix - Treasury Management Strategy Statement and Annual Investment Strategy (relating Treasury Management) 2025/26 (*for Finance Committee this appendix is within the City Fund 2025/26 Budget report*).

Kate Limna
Corporate Treasurer
E: kate.limna@cityoflondon.gov.uk

Sarah Port
Group Accountant – Investments & Treasury Management
E: sarah.port@cityoflondon.gov.uk

TREASURY MANAGEMENT STRATEGY STATEMENT

AND

ANNUAL INVESTMENT STRATEGY (RELATING TO TREASURY MANAGEMENT)

2025/26

Issue Date: 17/02/2025

Agreed by Court of Common Council: XX/XX/2025

Treasury Management Strategy Statement and Annual Investment Strategy (relating to Treasury Management) **2025/26**

1. Introduction

1.1. Background

The City of London Corporation (the City) is required in its local authority capacity to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the City's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of capital expenditure plans. These capital plans provide a guide to the borrowing needs of the City, essentially the longer-term cash flow planning, to ensure that the organisation can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans where permitted for individual Funds of the City, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

1.2. The Treasury Management Policy Statement

The City defines its treasury management activities as:

The management of the organisation's investments and cash flows, its banking, money market and capital market transaction; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The City regards the security of its financial investments through the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The City acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.3. Reporting Requirements

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by the Court of Common Council (the Court) on 3 March 2010, and is applied to all Funds held by the City. There have been subsequent revisions to the codes in 2017 and 2021.

The primary requirements of the Code are as follows:

- (i) The City of London Corporation will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- (ii) This organisation will receive reports on its treasury management policies, practices and activities, including as a minimum an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
- (iii) The Court of Common Council delegates responsibility for the implementation and regular monitoring of its treasury management policies to the Finance Committee and the Investment Committee with the Investment Committee of the City Bridge Foundation Board having responsibility on behalf of the charity; the execution and administration of treasury management decisions is delegated to the Chamberlain, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- (iv) The Court of Common Council nominates the Audit and Risk Management Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

The CIPFA 2021 Prudential Code for Capital Finance in Local Authorities and Treasury Management Code of Practice require all local authorities to prepare a capital strategy. The capital strategy provides a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services as well as an overview of how the associated risk is managed and the implications for future financial sustainability. The Treasury Management Strategy Statement is reported separately from the Capital Strategy. This ensures the separation of the core treasury function under security, liquidity and yield principles from the policy and commercial investments usually driven by expenditure on an asset. It is considered good practice by the City to include all of its Funds within these strategies.

1.4. CIPFA Treasury Management and Prudential Codes

CIPFA published revised versions of both the Treasury Management Code of Practice and the Prudential Code for Capital Finance in Local Authorities on 20 December 2021.

The revised Treasury Management Code requires all investments and investment income to be attributed to one of the following three purposes:-

- All investments and investment income must be categorised into one of three types:

Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a local authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

The revised Treasury Management Code requires an authority to implement the following: -

1. **Adopt a liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; the authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year, and the following two financial years as a minimum; this is to be shown in chart form, with material differences between the liability benchmark and actual loans to be explained;
2. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;
3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;

4. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;
5. **Reporting to members is to be done quarterly.** Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring;
6. **Environmental, social and governance (ESG)** issues to be addressed within an authority's treasury management policies and practices (TMP1).

The main requirements of the Prudential Code relating to service and commercial investments are:

1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;
2. An authority must not borrow to invest for the primary purpose of commercial return;
3. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

An authority's Capital Strategy or Annual Investment Strategy should include:

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
2. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);

3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
5. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);
6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return;

As this Treasury Management Strategy Statement and Annual Investment Strategy deals **solely** with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report.

Furthermore it should be noted that any new requirements are mandatory for the City Fund only.

1.5. Treasury Management Strategy for **2025/26**

The Local Government Act 2003 (the Act) and supporting regulations require the City to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the City's capital investment plans are affordable, prudent and sustainable. The City's Prudential Indicators are set in its annual Budget Report and Medium-Term Financial Strategy, while Treasury Indicators are established in this report (Appendix 2).

The Act requires the Court of Common Council to set out its treasury strategy for borrowing (section 4 of this report) and to prepare an Annual Investment Strategy (section 5 of this report). The Investment Strategy sets out the City's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The suggested strategy for **2025/26** in respect of the required aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the City's treasury adviser, **MUFG Corporate Markets (previously known as** Link Group, Link Treasury Services Ltd).

The strategy covers:

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy
- the current treasury position

- treasury indicators which limit the treasury risk and activities of the City
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the **DLGG-MHCLG (Ministry of Housing, Communities, and Local Government)** Minimum Revenue Provision (MRP) Guidance, the CIPFA Treasury Management Code and the **DLGG MHCLG** Investment Guidance.

1.6. Current Portfolio Position

The City's treasury portfolio position at 31 December **2024** compared to the position at 31 March **2024** comprised:

Table 1: Treasury Portfolio				
	Actual 31/03/2024		Current 31/12/2024	
Treasury investments	£m	%	£m	%
Banks	£390.0	43%	£460.0	41%
Building societies (rated)	£0.0	0%	£0.0	0%
Local authorities	£50.0	6%	£100.0	9%
Liquidity funds	£155.2	17%	£247.7	22%
Ultra-short dated bond funds	£147.0	16%	£152.6	14%
Short dated bond funds	£159.0	18%	£161.0	14%
Total treasury investments	£901.2	100%	£1,121.3	100%
Treasury external borrowing				
LT market debt (City's Estate)	£450.0	100%	£450.0	100%
Total external borrowing	£450.0	100%	£450.0	100%

2. Capital Expenditure Plans and Prudential Indicators

2.1. City Fund

The City's capital expenditure plans are a key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

The City's capital expenditure plans in respect of its local authority functions (the City Fund) are detailed in the **2025/26** Budget Report and Medium-Term Financial Strategy, which also contains the City's Prudential Indicators. The Prudential Indicators summarise the City Fund's annual capital expenditure and financing

plans for the medium term. Table 2 summarises the capital expenditure and financing plans for City Fund for 2024/25 to 2028/29.

Estimate of Capital Expenditure and Financing (City Fund)

Table 2	<u>2023/24</u> <u>Actual</u> <u>£m</u>	<u>2024/25</u> <u>Estimate</u> <u>£m</u>	<u>2025/26</u> <u>Estimate</u> <u>£m</u>	<u>2026/27</u> <u>Estimate</u> <u>£m</u>	<u>2027/28</u> <u>Estimate</u> <u>£m</u>	<u>2028/29</u> <u>Estimate</u> <u>£m</u>
Capital Expenditure:						
Non-HRA	135.5	364.6	516.4	248.1	120.1	101.3
HRA	32.4	64.5	44.2	16.2	11.3	7.1
Total	167.9	429.1	560.6	264.3	131.4	108.4
	-	-	-	-	-	
Financed by:						
	-	-	-	-	-	
Capital grants	107.2	180.7	165.2	115.1	28.5	15.2
Capital reserves	16.8	73.0	200.6	67.7	105.4	43.6
Planned investment property disposals	0.0	38.2	183.0	71.4	-6.9	43.1
Revenue	38.2	10.2	11.8	10.1	4.4	6.5
Total	162.2	302.1	560.6	264.3	131.4	108.4
Net Financing Need	5.7	127.0	0.0	0.0	0.0	0.0

The Prudential Indicators also establish the City Fund's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the City Fund's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource (the net financing need in Table 2), will increase the CFR which is summarised in table 3 below.

City Fund has an ambitious capital programme, which is intended to be supported by planned investment property disposals as an alternative to any external borrowing, enabling a balanced CFR over the next five year period.

Estimate of the Capital Financing Requirement (City Fund)

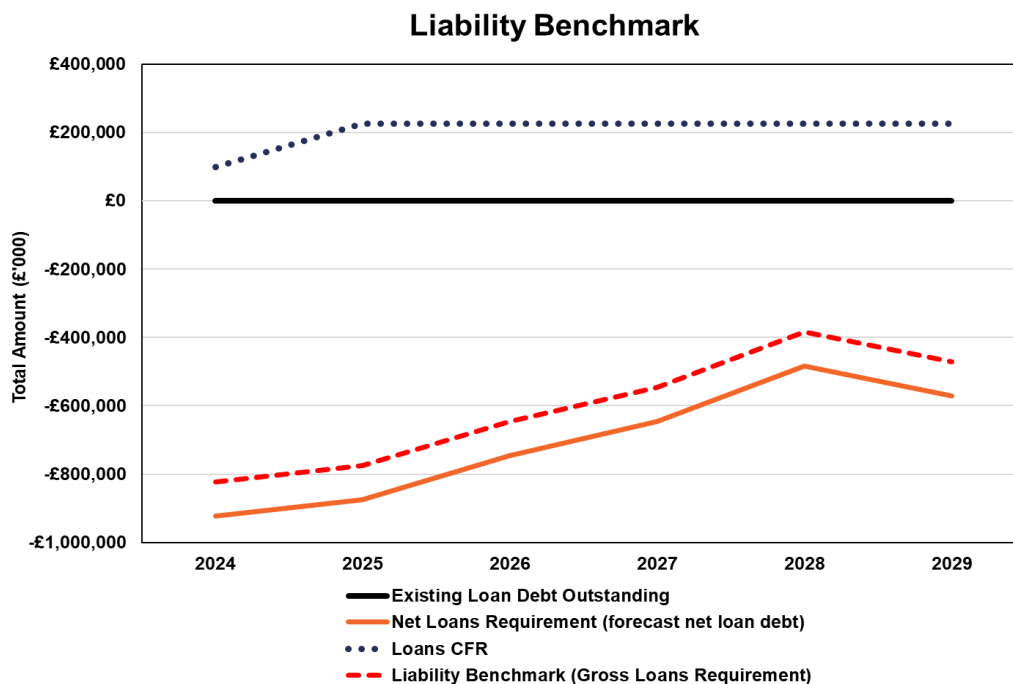
Table 3	<u>2023/24</u> <u>Actual</u> <u>£m</u>	<u>2024/25</u> <u>Estimate</u> <u>£m</u>	<u>2025/26</u> <u>Estimate</u> <u>£m</u>	<u>2026/27</u> <u>Estimate</u> <u>£m</u>	<u>2027/28</u> <u>Estimate</u> <u>£m</u>	<u>2028/29</u> <u>Estimate</u> <u>£m</u>
Non-HRA	99.8	224.7	215.8	218.1	223.8	221.7
HRA	1	2.1	11.0	8.7	3.0	5.1
Total	99.8	226.8	226.8	226.8	226.8	226.8

The City is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum.

The prudential indicator for the liability benchmark is only relevant for City Fund, and therefore does not include City's Estate external borrowing.

There are four components to the Liability Benchmark which should be represented in a chart. These are:

1. **Existing Loan Debt Outstanding:** The City's existing loans that are outstanding into future years. This City Fund currently has no external loans, so this will not need to be shown.
2. **Capital Financing Requirement:** calculated in accordance with the Prudential Code and projected into the future based on approved prudential borrowing and planned Minimum Revenue Provision.
3. **Net Loans Requirement:** The City Fund gross loan debt less treasury management investments, projected into the future and based on approved prudential borrowing, planned MRP and any other major cash flow forecasts. As the City plans to not undertake external borrowing the net loan requirement is shown as a negative and plots the expected cash balances across the years.
4. **Liability benchmark (or Gross Loans Requirement):** equals Net Loans Requirement plus a short-term liquidity allowance to allow for a level of excess cash to provide liquidity if needed.



Minimum Revenue Provision (City Fund)

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used. The City's MRP Policy is detailed in Appendix 2.

2.2. City's Estate

As with the City Fund, any capital expenditure incurred by City's Estate which has not immediately been paid for through a revenue or capital resource, will increase the City's Estate borrowing requirement. The medium term financial plan for City's Estate includes an increase in capital expenditure in the coming years, primarily relating to the major projects programme. All projected capital expenditure in 2025/26 will be financed from revenue contributions, earmarked reserves, and supported by the existing £450m stock of debt or other sources the liquidation of financial investments and additional property disposals.

Table 4 summarises the planned City's Estate borrowing outstanding debt of £450m (£250m was received in 2019/20 and the remaining £200m was received in 2021/22) over the next few years.

Table 4	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Borrowing	£450m	£450m	£450m	£450m	£450m

A debt financing strategy will be established to ensure borrowing for City's Estate is reduced gradually over time as set out in the City's Estate Borrowing Policy Statement (Appendix 8).

2.3. City Bridge Foundation

City Bridge Foundations' (CBF) financial plans focus on the charity's primary object, namely the support and maintenance of the five Thames bridges that the charity owns alongside their future replacement. Any surplus income each year, Surplus income not required for the primary purpose, as reassessed each year, is available for its ancillary purposes, namely charitable funding. The charity's revenue expenditure plans over the short and medium term are currently funded from ongoing income and the returns on investments held within the unrestricted income fund. Capital spend on the charity's investment property portfolio is currently funded from the designated sales pool (DSP) held within the permanent endowment fund, with receipts from disposals or lease premiums which are deemed to be capital in nature being available for this. However, consideration is being given to reviewing the funding of potential capital plans on a case by case basis in comparison to other investment opportunities across the whole CBF investment portfolio due to a reduction in receipts of this nature.

A Supplemental Royal Charter was approved in June 2023, with various new powers being adopted as a result. These included the power to borrow in limited circumstances (see section 4.3) and the power to apply the total return approach to the permanent endowment fund. Put simply, this approach allows any increase in the value of an investment within the permanent endowment to be utilised as income. CBF has an approved policy that applies to the use of returns held within the permanent endowment fund, which ensures that the trustee considers the requirements of beneficiaries both now and in the future within its expenditure plans.

Treasury Indicators for 2025/26 – 2027/28

Treasury Indicators (as set out in Appendix 2) are relevant for the purposes of setting an integrated treasury management strategy.

3. Prospects for Interest Rates

The City of London has appointed MUFG Corporate Markets (previously known as Link Group (Link)) as its treasury advisor and part of their service is to assist the City to formulate a view on interest rates. Appendix 1 draws together a number of forecasts for both short term (Bank Rate – also known as “the Bank of England base rate”) and longer term interest rates. The following table and accompanying text below gives the Link central view.

	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)			
		5 year	10 years	25 year	50 year
Mar 2025	4.50	4.90	5.10	5.50	5.30
Jun 2025	4.25	4.80	5.00	5.40	5.20
Sep 2025	4.00	4.60	4.80	5.30	5.10
Dec 2025	4.00	4.50	4.80	5.20	5.00
Mar 2026	3.75	4.50	4.70	5.10	4.90
Jun 2026	3.75	4.40	4.50	5.00	4.80
Sep 2026	3.75	4.30	4.50	4.90	4.70
Dec 2026	3.50	4.20	4.40	4.80	4.60
Mar 2027	3.50	4.10	4.30	4.70	4.50
Jun 2027	3.50	4.00	4.20	4.60	4.40
Sep 2027	3.50	4.00	4.20	4.50	4.30
Dec 2027	3.50	3.90	4.10	4.50	4.30

MUFG Corporate Market's central forecast for interest rates was updated on 19 December 2024.

Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, MUFG significantly revised their central forecasts. In Summary, MUFG's Bank Rate forecast is now 50bps – 75bps higher than was previously forecast in their last significant forecast revision in May 2024, whilst their PWLB forecasts have been materially lifted to not only reflect the increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.

Reflecting on the Autumn Budget, MUFG's view is that the policy announcements will be inflationary, at least in the short term. Their central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent.

For PWLB rates, the short to medium part of the curve is forecast to remain elevated over the course of the next year, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise. The longer part of the curve will also be impacted by inflation factors, but there is also the additional concern that with other major developed economies such as the

US and France looking to run large budget deficits there could be a glut of government debt issuance that investors will only agree to digest if the interest rates paid provide sufficient reward for that scenario.

The result of the US presidential election paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts and an expansion of the current US budget deficit. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks abound in Europe, the Middle East and Asia.

3.1. Investment and borrowing rates

- The next reduction in Bank Rate is forecast to be made in February 2025 and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November). Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025.
- The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are to the upsides..
- Link's long-term, i.e. beyond 10 years, forecast for the Bank Rate has been increased to 3.25% (from 3%) and as all PWLB certainty rates are currently significantly above this level, borrowing strategies need to be reviewed in that context. Temporary borrowing rates will, generally, fall in line with bank rate cuts.
- Borrowing rates have also been impacted by changes in Government policy. In November 2020, the Chancellor introduced a prohibition to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme.
- Because borrowing rates are generally expected to be higher than investment rates, any new borrowing undertaken by the City will have a "cost of carry" (the difference between higher borrowing costs and low investment returns) to any new borrowing that causes a temporary increase in cash balances.

3.2. Interest Rate Exposure

The City is required to set out how it intends to manage interest rate exposure.

This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements and management information arrangements.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

4. **Borrowing Strategy**

The borrowing strategy is developed from the capital plans and prospect for interest rates outlined in sections 2 and 3 above, respectively.

For both the City Fund and City's Estate, the capital expenditure plans create borrowing requirements and the borrowing strategy aims to make sure that sufficient cash is available to ensure the delivery of the City's capital programme as planned. The City Bridge Foundation, as stated in section 2.3, now has the power to borrow in limited circumstances following the approval of the Supplemental Royal Charter in June 2023.

The City can choose to manage the borrowing requirements through obtaining external debt from a variety of sources; through the temporary use of its own cash resources ("internal borrowing"); or via a combination of these methods.

4.1. **City Fund**

The City Fund has a positive Capital Financing Requirement, and this is expected to stabilise over the next five years (see table 2 in section 2.1) including the proposed Investment Property disposals. As the City Fund currently has no external debt, it is therefore maintaining an under-borrowed position which is forecast to increase if the City Fund does not acquire external debt. This means that the capital borrowing need is being managed within internal resources, i.e. cash supporting the City Fund's reserves, balances and cash flow is being used as a temporary measure. This strategy is prudent because it helps the City Fund to minimise borrowing costs in the near term and because it leads to lower investment balances which reduces counterparty risk. Against these advantages the City is conscious of the increased exposure to interest rate risk that is inherent in internal borrowing (i.e. the risk that the City Fund will need to replace internal borrowing with external borrowing in the future when interest rates are high).

Therefore, against this background and the risks within the economic forecast, caution will be adopted with the 2025/26 treasury operations. The Chamberlain will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. For example,

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowing will be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the Finance Committee and the Court of Common Council at the next available opportunity.

The City must set two treasury indicators representing the upper limits for the total amount of external debt for City Fund. These limits are required under the Prudential Code in order to ensure borrowing is affordable and is consistent with the City Fund's capital expenditure requirements.

- The **operational boundary for external debt** should represent the most likely scenario for external borrowing. It is acceptable for actual borrowing to deviate from this estimate from time to time. The proposed limit is set to mirror the estimated CFR for the forthcoming year and the following two years.
- The **authorised limit for external debt** is the maximum threshold for external debt for over 2025/26, 2026/27 and 2027/28. This limit is required by the Local Government Act 2003 and is set above the operational boundary to ensure that the City is not restricted in the event of a debt restructuring opportunity.

The proposed limits for 2025/26 are set out in Appendix 2.

International Financial Reporting Standard (IFRS)16: Leases - became effective 1 April 2024 and requires that leases previously expensed through expenditure are now recognised as a right of use asset with an equal value liability, where the lease is longer than 12 months and not insignificant. The estimated balance as at 31 March 2025 includes £11.6 million of leases included as a result of the impact of IFRS16 which has been incorporated into these forecasts, with the operational boundary and authorised limit debt ceilings set at a level to accommodate these (as set out in Appendix 2).

The City is also required to set a treasury indicator in respect of the maturity structure of external debt to ensure that the external debt portfolio remains appropriately balanced over the long term. Under the revised Treasury Management Code of Practice, the City is required to set limits for all borrowing (i.e. both fixed rate and variable debt), and the proposed limits are detailed in Appendix 2.

4.2. City's Estate

The capital expenditure plans for City's Estate also create a borrowing requirement. City's Estate has issued fixed rate market debt totalling £450m to fund its capital programme. Of this total, £250m was received in 2019/20 and the remaining £200m was received in 2021/22. City's Estate is likely to have a further temporary borrowing requirement arising in 2025/26, which is currently planned to be funded from the liquidation of financial investments and investment property disposals, as opposed to additional external borrowing. However, the Chamberlain will keep this position under review and in doing so will have regard for liquidity requirements, interest rate risk and the implications for the revenue budget.

The regulatory framework established through the CIPFA professional codes and DLUHC MHCLG guidance pertains to the City's local authority function, the City Fund. To facilitate effective management of the City's Estate borrowing requirement, this organisation has adopted the City's Estate Borrowing Policy Statement (Appendix 8), which sets out the principles for effectively managing

the risks arising from borrowing on behalf of City's Estate. Under this framework, the City has resolved to establish two further treasury indicators, which will help the organisation to ensure its borrowing plans remain prudent, affordable and sustainable:

- **Estimates of financing costs to net revenue stream.** This indicator is given as a percentage and establishes the amount of the City's Estate net revenue that is used to service borrowing costs.
- **Overall borrowing limits.** This indicator represents an upper limit for external debt which officers cannot exceed.

The proposed indicators for **2025/26** are set out in Appendix 2 alongside the City Fund treasury indicators.

4.3. City Bridge Foundation

The City Bridge Foundation has the power to borrow in limited circumstances following the approval of the Supplemental Royal Charter in June 2023. That is, City Bridge Foundation may borrow for the purposes of raising funds towards the cost of replacement, reconstruction and re-building of any of its Bridges. This may be undertaken without security or on the security of the permanent endowment fund or any part of it or its income. There are no current plans for borrowing to take place in the short to medium term.

4.4. Policy on borrowing in advance of need

The City will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the City can ensure the security of such funds.

4.5. Debt rescheduling

The City does not anticipate any debt rescheduling in the near term. However, should any opportunities for debt rescheduling arise (through a decrease in borrowing rates, for instance), such cases will need to be considered in the context of the current treasury position and the size of the cost of debt repayment (i.e. any penalties incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

All rescheduling will be reported to the Court of Common Council, at the earliest meeting following its action.

4.6. Sources of borrowing

Historically, the main source of borrowing for UK local authorities has been the PWLB. Any new loans issued by the PWLB are subject to the PWLB's revised lending arrangements with effect from 26 November 2020. Currently the PWLB Certainty Rate is set at gilts + 80 basis points for new loans. The PWLB guidance was updated on 15 June 2023, in particular publishing a new Housing Revenue Account (HRA) rate, at 40 basis points above prevailing gilts, available from 15 June 2023 for 1 year, with its continuation subject to review. Following the Autumn Budget, the availability of this rate has been extended to the end of March 2026. This rate is solely intended for use by HRA and primarily for new housing delivery.

Local authorities have recourse to other sources of external borrowing including financial institutions, other local authorities and the Municipal Bonds Agency. Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

5. Annual Investment Strategy (relating to Treasury Management)

The Annual Investment Strategy (relating to Treasury Management) sets out how the City will manage its surplus cash balances for the forthcoming year (i.e. investments held for treasury management purposes). It does not apply to other long-term investment assets, which are dealt with variously by other strategy documents (for instance the Capital Strategy for City Fund, or the Investment Strategy Statement for The City Bridge Foundation).

5.1. Investment Policy

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly The Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This strategy deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The City of London's investment policy will have regard to the DLUHC-MHCLG's Guidance on Local Government Investments ("the Guidance"), the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes 2021 ("the CIPFA TM Code") and CIPFA Treasury Management Guidance Notes 2021.

The City's investment priorities are:

- (a) security; and
- (b) liquidity.

The City will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of the City is low in order to give priority to the security of its investments.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and the City will not engage in such activity.

In accordance with the above guidance from the **DLUHC MHCLG** and CIPFA, and in order to minimise the risk to investments, the City applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration, the City will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in Appendix 3 under the ‘specified’ and ‘non-specified’ investments categories.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18-month deposit would still be non-specified even if it has only 11 months left until maturity.

The City Fund will have exposure to Specified and Non-specified Investments. All other participants in the Treasury Management Strategy Statement and Annual Investment Strategy **2025/26** will have exposure to Specified Investments only.

The City will also set a limit for the amount of its investments which are invested for longer than 365 days (see Appendix 2).

5.2. Expected investment balances

The City's medium term financial plans for City Fund and City's Estate imply that total investment balances within the treasury investment portfolio are expected to decline over the next few years as the capital programme is progressed (City Bridge Foundation's cash balances are expected to remain consistent) but to remain above a minimum constant level of **£510m**.

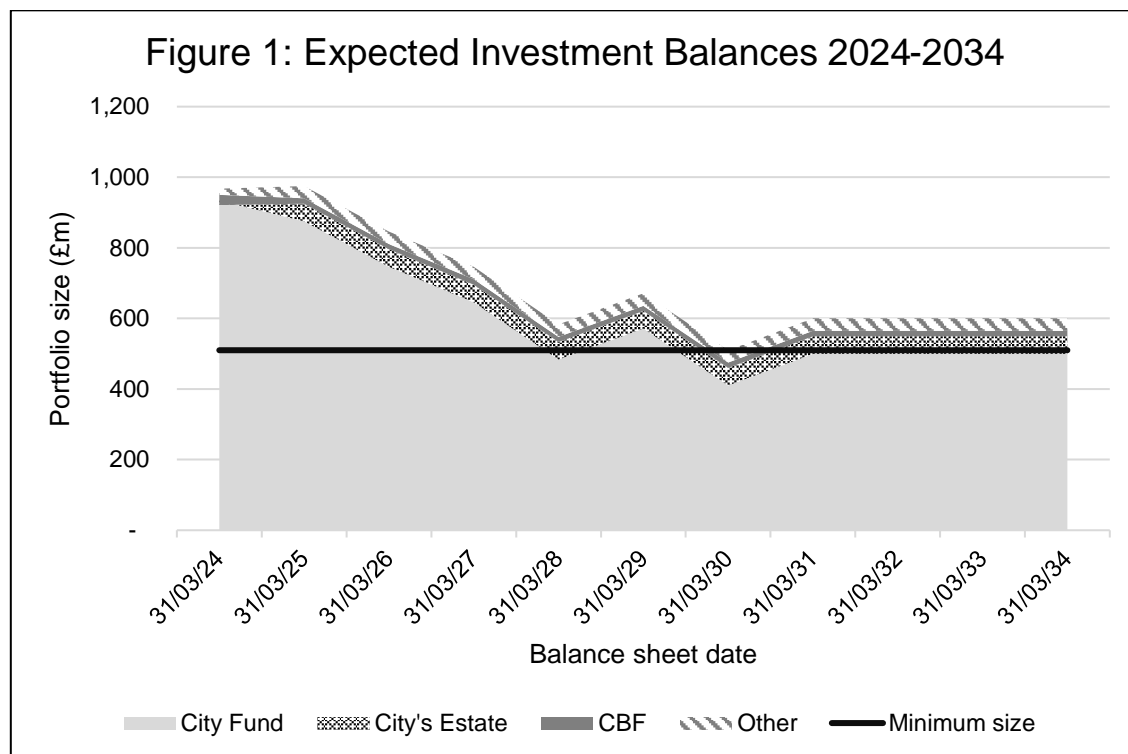


Figure 1 shows projected investment balances across the three funds and others over the coming years as at the end of each financial year.¹ Most of the investment balances relate to City Fund and it should be noted that generally investment balances are expected to be higher between reporting dates.

As the City, and the City Fund in particular, is expected to maintain cash balances over the forecast horizon **following financial investment liquidations and investment property disposals**, the treasury management strategy will duly consider how best to protect the capital value of resources, particularly **in the context during periods** of elevated inflation. The City's liquidity requirements and will be subject to ongoing monitoring practices as the capital programme progresses as specified in paragraph 5.3 below.

5.3. Creditworthiness policy

The primary principle governing the City's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the City will ensure that:

¹ "Other" refers to other entities for whom the City provides treasury management services.

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the City's prudential indicators covering the maximum principal sums invested.

The Chamberlain will maintain a counterparty list in compliance with the following criteria and will revise these criteria and submit them to the Investment Committee for approval as necessary. These criteria are separate to those which determine which types of investment instruments are classified as either specified or non-specified as it provides an overall pool of counterparties considered high quality which the City may use, rather than defining what types of investment instruments are to be used.

Regular meetings are held involving the Chamberlain, the Financial Services Director, Corporate Treasurer and members of the Treasury team, where the suitability of prospective counterparties and the optimum duration for lending is discussed and agreed.

Credit rating information is supplied by [Link Group MUFG Corporate Markets](#), our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of a possible longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty would result in a temporary suspension, which will be reviewed in light of market conditions.

All credit ratings will be monitored daily. The City is alerted to credit warnings and changes to ratings of all three agencies through its use of the Link creditworthiness service.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) are:

- Banks 1 – good credit quality – the City will only use banks which:
 - (i) are UK banks; and/or
 - (ii) are non-UK and domiciled in a country which has a minimum sovereign long-term rating of AA+ (Fitch rating)

and have, as a minimum the following Fitch, credit rating:

- (i) Short-term – F1
- (ii) Long-term – A-

- ~~Banks 2 – Part nationalised UK banks – Royal Bank of Scotland ring-fenced operations. This bank can be included if it continues to be part nationalised, or it meets the ratings in Banks 1 above.~~
- Banks 2 – The City's own banker (Lloyds Banking Group) for transactional purposes and if the bank falls below the above criteria, although in this case, balances will be minimised in both monetary size and duration.
- Bank subsidiary and treasury operation - The City will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above. This criteria is particularly relevant to City Re Limited, the City's Captive insurance company, which deposits funds with bank subsidiaries in Guernsey.
- Building Societies – The City may use all societies which:
 - (i) have assets in excess of £10bn; or
 - (ii) meet the ratings for banks outlined above
- Money Market Funds (MMFs) Constant Net Asset Value (CNAV)* – with minimum credit ratings of AAA/mmf
- Money Market Funds (MMFs) Low-Volatility Net Asset Value (LVNAV)* – with minimum credit ratings of AAA/mmf
- Money Market Funds (MMFs) Variable Net Asset Value (VNAV)* – with minimum credit ratings of AAA/mmf
- Ultra-Short Dated Bond Funds with a credit rating of at least AAA/f (previously referred to as Enhanced Cash Plus Funds)
- Short Dated Bond Fund – These funds typically do not obtain their own standalone credit rating. The funds will invest in a wide array of investment grade instruments, the City will undertake all necessary due diligence to ensure a minimum credit quality across the funds underlying composition is set out within initial Investment Manager Agreements and actively monitor the on-going credit quality of any fund invested.
- Multi-Asset Funds – these funds have the potential to provide above inflation returns with a focus on capital preservation, thus mitigating the erosion in value of long-term cash balances by investing in a range of asset classes that will typically include equities and fixed income. The value of these investments will fluctuate and they are not suitable for cash balances that are required in the near term. Before any investment is undertaken a rigorous due diligence process will be undertaken to identify funds that align with the City's requirements.
- UK Government – including government gilts and the debt management agency deposit facility.
- Local authorities

A limit of £400m will be applied to the use of non-specified investments.

*Under EU money market reforms implemented in 2018/19, three classifications of money market funds exist:

- Constant Net Asset Value (“CNAV”) MMFs – must invest 99.5% of their assets into government debt instruments and are permitted to maintain a constant net asset value.
- Low Volatility Net Asset Value (“LVNAV”) MMFs – permitted to maintain a constant dealing net asset value provided that certain criteria are met, including that the market net asset value of the fund does not deviate from the dealing net asset value by more than 20 basis points.
- Variable Net Asset Value (“VNAV”) MMFs – price assets using market pricing and therefore offer a fluctuating dealing net asset value

5.4. Environmental, Social and Governance Risks

The City of London Corporation is committed to being a responsible investor. It expects this approach to protect and enhance the value of the assets over the long term. The City recognises that the failure to identify and manage financially material environmental, social and governance risks can lead to adverse financial and reputational consequences. The City will incorporate ESG risk monitoring into its ongoing counterparty monitoring processes, alongside traditional creditworthiness monitoring. This risk analysis will be consistent with the City’s investment horizon, which in many cases will be short term (under one year) in nature.

5.5. Use of additional information other than credit ratings.

Additional requirements under the Code require the City to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

5.6. Time and monetary limits applying to investments.

The time and monetary limits for institutions on the City’s counterparty list are as follows (these will cover both specified and non-specified investments):

	Minimum Creditworthiness Criteria	Money Limit	Time Limit
Banks 1 higher quality	Fitch Rating Long Term: A+ Short Term: F1	£100m	3 years
Banks 1 medium quality	Fitch Long Term Rating Long Term: A Short Term: F1	£100m	1 year
Banks 1 lower quality	Fitch Long Term Rating Long Term: A- Short Term: F1	£50m	6 months
<u>Banks 2 – part nationalised</u>	<u>N/A</u>	<u>£100m</u>	<u>3 years</u>
Banks 2 – City’s banker (transactions only, and if bank falls below above criteria)	N/A	£150m	1 working day
Building Societies higher quality	Fitch Long Term Rating A or assets of £150bn	£100m	3 years
Building Societies medium quality	Fitch Long Term Rating A- or assets of £10bn	£20m	1 year
UK Government (DMADF, Treasury Bills, Gilts)	UK sovereign rating	unlimited	3 years
Local authorities	N/A	£25m	3 years
External Funds*	Fund rating	Money and/or % Limit	Time Limit
Money Market Funds CNAV	AAA	£100m	liquid
Money Market Funds LVNAV	AAA	£100m	liquid
Money Market Funds VNAV	AAA	£100m	liquid
Ultra-Short Dated Bond Funds	AAA	£100m	liquid
Short Dated Bond Funds	N/A	£100m	liquid
Multi Asset Funds	N/A	£50m	liquid

*An overall limit of £100m for each fund manager will also apply.

A list of suitable counterparties conforming to this creditworthiness criteria is provided at Appendix 4. The Chamberlain will review eligible counterparties prior

to inclusion on the approved counterparty list and will monitor the continuing suitability of existing approved counterparties.

5.7. Country limits

The City has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ (Fitch) or equivalent. The country limits list, as shown in Appendix 5, will be added to or deducted from by officers should individual country ratings change in accordance with this policy. The UK (which is currently rated as AA-) will be excluded from this stipulated minimum sovereign rating requirement.

5.8. Local authority limits

The City will place deposits up to a maximum of £25m with individual local authorities. In addition the City imposes an overall limit of £250m for outstanding lending to local authorities as a whole at any given time. Although the overall credit standing of the local authority sector is considered high, officers perform additional due diligence on individual prospective local authority borrowers prior to entering into any lending.

5.9. Investment Strategy

In-house funds: The City's in-house managed funds are both cash-flow derived and also represented by core balances which can be made available for investment over a longer period. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

Investment returns expectations: Based on our Treasury Consultant's latest forecasts, the Bank Rate is forecast to decrease incrementally in 2025 to 4.00%, with further cuts to 3.50% in 2026. In these circumstances it is likely that investment earnings from money-market related instruments will decrease compared to the earnings in 2024/25, however they remain above the very low levels experienced in previous years. Bank Rate forecasts for financial year ends (March) are:-

- 2024/25 4.50%
- 2025/26 3.75%
- 2026/27 3.50%

5.10. Investment Treasury Indicator and Limit

Total principal funds invested for greater than 365 days are subject to a limit, set with regard to the City's liquidity requirements and to reduce the need for an early sale of an investment, and are based on the availability of funds after each year end, and this is set out in table 5 below.

Table 5: Maximum principal sums invested for more than 365 days (up to three years)			
	2024/25	2025/26	2026/27
	£M	£M	£M
Principal sums invested >365 days	300	300	300

5.11. Investment performance benchmarking

The City will monitor investment performance against Bank Rate and 3- and 6-month compounded SONIA (Sterling Overnight Index Average).

5.12. End of year investment report

At the end of the financial year, the City will report on its investment activity as part of its Annual Treasury Report.

5.13. External fund managers

A proportion of the City's funds, amounting to **£561.3m** as at **31 December 2024** are externally managed on a discretionary basis by the following fund managers:

- Aberdeen Standard Investments
- CCLA Investment Management Limited
- Deutsche Asset Management (UK) Limited
- Federated Investors (UK) LLP
- Invesco Global Asset Management Limited
- Legal and General Investment Management
- Payden & Rygel Global Limited
- Royal London Asset Management

The City's external fund managers will comply with the Annual Investment Strategy, and the agreements between the City and the fund managers additionally stipulate guidelines and duration and other limits in order to contain and control risk.

The credit criteria to be used for the selection of the Money Market fund manager(s) is based on Fitch Ratings and is AAA/mmf. The Ultra-Short Dated Bond Fund managers (including the Payden & Rygel Sterling Reserve Fund, Federated Sterling Cash Plus Fund and Aberdeen Standard Liquidity Fund (Lux) Short Duration Sterling Fund) are all rated by Standard and Poor's as AAA.

The City also uses two Short Dated Bond Funds managed by Legal and General Investment Management and Royal London Asset Management. Both funds are unrated (as is typical of these instruments). The funds offer significant diversification by being invested in a wide range of investment grade instruments, rated BBB and above and limiting exposure to any one debt issuer or issuance. Exposure to these funds is ring-fenced to City Fund.

Since 2018/19, a statutory accounting override ("the override") has been in place that allows councils to disapply part of International Financial Reporting Standard 9 – Financial Instruments (IFRS 9), which would otherwise require councils to

make provision in their budgets for changes in value (gains or losses) of certain types of financial investments (i.e. pooled investment funds).

Due to the current IFRS 9 statutory override, only the income portion of the total return on pooled investment funds (i.e. Bond Funds for the City of London Corporation) impacts the City Fund (i.e. General Fund) revenue outturn, whilst the more volatile capital component (i.e. Fair Value (FV) movement) is absorbed by an unusable reserve. As at 31 December 2024 the City had £313.6M invested in external funds (excluding MMF's), through its allocation to ultra-short dated and short-dated bond funds representing 28% of the portfolio. Whilst market volatility has seen the capital value (FV) fluctuate, they provide an income return and are held with a long term view.

The IFRS 9 Statutory Override, which mandates that fluctuations in the fair value of pooled fund investments are taken to an unusable reserve on the balance sheet may cease on 31 March 2025 pending response to the current '*Local Government Finance Settlement*' consultation. From 1 April 2025, if the statutory override ceases, fluctuations in the fair value will therefore be reflected in the revenue account as at 31 March 2026. To mitigate against any reduction in value, a ringfenced IFRS9 reserve will be created in 2024/25 with funding from the overachievement of investment income - the initial transfer to this reserve will be determined based on the outcome of the consultation and the 2024/25 outturn position in consultation with the Chamberlain.

If the fair value of the funds is below the purchase price at the balance sheet date, funds will be released from the reserve to ensure that there is no/minimal net impact to the revenue account. Similarly, if the fund fair value is above the purchase price at the balance sheet date, any unrealised gain will be transferred to the IFRS9 reserve. It would only be appropriate to release such gains to the revenue account if/when the funds are divested from and gains are crystallised.

The City fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund managers. In order to aid this assessment, the City is provided with a suite of regular reporting from its managers. This includes monthly valuations and fund fact sheets as well as quarterly and annual reports. In addition to formal reports, officers also meet with representatives of the fund manager on a regular basis. These meetings allow for additional scrutiny of the manager's activity as well as discussions on the outlook for the fund as well as wider markets.

6. Policy on the use of external service providers

The City uses **MUFG Corporate Markets (previously known as** Link Group, Link Treasury Services Ltd) as its external treasury management advisers.

The City recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon its external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and

resources. The City will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

7. Scheme of Delegation

Please see Appendix 6.

8. Role of the Section 151 officer

Please see Appendix 7.

9. Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, the Code states that they expect *“all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making”*.

The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and committee/council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- a) Record attendance at training and ensure action is taken where poor attendance is identified.
- b) Prepare tailored learning plans for treasury management officers and committee/council members.
- c) Require treasury management officers and committee/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- d) Have regular communication with officers and committee/council members, encouraging them to highlight training needs on an ongoing basis.

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

In November 2023 two training sessions were held, aimed at Members of the Investment Committee and Finance Committee, as each year it is the responsibility of these two committees to review and approve the Treasury Management Strategy before review by the Court of Common Council.

The first session was held on 13 November 2023 and provided an appreciation of what Treasury management involves, how it is undertaken, the roles of Members and Officers, and the risks in Treasury Management and how they should be managed, to develop the skills and knowledge for Member scrutiny of Treasury Management decisions.

The second session was held on 27 November 2023 and covered developing the Treasury Management Strategy - notably prudential indicators, cashflow forecasts, investment strategy, credit worthiness, counterparty list, ESG considerations – and a review of the investment portfolio and an economic outlook.

Both sessions were led by the Managing Director of Link Treasury Services (now known as MUFG Corporate Markets) and were well attended by Members. Further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

APPENDICES

1. Interest Rate Forecasts 2024 - 2027
2. Treasury Indicators 2024/25 - 2026/27 and Minimum Revenue Provision Statement
3. Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management
4. Current Approved Counterparties
5. Approved Countries for Investments
6. Treasury Management Scheme of Delegation
7. The Treasury Management Role of the Section 151 Officer
8. City's Estate Borrowing Policy Statement

LINK INTEREST RATE FORECASTS 2024 – 2027 (as at 11/11/2024 with no change as at 19/12/2024)

MUFG Corporate Markets Interest Rate View 11.11.24													
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

Interest Rate Forecasts									
Bank Rate	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	
MUFG CM	4.50%	4.25%	4.00%	4.00%	3.75%	3.75%	3.75%	3.50%	
Cap Econ	4.50%	4.25%	4.00%	3.75%	3.50%	3.50%	3.50%	3.50%	
5Y PWLB RATE									
MUFG CM	4.90%	4.80%	4.60%	4.50%	4.50%	4.40%	4.30%	4.20%	
Cap Econ	5.10%	4.90%	4.80%	4.60%	4.60%	4.50%	4.50%	4.40%	
10Y PWLB RATE									
MUFG CM	5.10%	5.00%	4.80%	4.80%	4.70%	4.50%	4.50%	4.40%	
Cap Econ	5.30%	5.10%	5.00%	4.80%	4.80%	4.70%	4.60%	4.60%	
25Y PWLB RATE									
MUFG CM	5.50%	5.40%	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%	
Cap Econ	5.70%	5.50%	5.30%	5.00%	4.90%	4.90%	4.80%	4.70%	
50Y PWLB RATE									
MUFG CM	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%	4.70%	4.60%	
Cap Econ	5.30%	5.20%	5.20%	5.10%	5.00%	4.90%	4.80%	4.80%	

Note: The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective since 1st November 2012.

APPENDIX 2

TREASURY INDICATORS **2025/26 – 2028/29** AND MINIMUM REVENUE PROVISION STATEMENT

TABLE 1: TREASURY MANAGEMENT INDICATORS	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Probable Outturn	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Authorised Limit for external debt (City Fund) -						
Borrowing	199.8	326.8	326.8	326.8	326.8	326.8
other long-term liabilities*	12.7	24.2	21.2	18.4	17.6	17.0
TOTAL	212.5	351.0	348.0	345.2	344.4	343.8
Operational Boundary for external debt (City Fund) -						
Borrowing	99.8	226.8	226.8	226.8	226.8	226.8
other long-term liabilities*	12.7	24.2	21.2	18.4	17.6	17.0
TOTAL	112.5	251.0	248.0	245.2	244.4	243.8
Actual external debt (City Fund)*	0	0				
Upper limit for total principal sums invested for over 365 days (per maturity date)	£300m	£300m	£300m	£300m	£300m	£300m

*Other long term liabilities include the impact of IFRS16

**Actual external debt at the end of the financial year

TABLE 2: Maturity structure of borrowing during 2025/26	upper limit	lower limit
- under 12 months	50%	0%
- 12 months and within 24 months	50%	0%
- 24 months and within 5 years	50%	0%
- 5 years and within 10 years	75%	0%
- 10 years and above	100%	0%

TABLE 3: CITY'S ESTATE BORROWING INDICATORS	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Probable Outturn	Estimate	Estimate	Estimate	Estimate
	%	%	%	%	%	%
Estimates of financing costs to net revenue stream	13.1%	14.2%	14.6%	14.2%	14.3%	14.2%
	£m	£m	£m	£m	£m	£m
Overall borrowing limits	450	450	450	450	450	450

MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT **2025/26**

To ensure that capital expenditure funded by borrowing is ultimately financed, the City Fund is required to make a Minimum Revenue Provision (MRP) when the Capital Financing Requirement (CFR) is positive. A positive CFR is indicative of an underlying need to borrow and will arise when capital expenditure is funded by 'borrowing', either external (loans from third parties) or internal (use of cash balances held by the City Fund).

DLUHC regulations have been issued which require the Court of Common Council to approve **an MRP Statement** in advance of each year. The regulatory guidance recommends four options for local authorities. Options 1 and 2 relate to government supported borrowing prior to 2008. As the City Fund does not have any outstanding borrowing from this period, these options are not relevant. For any prudential borrowing undertaken after 2008, options 3 and 4 apply:

- **Option 3: Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);
- **Option 4: Depreciation method** – MRP will follow standard depreciation accounting procedures;

For any new borrowing under the prudential financing system, the City Fund will apply the asset life method over the useful economic life of the relevant assets. MRP commences in the financial year following the one in which the expenditure was incurred. When borrowing to provide an asset, the asset life is deemed to commence in the year in which the asset first becomes operational. Therefore, MRP will first be made in the financial year following the one in which the asset becomes operational. 'Operational' here means when an asset transfers from Assets under Construction to an Assets in Use category under normal accounting rules.

As in previous years, the City will continue to apply a separate MRP policy for that portion of the CFR which has arisen through the funding of capital expenditure from cash received from long lease premiums which are deferred in accordance with accounting standards. This deferred income is released to revenue over the life of the leases to which it relates, typically between 125 and 250 years.

The City's MRP policy in respect of this form of internal borrowing is based on a mechanism to ensure that the deferred income used to finance capital expenditure is not then 'used again' when it is released to revenue. The amount of the annual MRP is therefore to be equal to the amount of the deferred income released, resulting in an overall neutral impact on the bottom line.

MRP will fall due in the year following the one in which the expenditure is incurred, or the year after the asset becomes operational.

The MRP liability for **2024/25 is £1.4m** and is estimated at **£1.4m for 2025/26**.

TREASURY MANAGEMENT PRACTICES (TMP 1) – Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum ‘high’ quality criteria where appropriate.

	Minimum ‘High’ Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies, including part nationalised banks	Short-term F1, Long-term A-,	In-house via Fund Managers
Money Market Funds CNAV	AAA/mmf (or equivalent)	In-house via Fund Managers
Money Market Funds LVNAV	AAA/mmf (or equivalent)	In-house via Fund Managers
Money Market Funds VNAV	AAA/mmf (or equivalent)	In-house via Fund Managers
Ultra-Short Dated Bond Fund	AAA/f (or equivalent)	In-house via Fund Managers
UK Government Gilts	UK Sovereign Rating	In-house & Fund Managers
Treasury Bills	UK Sovereign Rating	In-house & Fund Managers
Sovereign Bond issues (other than the UK government)	AA+	Fund Managers

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the Specified Investment criteria. A maximum of £400m will be held in aggregate in non-specified investment.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the categories set out below.

	Minimum Credit Criteria	Use	Maximum	Maximum Maturity Period
Term deposits – other LAs (with maturities in excess of one year)	-	In-house	£25m per LA	Three years
Term deposits, including callable deposits – banks and building societies (with maturities in excess of one year)	Long-term A+, Short-term F1,	In-house and Fund Managers	£300m overall	Three years
Certificates of deposits issued by banks and building societies with maturities in excess of one year	Long-term A+, Short-term F1,	In-house on a buy-and-hold basis and fund managers	£50m overall	Three years
UK Government Gilts with maturities in excess of one year	AA-	In-house on a buy-and-hold basis and fund managers	£50m overall	Three years
UK Index Linked Gilts	AA-	In-house on a buy-and-hold basis and fund managers	£50m overall	Three years
Short Dated Bond Funds	--	In-house via Fund Managers	£100m per Fund	n/a*
Multi Asset Funds	--	In-house via Fund Managers	£50m overall	n/a*

*Short Dated Bonds Funds and Multi Asset Funds are buy and hold investments with no pre-determined maturity at time of funding, liquidity access is typically T + 3 or 4.

APPROVED COUNTERPARTIES AS AT 31 DECEMBER 2024

UK BANKS AND THEIR WHOLLY OWNED SUBSIDIARIES

FITCH RATINGS		BANK*	LIMIT PER GROUP	DURATION
A+	F1	Barclays Bank PLC (NRFB)	£100M	Up to 3 years
A+	F1	Barclays Bank UK PLC (RFB)		
A+	F1	Goldman Sachs International Bank	£100M	Up to 3 years
AA	F1+	Handelsbanken PLC	£100m	Up to 3 years
AA-	F1+	HSBC UK Bank PLC (RFB)	£100M	Up to 3 years
AA-	F1+	HSBC Bank PLC (NRFB)		
A+	F1	Lloyds Bank Corporate Markets PLC (NRFB)	£150M	Up to 3 years
A+	F1	Lloyds Bank PLC (RFB)		
A+	F1	Bank of Scotland PLC (RFB)		
A+	F1	NatWest Markets PLC (NRFB)	£100M	Up to 3 years
A+	F1	National Westminster Bank PLC (RFB)		
A+	F1	The Royal Bank of Scotland PLC (RFB)		
A+	F1	Santander UK PLC (RFB)	£100M	Up to 3 years
A+	F1	Standard Chartered Bank	£100M	Up to 3 years

*Under the ring-fencing initiative, the largest UK banks are now legally required to separate the core retail business into a ring-fenced bank (RFB) and to house their complex investment activities into a non-ring-fenced bank (NRFB).

BUILDING SOCIETIES

FITCH RATINGS		BUILDING SOCIETY	ASSETS	LIMIT PER GROUP	DURATION
A	F1	Nationwide	£282Bn	£100M	Up to 3 years
A-	F1	Yorkshire	£64Bn	£20M	Up to 1 year
A-	F1	Coventry	£63Bn	£20M	Up to 1 year
A-	F1	Skipton	£39Bn	£20M	Up to 1 year
A-	F1	Leeds	£30Bn	£20M	Up to 1 year

FOREIGN BANKS

(with a presence in London)

FITCH RATINGS		COUNTRY AND BANK	LIMIT PER GROUP	DURATION
AA-	F1	AUSTRALIA (AAA) Australia and New Zealand Banking Group Ltd	£100M	Up to 3 years
	F1	National Australia Bank Ltd	£100M	Up to 3 years
AA-	F1+	CANADA (AA+) Bank of Montreal	£100M	Up to 3 years
AA-	F1+	Royal Bank of Canada	£100M	Up to 3 years
AA-	F1+	Toronto-Dominion Bank	£100M	Up to 3 years
A+	F1+	GERMANY (AAA) Landesbank Hessen-Thueringen Girozentrale (Helaba)	£100M	Up to 3 years
A+	F1	NETHERLANDS (AAA) Cooperatieve Rabobank U.A.	£100M	Up to 3 years
AA-	F1+	SINGAPORE (AAA) DBS Bank Ltd.	£100M	Up to 3 years
AA-	F1+	United Overseas Bank Ltd.	£100M	Up to 3 years
AA-	F1+	SWEDEN (AAA) Skandinaviska Enskilda Banken AB	£100M	Up to 3 years
AA-	F1+	Swedbank AB	£100M	Up to 3 years
AA	F1+	Svenska Handelsbanken AB	£100M	Up to 3 years

MONEY MARKET FUNDS

FITCH RATINGS	MONEY MARKET FUNDS Limit of £100M per fund	DURATION
AAA/mmf	CCLA - Public Sector Deposit Fund	Liquid
AAA/mmf	Federated Hermes Short-Term Sterling Prime Fund*	Liquid
AAA/mmf	Aberdeen Sterling Liquidity Fund*	Liquid
AAA/mmf	Invesco Liquidity Funds Plc - Sterling Liquidity Portfolio	Liquid
AAA/mmf	DWS Deutsche Global Liquidity Series Plc – Sterling Fund	Liquid

ULTRA SHORT DATED BOND FUNDS

FITCH RATINGS (or equivalent)	ULTRA SHORT DATED BOND FUNDS Limit of £100M per fund	DURATION
AAA/f	Payden Sterling Reserve Fund	Liquid
AAA/f	Federated Hermes Sterling Cash Plus Fund*	Liquid
AAA/f	Aberdeen Standard Investments Short Duration Managed Liquidity Fund*	Liquid

*A combined limit of £100m applies to balances across the Money Market Fund and Ultra Short Dated Bond Fund both managed by Federated Hermes and Aberdeen Standard

SHORT DATED BOND FUNDS

FITCH RATINGS (or equivalent)	SHORT DATED BOND FUNDS Limit of £100M per fund	DURATION
-	Legal and General Short Dated Sterling Corporate Bond Index Fund	Liquid
-	Royal London Investment Grade Short Dated Credit Fund	Liquid

LOCAL AUTHORITIES

LIMIT OF £25M PER AUTHORITY AND £250M OVERALL
--

Any UK local authority

APPROVED COUNTRIES FOR INVESTMENT

This list is based on those countries which have sovereign ratings of AAA and AA+ from Fitch Ratings as **at 24 January 2025.**

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- United States

AA-

- United Kingdom

TREASURY MANAGEMENT SCHEME OF DELEGATION

The roles of the various bodies of the City of London Corporation with regard to treasury management are set out below.

(i) Court of Common Council

- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of annual strategy.

(ii) Investment Committee and Finance Committee

- Approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- Budget consideration and approval
- Approval of the division of responsibilities
- Receiving and reviewing regular monitoring reports and acting on recommendations
- Approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit & Risk Management Committee

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iv) Investment Committee of the City Bridge Foundation

- Review of the Treasury Management Strategy Statement on behalf of the Charity.

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The Chamberlain

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- Submitting regular treasury management policy reports
- Submitting budgets and budget variations
- Receiving and reviewing management information reports
- Reviewing the performance of the treasury management function
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit, and liaising with external audit
- Recommending the appointment of external service providers.

CITY'S ESTATE BORROWING POLICY STATEMENT

1. The City Corporation shall ensure that all of its City's Estate capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so, it will take into account its arrangements for the repayment of debt and consideration of risk and the impact, and potential impact, on the overall fiscal sustainability of City's Estate.
2. Borrowing shall be undertaken on an affordable basis and total capital investment must remain within sustainable limits. When assessing the affordability of its City's Estate investment plans, the City Corporation will consider both the City's Estate resources currently available and its estimated future resources, together with the totality of its City's Estate capital plans, income and expenditure forecasts.
3. To ensure that the benefits of capital expenditure are matched against the costs, a debt financing strategy will be established.
4. To the greatest extent possible, expected finance costs arising from borrowing are matched against appropriate revenue income streams.
5. The City Corporation will organise its borrowing on behalf of City's Estate in such a way as to ensure that financing is available when required to manage liquidity risk (i.e. to make sure that funds are in place to meet payments for capital expenditure on a timely basis). The City Corporation will only borrow in advance of need on behalf of City's Estate on the basis of a sound financial case (for instance, to mitigate exposure to rising interest rates).
6. The City Corporation will ensure debt is appropriately profiled to mitigate refinancing risk.
7. The City Corporation will monitor the sensitivity of liabilities to inflation and will manage inflation risks in the context of the inflation exposures across City's Estate (e.g. the City Corporation will be mindful of the potential impact of index-linked borrowing on the financial position of City's Estate).
8. The City Corporation will seek to obtain value for money in identifying appropriate borrowing for City's Estate. Where internal borrowing (i.e. from City Fund or City Bridge Foundation) is used as a source of funding, the City Corporation will keep under review the elevated risk of refinancing.
9. All borrowing is expected to be drawn in Sterling. Where debt is raised in foreign currencies, the City Corporation will consider suitable measures for mitigating the risks presented by fluctuation in exchange rates.
10. Interest rate movement exposure will be managed prudently, balancing cost against likely financial impact.
11. The City Corporation will maintain the following indicators which relate to City's Estate borrowing only:
 - Estimates of financing costs to net revenue stream
 - Overall borrowing limits

Committee(s): Audit and Risk Management Committee – For decision Finance Committee – For information Pensions Committee – For information Local Government Pensions Board – For information	Dated: 12 May 2025 04 June 2025 07 July 2025 21 July 2025
Subject: Statement of Accounts Update for City Fund, Pension Fund, and City's Estate	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For decision
Report author: Iain Jenkins, Chief Accountant	

Summary

This report provides an update on the production of the 2024-25 Statement of Accounts and planning for the 2024-25 audit of the City Fund, Pension Fund, and City's Estate accounts.

The attached External Auditor's reports outline Grant Thornton's work plan for undertaking the audit of the City Fund and Pension Fund Accounts for 2024-25. In addition, the reports outline the work they will undertake to reach a Value for Money conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources. The report also identifies specific risks and includes a statement of their fees.

Crowe's Audit Plan for the audit of the City's Estate group, and other charity accounts is also attached. This also identifies specific risks and includes a statement of their fees.

Recommendation(s)

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

- **Note** the Indicative City Fund Audit Plan for 2024-25 as set out in Appendix 1
- **Note** the Indicative Pension Fund Audit Plan for 2024-25 as set out in Appendix 2
- **Approve** the responses from Management for both the City Fund and Pension Fund as per Appendix 3 and Appendix 4
- **Note** the Indicative City's Estate Audit Plan for 2024-25 as set out in Appendix 5

The **Finance Committee** is asked to:

- **Note** the responses from Management for the City Fund as per Appendix 3

The **Pensions Committee** and **Local Government Pensions Board** are asked to:

- **Note** the indicative Pension Fund Audit Plan for 2024-25 as set out in Appendix 2
- **Note** the responses from Management for the Pension Fund as per Appendix 4

Main Report

Background and current position – City Fund and Pension Fund

1. The Audit and Risk Management Committee oversees the City of London Corporation's systems of internal control and makes recommendations to the Finance Committee relating to the approval of the City Fund Annual Statement of Accounts – this includes the Pension Fund accounts.
2. The Authority will publish its draft accounts for the City Fund for the 2024-25 financial year prior to the statutory deadline of 30 June 2025, adhering to the previous deadline of 31st May.
3. Grant Thornton will be carrying out the external audit of the City Fund and Pension Fund accounts for 2024-25. The audit for City Fund is due to commence in June 2025, the Pension Fund audit will begin in July 2025 and both are scheduled to run through to September 2025. It is considered good practice and part of the assurance framework for the External Auditor to report to the Audit and Risk Management Committee at regular intervals.
4. Grant Thornton will report the findings arising from their work on the 2024-25 audit to this Committee at the 15th September meeting, following the conclusion of the audit. The statutory deadline for the City Fund Accounts (including the Pension Fund Accounts) to be approved is 30th September 2025.
5. As the Pension Fund accounts form part of the City Fund accounts as a whole, the Audit and Risk Management Committee retain ultimate responsibility for receiving and considering audit plans as well as receiving any reports arising from the audit. The Pension Fund Audit Plan for 2024-25 is included in Appendix 2; the audit plan and any reports arising from the audit will also be reported to the Pensions Committee and Local Government Pensions Board (for information).
6. As part of their audit planning procedures, the auditors have engaged in a series of inquiries with the management regarding various aspects such as fraud and compliance with laws and regulations. The responses to these inquiries are presented in Appendices 3 and 4 (for the City Fund and the Pension Fund respectively) for review by the Committee. Members are encouraged to take note of these responses and provide any additional comments for further consideration.

Background and current position – City's Estate group and other charities

7. Unlike the City Fund accounts, there is no statutory deadline for the publication and audit of the City's Estate Group accounts. However, there are requirements of the private placement loans which have been taken out which require signed off accounts to be provided by 23rd December following the end of each financial year.

Some individual entities, charities and trusts have their own specific deadlines for reporting and submission to the Charity Commission and Companies House.

8. The filing deadline for annual returns to the Charity Commission is ten months after financial year end for each entity. For the majority of the charities and trusts this deadline is 31st January 2026, with the exception of Almshouses (30th September 2025), the Charities Pool (30th November 2025) and the Girls School Bursary Fund (30th November 2025).
9. The deadline from the Office for Students for GSMD to submit their annual financial return is five months after financial year end (31st August 2025).
10. The filing deadline for Companies House (which would be applicable to the accounts for the Lord Mayor's Show, Barking Power Limited and Thames Power Limited) is nine months after financial year end. For Barking Power Limited and Thames Power Limited the filing deadline is 31st December 2025. For the Lord Mayor's Show the filing deadline is 28th February 2026, as those accounts are prepared based upon a year end of 31st May.
11. To meet these deadlines, Crowe have set out their timetable which would see their final report return to Audit and Risk Committee on 17th November 2025.
12. The planning report (Appendix 5) sets out the areas identified as significant audit risks, materiality levels as well as the staffing resources fees and timetable to be followed.

Corporate & Strategic Implications

13. Strategic implications – There are no specific links to the Corporate Plan. However, the accounts assist the City Corporation in maintaining a clear and transparent dialogue regarding its activities with residents and other stakeholders.
14. Financial implications – The fees for the audits are included within the appendices and can be met from the existing Finance Committee budget provision.
15. Legal implications – The recommendations of the report request the Audit and Risk Management Committee to note indicative Audit Plans for 2024-25, which outlines the auditors' planning and approach to the audit, including the audit timetable. The Committee is not requested to make any decision and there are no significant legal implications arising from the content of this report.

Conclusion

16. The attached External Auditor's report outlines Grant Thornton's work plan for undertaking the audit of the City Fund and Pension Fund Accounts for 2024-25, and Crowe's work plan for undertaking the audit of the City's Estate group accounts and charities accounts for 2024-25. The reports also identify specific risks and includes a statement of the auditors' fees which have been reviewed and queried by officers as appropriate.

17. In addition, the report also outlines the work that Grant Thornton will undertake to reach a Value for Money conclusion on the Corporation's arrangements to secure economy, efficiency and effectiveness in the use of resources.

Appendices

- Appendix 1 - City Corporation City Fund Audit Plan 2024-25
- Appendix 2 - City Corporation Pension Fund Audit Plan 2024-25
- Appendix 3 - City Corporation City Fund Informing the audit risk assessment 2024-25
- Appendix 4 - City Corporation Pension Fund Informing the audit risk assessment 2024-25
- Appendix 5 - City Corporation City's Estate Audit Plan 2024-25

Background Papers

None

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The Indicative Audit Plan for City of London Corporation – City Fund

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Year ending 31 March 2025

May 2025

This audit plan is indicative and subject to change as the risk assessment is ongoing



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01 Key developments impacting our audit approach

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Local government reorganisation (LGR)

English Devolution White Paper

On 16 December 2024, the Secretary of State for Housing, Communities and Local Government, Angela Rayner, presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for devolution of power across England. Devolution is seen by the government as fundamental in achieving the change the public expect and deserve. Government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world, the paper sets out to change that. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the strategic authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

Government will facilitate a programme of LGR for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision-making. This will be done in a phased approach and, for most, will mean creating councils serving a population of 500,000 or more. Along with devolution Government wants to reset its relationship with local government, end micro-management and enable local government through multi-year settlements.

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the White Paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation; and
- Re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

Update

Jim McMahon, Minister for Local Government and English Devolution, wrote to 2-tier authorities in February 2025 to set out a timetable for reorganisation proposals to be submitted. We expect an interim plan shortly after 21 March 2025 and a full proposal by 28 November 2025.

Local audit reform

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

Government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;

Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies; and

Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

Proposals for an overhaul of the local audit system

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- Setting out the vision and key principles for the local audit system;
- Committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- Enhancing capacity and capability in the sector;
- Strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- Increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022-23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market.

We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach (1)

National position – The pandemic along with the cost-of-living crisis has left local governments with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

Climate change: As the impacts of climate change become increasingly evident, councils play a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand, and it is difficult to find land for new housing developments. New requirements around net zero and other environmental considerations complicate planning permission. Local authorities face the challenge of providing adequate housing whilst balancing environmental sustainability and statutory planning requirements.

Funding: Councils face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for councils to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

Digital transformation: The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Councils need to ensure inclusivity in digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Councils need to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, authorities become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and councils must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our response

Building and maintaining public trust is the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of services provided to local residents. The clearest evidence of this is that service spending is increasingly focused on adult and children's social care, SEND and homelessness. Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change.

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local councils to overcome financial constraints and deliver quality services.

Our VFM work continues to identify significant weaknesses in all criteria of the Code of Audit Practice, showing that councils face increasing pressure to provide services while managing change and reducing costs. We understand that the operating environment is dynamic and challenging. This understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced by our local authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach (2)

Local context

- For 2023-24 City Fund produced a £46m surplus, allowing for a contribution to reserves. The surplus was due to better than anticipated performance in investment income due to prevailing high interest rates, unused contingencies, slippage in Supplementary Revenue Projects and rental income from investment properties. Despite the positive overall position, City Fund experienced pressures in certain areas which were offset by surpluses elsewhere within the organisation. Pressures were observed in Community and Children’s Committee and Port Health and Environmental Service.
- At the end of quarter 3 2024-25 the forecast revenue outturn was reported as an underspend of £12.1m against budget. This is due to additional interest receivable on money market funds of £16.5m, overspend of £1.2m primarily due to a reduction in rental income which reflects new rent-free periods granted to tenants and loss of income from voids. The Barbican Centre has a £3.2m overspend largely relating to the one-off costs.

City Fund is projected to achieve a balanced budget in 2025-26, the medium-term financial plan suggests that in 2026-27 the Authority might fall into a deficit. This is a result of high inflation, combined with uncertainty around the funding position for City Fund with the new government and their approach to the redistribution of local government funding.

- Our Auditor’s Annual Report for 2023-24 did not identify any significant weaknesses in arrangements:
 - It concluded arrangements to achieve financial sustainability were in place, some improvement recommendations were identified predominantly focussed on reviewing assumptions within various aspects of the budget, HRA and capital programme to increase accuracy; and
 - It concluded City Fund delivers economy, effectiveness and efficiency through its arrangements, with one improvement recommendation in relation to contract management.

New accounting standards and reporting developments

Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on the next page.

Our response

Our value for money work will continue to review and assess the Authority’s arrangements and progress with improvement recommendations.

Our audit work will include a detailed review of City Fund's implementation of IFRS 16. More information can be found on the IFRS 16 Leases section later in this report, page 9.

Key developments impacting our audit approach (3)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, are agreed with the Chamberlain.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK-based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. We will work closely with management to review this arrangement to achieve an efficient audit process.

We will continue to meet regularly with the Financial Services Director as part of our commitment to keep you fully informed on the progress of the audit.

We also meet regularly with the Chair of your Audit and Risk Management Committee, to brief them on the status and progress of the audit work to date.

Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.

- We will continue to provide you and your Audit and Risk Management Committee with sector updates providing our insight on issues from a range of sources via our audit committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector. We are delighted to acknowledge the participation of your finance team in the annual accounts workshop conducted in March 2025.



IFRS 16 Leases



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Summary

IFRS 16 Leases is now mandatory for all local government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for ‘on balance sheet’ by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases. There are however the following exceptions:

- leases of low value assets (optional for LG); and
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if a LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most LG bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16, as appropriate

Planning enquiries

As part of our planning risk assessment procedures, we made inquiries of management and have begun to look at City Fund’s implementation process for IFRS 16. These early procedures suggest that the impact of IFRS 16 is material for the Authority, and we have included a risk on page 21 of this report, with planned audit procedures to respond to this risk. We will communicate our findings in this area at the July 2025 Audit and Risk Management Committee meeting.

The local government backstop

The backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- for years ended 31 March 2023 and earlier by 13 December 2024; and
- for years ended 31 March 2024 by 28 February 2025; and
- for years ended 31 March 2025 by 27 February 2026.

The Statutory Instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Local audit recovery

City Fund was not impacted by the backstop arrangements, having had recent years of accounts signed off with unqualified opinions in advance of the backstop dates.

Management's dedication to cultivating a robust finance team, fostering skill development, and promoting resilience is evident. Your finance team's exceptional collaboration with our audit team resulted in the timely delivery of the 2023-24 financial statements, being completed four months ahead of the backstop date.



02 Introduction and headlines

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Introduction and headlines (1)



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the City of London Corporation – City Fund (‘the Authority’) for those charged with governance.

Respective responsibilities

The National Audit Office (‘the NAO’) has issued the Code of Audit Practice (‘the Code’). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed engagement letter and contract. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Authority’s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Risk Management Committee); and we consider whether there are sufficient arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit and Risk Management Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority’s business and is risk-based.

Introduction and headlines (2)

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control (presumed risk)
- Risk of fraud in revenue recognition – (ISA (UK) 240 Presumed – rebutted for all revenue streams
- Valuation of land and buildings, council dwellings and investment properties
- Valuation of the pension fund net liability

We will communicate significant findings on these areas well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

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Materiality

We determined planning materiality to be £12.238m (PY £11.957m) for the Authority, which equates to 2% of your prior year gross operating costs for the year.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £612,000 (PY £598,000).

As part of our risk assessment, we considered the impact of unadjusted prior period errors. As all the errors were based on judgement and/or projected we have not identified any additional risks.

We determined a specific lower materiality of £20,000 per individual, for remuneration (senior officer) and exit packages of employee benefits.

Value for Money arrangements

At the time of writing, we have yet to conclude our detailed VFM planning and risk assessment procedures.

At this stage we have not identified any risks of significant weaknesses in arrangements.

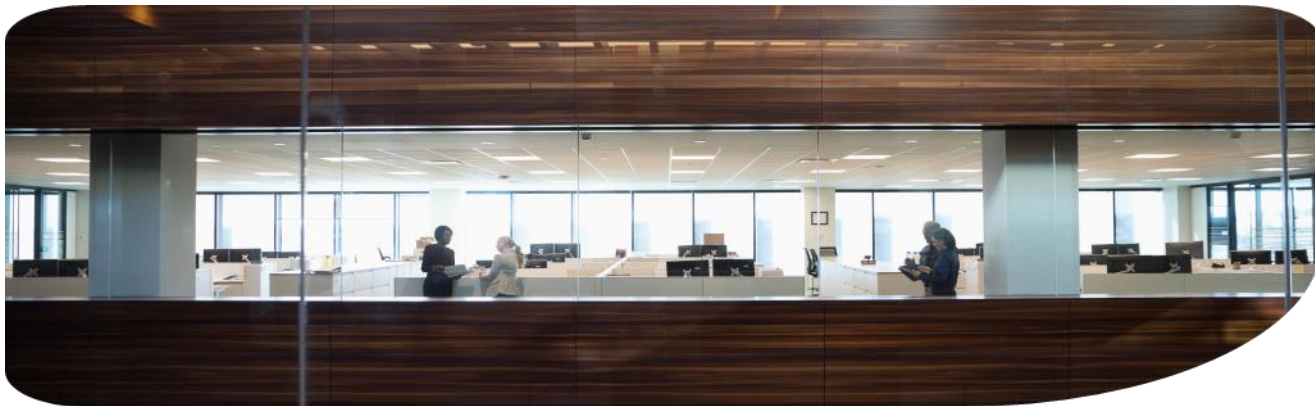
We will update the Audit and Risk Management Committee on the outcome of our planning procedures, resulting risk assessment and our planned response to any identified risks at the next meeting.

Audit logistics

At the time of drafting the report we have agreed advance audit work visit will take place in April 2025 and our final audit visit will take place from mid-June to September 2025. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £491,570 (PY: £360,000) for the Authority, subject to the Authority delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or further specialist input. Please refer to page 45 for a breakdown of the fee.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.



03 Identified risks

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Significant risks identified (1)

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

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Management override of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	<p>The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how it reports performance.</p> <p>We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<ul style="list-style-type: none">• Evaluate the design and implementation effectiveness of management controls over journals.• Analyse the journals listing using data analytics tools and determine the criteria for selecting high risk unusual journals.• Test unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration.• Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness.• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified (2)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Risk of fraud in revenue recognition – ISA (UK) 240 presumed – (rebutted for all revenue streams)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>We identified and completed a risk assessment of all revenue streams for the Authority. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition;• opportunities to manipulate revenue recognition are very limited; and• the culture and ethical frameworks of local authorities, including that of City Fund, means that all forms of fraud are seen as unacceptable. <p>We do not consider this to be a significant risk for City Fund and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure the judgement remains appropriate.</p>	<p>To gain assurance over the Authority's revenue we will:</p> <ul style="list-style-type: none">• Evaluate the Authority's accounting policy for recognition of income for appropriateness and compliance with the Code.• Update our understanding of the system for accounting for the income and evaluate the design of associated processes and controls.• Select a sample of revenue items from each material revenue stream and test to supporting information and subsequent receipt of income to gain assurance over accuracy, occurrence and completeness.• Inspect transactions which occurred in the year and ensure they have been included in the current financial year.

Significant risks identified (3)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of land and buildings, council dwellings and investment properties	Under ISA 540 (UK) and ISA 315 (UK), auditors are required to determine the assessed risk of material misstatements in relation to accounting estimates. This involves considering the extent to which an accounting estimate is subject to estimation uncertainty, including the degree of complexity, subjectivity, or other inherent risk factors that could affect the susceptibility of the estimate to material misstatement due to fraud or error.	<p>City Fund's asset valuation programme includes the following classes:</p> <ul style="list-style-type: none">Other land & buildings (2023-24 £586m): revalued on a rolling 5-yearly basis. Valuation techniques such as the depreciated replacement cost (DRC) are used for the valuation of these assets, whereby key assumptions are made by the valuer to arrive to a value of a modern asset equivalent (MEA), meeting the capacity and location requirements of the services being provided by the replaced asset;Council dwellings (2023-24 £240m): measured at fair value using the existing use value for social housing and re-valued cyclically using the Beacon methodology, on a rolling 5-yearly basis;Investment properties (2023-24 £1,487m): these assets are measured at highest and best use on an annual basis. The investment method is applied to most of the Authority's investment properties, determining the property's value by estimating the potential income (market rents) and estimated yield. <p>Management engages external valuation experts to carry out the valuation as at 31 March.</p> <p>The valuation of land and buildings (including council dwellings, right of use assets, and investment properties) represents a significant estimate in the Authority's financial statements. This is considered significant due to the size of asset values held as at 31 March 2024, the sensitivity to changes in assumptions, the diversity of the Authority's asset base resulting in varying application of valuation methods and assumptions as deemed appropriate, and overall level of judgement involved.</p> <p>We therefore assessed the valuation of land and buildings, (including council dwellings, right of use assets, and investment properties) as a significant risk due to the inherent risk of material misstatement arising from error.</p> <p>Our work will focus in the areas where we consider the risk to be most pertinent: assets which are material by value; assets where the valuation movement differs significantly to what we would expect based on indices and our knowledge of the assets; assets where we are aware of a significant change in any of the key assumptions from the prior period; any other factors which we consider will increase the risk of material misstatement in a particular asset.</p>	<ul style="list-style-type: none">Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work.Evaluate the competence, capabilities and objectivity of the valuation experts engaged by the Authority.Write to and discuss with the valuation experts engaged by you, the basis on which the valuations were carried out.Engage our own valuer expert to provide commentary on:<ul style="list-style-type: none">the instruction process in comparison to requirements from CIPFA/IFRS/RICS; andthe valuation methodology and approach, resulting assumptions adopted and any other relevant points.Challenge the information and assumptions used by the valuers to assess completeness and consistency with our understanding.Test, on a sample basis, revaluations made during the year to ensure they have been input correctly into City Fund's asset register.Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Significant risks identified (4)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Valuation of the pension fund net liability	Under ISA 540 (UK) and ISA 315 (UK), auditors are required to determine the assessed risk of material misstatements in relation to accounting estimates. This involves considering the extent to which an accounting estimate is subject to estimation uncertainty, including the degree of complexity, subjectivity, or other inherent risk factors that could affect the susceptibility of the estimate to material misstatement due to fraud or error.	<p>The Authority's pension fund net liability, as reflected in its balance sheet (2023-24 £875.6m), represents a significant estimate in the financial statements. City Fund’s pension liability consists of City Fund’s share of the City of London Corporation’s net pension liability and the unfunded City of London Police pension scheme.</p> <p>The estimation of the pension fund net liability 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. A change in either assumption or method applied could result in a significant impact on the determined pension liability estimate, making the estimate susceptible to risk of material misstatement. Management engages Barnet Waddingham LLP as the Authority’s actuarial expert to conduct the pension valuation in accordance with IAS 19, as at 31 March.</p> <p>We therefore have assessed the valuation of the pension fund net liability as a significant risk due to the inherent risk of material misstatement arising from error.</p> <p>Specifically, we consider the following areas of pinpointed significant risk:</p> <ul style="list-style-type: none"> • Key assumptions applied by the actuary • Significant changes in assumptions applied from the prior year • Material experience gain or losses recorded in the accounting period • Other factors considered to increase the risk of material misstatement based on auditor judgement. 	<ul style="list-style-type: none"> • Update our understanding of the processes and controls put in place by management to ensure that City Fund’s pension fund net liability is not materially misstated and evaluate the design of the associated controls. • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary’s work. • Assess the competence, capabilities and objectivity of the actuary who carried out the Authority’s pension fund valuation. • Assess the accuracy and completeness of the information provided by City Fund to the actuary to complete the pension fund valuation. • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report. • Obtain assurances from the auditor of City of London Corporation Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Refer overleaf for planned audit procedures in respect of the Police pension Scheme.


Significant risks identified (5)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Valuation of the pension fund net liability			<p>Police Pension Scheme</p> <p>The last full valuation of the Police Pension Scheme was as at 31 March 2020. The next combined actuarial valuation is expected to be carried out as at 31 March 2024 and will set contributions for the period from 1 April 2024 to 31 March 2027.</p> <p>Planned audit procedures comprise of:</p> <ul style="list-style-type: none">• Agreeing the membership data provided to the actuary to the IAS 19 report as at 31 March 2025 to ensure the total numbers of active, deferred and pensioners are accurate and complete.• Performing analytical review procedures on membership data submitted to the actuary.• Understanding the overall quadrennial valuation procedures and controls established by the Authority and the actuary.

Other risks identified (1)

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Fraud in expenditure recognition	<p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result, under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p> <p>We identified and completed a risk assessment of all expenditure streams for the Authority. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This determination is based on the low fraud risk inherent in the nature of the underlying transactions, as well as the immaterial nature of both individual and collective expenditure streams.</p> <p>Our fraud risk assessment in respect of expenditure considered the following:</p> <ul style="list-style-type: none">- There is little incentive to manipulate expenditure recognition;- Opportunities to manipulate expenditure recognition are limited; and- The culture and ethical frameworks of local authorities, including that of City Fund, mean that all forms of fraud are seen unacceptable. <p>However, despite rebutting the risk of fraud in expenditure recognition, we assessed an increased risk of error in estimation and cut-off processes at year-end in respect of the completeness of expenditure. Such as we have considered the volume of transactions at year-end and the process of estimation involved in manual year-end accruals, in respect of accurately capturing and recognising expenditure within the correct financial period. We do not consider this to be a significant risk for the Authority but will keep this consideration under review through the audit to ensure the judgement remains appropriate.</p>	<ul style="list-style-type: none">• Inspect transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period.• Inspect a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the estimation of the accrual was consistent with the value billed after the year-end. We will also compare listings of accruals to the previous years to ensure completeness of accrued items.• Investigate manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.



“The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated.” (ISA (UK) 315)

Other risks identified (2)

Risk	Description	Planned audit procedures
International Financial Reporting Standard (IFRS) 16 Leases – implementation	<p>IFRS 16 is now mandatory for all local government bodies from 1 April 2024. Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.</p>	<p>Our work will include, but not be limited to:</p>
	<p>The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.</p>	<p><u>Transition</u></p> <ul style="list-style-type: none"> Documenting our understanding of the processes and controls in place by management to ensure that right of use assets and liabilities are not materially misstated from the lease arrangements. This includes steps implemented by management to identify leases impacted by IFRS 16. Reviewing steps implemented by management to identify leases which are impacted by IFRS 16, ensuring completeness and confirming they meet the requirements of the CIPFA Code of Audit Practice (Code). Reviewing IFRS 16 accounting policies and disclosures in relation to the Code. Reviewing the application of judgement and estimation in determining right of use asset valuation and lease liabilities. Reviewing and reperforming calculations to determine the future lease liabilities using present value calculations.
	<p>In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 were included in the Authority’s 2023-24 financial statements. Managements initial review indicated the balance sheet impact would be c£14.5m for a right of use asset and lease liability.</p>	<p><u>Ongoing</u></p> <ul style="list-style-type: none"> Document our understanding of the process for applying the optional accounting simplification of IFRS 16, which relate to short term leases and low value leases. Document the use of any management experts, where applicable. Obtain management's list of leases that have been recognised as a lease liability and corresponding right of use asset in the financial statements. Consider whether the Authority has any leases for which they pay no or below market (peppercorn) rent and ensure right of use assets are appropriate recognised.
	<p>The implementation of IFRS 16 is a significant change to lease disclosures made in the Authority’s financial statements.</p>	

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; and
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

04 Our approach to materiality

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Our approach to materiality (1)

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

Matter	Description	Planned audit procedures
01	Determination We determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements.	We determine planning materiality to: <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements.
02	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature when it relates to: <ul style="list-style-type: none"> – instances where greater precision is required.
03	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
04	Matters we will report to the Audit and Risk Management Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Risk Management Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	<ul style="list-style-type: none"> • We report to the Audit and Risk Management Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £612,000 (PY £598,000). • If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Management Committee to assist it in fulfilling its governance responsibilities.

Our approach to materiality (2)

	Amount £	Qualitative factors considered
Materiality for City Fund’s financial statements	12,238,000	<p>We considered materiality from the perspective of the users of the financial statements. City Fund prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community, therefore gross expenditure was deemed the most appropriate benchmark. This benchmark was also used in the prior year.</p> <p>We considered it appropriate to apply 2% to a proportion of the 2023-24 gross expenditure benchmark. The benchmark percentage increased from 1.95% applied in the prior year. This is in line with the recent updates to Grant Thornton guidance, we deem this change to be appropriate for the Authority as there were no significant matters brought to our attention suggesting a lower benchmark percentage was appropriate.</p>
Materiality for Remuneration (Senior Officer) and Exit packages of employees	20,000	<p>We identified senior officer remuneration and termination benefits as disclosures where we will apply a lower materiality level, as they are considered sensitive disclosures to the read of the financial statements. An amendment of £20,000 or more would have a quantitatively and qualitatively material impact on the relevant disclosures in the financial statements.</p>

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05 Progress against prior year audit recommendations

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Progress against prior year audit recommendations (1)

We identified four issues in our 2023-24 audit and five issues from prior year audits which remain in progress. We have followed up these prior year audit recommendations below.

Assessment	Issue and risk previously communicated	Update on actions taken
In progress	<p>Classification between Trade Creditors and Goods Received Not Invoiced (reported in 2023-24)</p> <p>In testing of accruals, we identified two instances where management recognised accruals at 31 March 2024 while the invoices related to these transactions were received a month earlier. As such, these items should have been recognised as trade creditors at 31 March 2024.</p> <p>This misclassification does not impact the bottom line of short-term creditors, but between disclosure lines in Note 21. This error is a result of invoices which were received but not processed and matched to the relevant purchase orders in a timely manner.</p> <p>Risk – Incorrect classification between Trade Creditors and Goods Received Not Invoiced (GRNI), or vice versa, impacts the accuracy of the financial statements. In addition, it can distort financial ratios such as the current ratio and the quick ratio, potentially misleading the readers of the accounts of City Fund’s liquidity position</p> <p>Recommendation – We recommend that management regularly reviews the outstanding invoices to be validated on the system, particularly at year-end, to ensure correct classification of creditors.</p>	<p>Management update</p> <p>Throughout 2024-25 we’ve continued to circulate the monthly PP2P reporting packs to budget holders to minimise or eradicate creditor classification errors in the accounts.</p> <p>Auditor comments</p> <p>We will follow up during our fieldwork visit to assess management’s actions to address our recommendation.</p>
In progress	<p>Statement of Accounts approval (reported in 2023-24)</p> <p>During the review of the accounts, we observed that while the financial statements were approved by the Chamberlain before being published for public inspection, they were not subsequently submitted to the Committee for approval following the end of the inspection period. The Audit and Accounts Regulations mandate that the accounts must be submitted for approval by the finance committee after the inspection period.</p> <p>It is noted that management typically submits the accounts to Finance Committee after the conclusion of the audit. While the Regulations do not specify the exact timing for this approval after the inspection period, it is advisable for management to consider presenting the financial statements to the Committee earlier, especially in cases where the audit process takes longer to complete.</p> <p>Risk – This represents a requirement of the Accounts and Audit Regulations of 2015, and there is a potential risk of management not complying with the Regulations in the future.</p> <p>Recommendation – We recommend that management considers taking the report to the relevant committee earlier than the term of conclusion of the audit. This has proven in the recent years that it can take longer in some cases.</p>	<p>Management update</p> <p>Given that the draft accounts are presented at the July meeting of the Audit and risk Management Committee, and the final accounts at the September meeting; this meets the requirements of the Accounts and Audit Regulations, and no additional occasion is necessary.</p> <p>Auditor comments</p> <p>Auditor to consider management comments, discussing the process and provide an update at a later Audit and Risk Management Committee meeting.</p>

Progress against prior year audit recommendations (2)

Assessment	Issue and risk previously communicated	Update on actions taken
In progress	<p>Lack of formal accounting policy for grant payables (revenue expenditure funded from capital under statute (REFCUS)) based on the date of disbursement following approval (reported in 2023-24)</p> <p>In work performed on REFCUS we inspected a drawdown application for the Museum of London's relocation funding, received in March 2023 but recognised in financial year 2023-24 based on the date of approval and disbursement. While the CIPFA Code does not mandate this, it aligns with the principles, to recognise grant payables when City Fund has a present obligation to transfer economic benefits, and an outflow of resources is probable to settle the obligation.</p> <p>Risk – Without a formal policy, there is risk of inconsistency in the recognition and measurement of grant payables, potentially leading to inaccurate financial reporting and non-compliance with the CIPFA Code principles.</p> <p>Recommendation – We recommend that City Fund develops and documents a formal accounting policy addressing the recognition of grant payables based on the date of approval/disbursement. This policy should be designed to align with the principles and requirements outlined in the CIPFA Code. The policy should provide clear guidance on the criteria for recognising grant payables, the timing of recognition, and the treatment of any conditions.</p>	<p>Management update</p> <p>An accounting policy will be added to the accounts for 2024-25 stating that REFCUS grants payable should be recognized in the financial year that they are paid.</p> <p>Auditor comments</p> <p>We will follow up during our fieldwork visit to assess management's actions to address our recommendation.</p>
In progress	<p>Non-adherence to apportionment set out in the valuation report (reported in 2023-24)</p> <p>We performed detailed mathematical testing on other land and building valuation movements for a sample of assets to ensure accuracy. From testing performed it was noted per the fixed asset register the Information Centre asset was apportioned between land and buildings per the valuation report, as recommended by the City Fund expert valuer. Correct apportionment between land and building aspects is best practice and discrepancies can lead to lack of alignment between the valuation report and asset apportionment in the fixed asset register.</p> <p>Risk – The implication of this non-compliance with apportionment guidelines in the valuation report may result in inaccurate asset values being assigned to cost centres or subjective codes where assets/cost have been categorised as a building instead of land and is incorrectly depreciated in the accounting records, potentially leading to misstated financial information and non-compliance with the CIPFA Code and RICS guidance.</p> <p>Recommendation – We recommend that management ensures that the apportionment of asset values aligns with the guidelines and recommendations provided in the valuation report. This may involve a review of the existing apportionment of assets within the fixed asset register, to ensure all assets reflect the valuation report's recommendations.</p>	<p>Management update</p> <p>The CIPFA Asset manager will be completed along with the manual spreadsheet for 2024-25 and the additional reconciliation between final FAR and Valuations</p> <p>Having a dedicated software system should reduce the chances of errors.</p> <p>Auditor comments</p> <p>We will follow up during our fieldwork visit to assess management's actions to address our recommendation.</p>

Progress against prior year audit recommendations (3)

Assessment	Issue and risk previously communicated	Update on actions taken
In progress	<p>Management of the fixed asset register (reported prior to 2023-24)</p> <p>Several misstatements were identified whilst carrying out detailed testing of PPE and investment property revaluations. The primary cause of the misstatements identified in our revaluations work, arose due to clerical errors made by the capital accountants when recording the revaluations into the fixed asset register (FAR).</p> <p>Recommendation – We recommended that management implements more robust controls through a formalised process of reconciling the FAR and the valuation reports.</p>	<p>Management update</p> <p>The CIPFA asset manager software is due to mirror the FAR spreadsheet in 2024-25, before being the primary source in 2025-26. This will reduce the number of manual spreadsheets & calculations. It will allow us to quickly check for duplications.</p> <p>A formal reconciliation has been implemented between each valuation and the FAR. Unusual changes in valuations are explored with the valuers, but we will ensure explanations for any unusual year to year changes are accompanied with an explanation.</p> <p>Auditor comments</p> <p>We will follow up during our fieldwork visit to assess management’s actions to address our recommendation</p>
In progress	<p>Terms of engagement with external valuers not best practice and RICS compliant (reported prior to 2023-24)</p> <p>Our valuation expert performed a review of the valuation reports prepared by your experts and this review resulted in a control deficiency identified in the fact that City Fund did not ensure that terms of engagement and summary valuation report were prepared in line with RICS standards. This did not result in concerns around the valuation approach and our work but is an observation our valuation expert raised around best practise and compliance with RICS standards.</p> <p>Recommendation – We recommended that management ensure each valuation expert are fully complying with RICS requirement and in confirm Terms of engagement for each valuation undertaken.</p>	<p>Management update</p> <p>The scope of work has been set out in various documentation between City Surveyor and the valuers, provided to the external auditors. In terms of the methodology that has been set out at the start of the contract and will be reissued if this methodology changes.</p> <p>Auditor comments</p> <p>We will follow up during our fieldwork visit to assess management’s actions to address our recommendation</p>

Progress against prior year audit recommendations (4)

Assessment	Issue and risk previously communicated	Update on actions taken
Complete	<p>Community Infrastructure Levy (CIL) income recognition (reported prior to 2023-24)</p> <p>Management did not account for CIL income in line with the CIPFA Code para 2.2.2.8, which requires income to be recognised where CIL is received without outstanding condition This is recognised at the commencement date of the chargeable development in the CIES.</p> <p>Management incorrectly recognised the income at the point in which it is billed, invoiced or the cash is received.</p> <p>Recommendation – We recommended that management develops a robust process to recognise CIL income appropriately. Ensure there is an up-to-date standard operating procedure to in line with prescribed accounting treatment per the Code.</p>	<p>Management update</p> <p>As of 2023-24 the Environment Department and Finance have established clear processes which ensure commencement dates of CIL agreements are communicated allowing CIL income to be accurately reported in accounts via the usage of accruals.</p> <p>Management note that no issues were identified during the 2023-24 audit highlighting the successful implementation of the new process.</p> <p>Auditor comments</p> <p>We did not identify issues during the 2023-24 audit and conclude as complete.</p>
Complete	<p>Debtors/Creditors between the City of London Corporation’s funds (reported prior to 2023-24)</p> <p>We identified instances of cash received in suspense accounts and not cleared down promptly, resulting to debtor balances overstated.</p> <p>Recommendation – We recommended that management routinely reviews suspense codes across the whole organisation, with particular emphasis around year-end and ensure it cleared down to ensure cash balances are reported accurately.</p>	<p>Management update</p> <p>Since this finding in 2022-23 no further findings of this type have been found. We continue to regularly review cash suspense codes to ensure they're fully cleared periodically.</p> <p>Auditor comments</p> <p>We did not identify issues during the 2023-24 audit. However, we will continue to assess management actions taken to address our recommendation as part of the year end field work.</p>

Progress against prior year audit recommendations (5)

Assessment	Issue and risk previously communicated	Update on actions taken
Complete	<p>Related Parties disclosure note preparation process and declaration of interest checks (reported prior to 2023-24)</p> <p>Several variances in the balances disclosed under Note 35 (Related Parties) were identified and declarations of interest were not completed by all members.</p> <p>Recommendation – We recommended that management incorporates a review control over the working paper used to prepare the Related Parties note to ensure that the disclosures in the draft accounts are accurate and complete. Management should also seek to carry out checks of Companies House, on a regular basis for all Members, to ensure that all interests are known to the Corporation.</p>	<p>Management update Management have continued to implement the stringent process from 2023-24 to ensure full engagement with the related parties process is achieved. The process of checking members against companies' house records and peer reviews of working papers will continue for 2024-25 to ensure all related parties are captured in the final disclosure.</p> <p>Auditor comments We did not identify issues during the 2023-24 audit. However, we will continue to assess management actions taken to address our recommendation as part of the year end field work.</p>
In progress	<p>Journal authorisation (Prior year 2021-22 and earlier)</p> <p>We noted that all journals with individual lines >£100k the system retrospectively identifies these Journals, and it is shared with the approver automatically via email for their approval. This is not required where individual lines are<£100k.</p> <p>Recommendation – We recommended that a clearer audit trail is maintained to demonstrate the Journal review process and that this is embedded into finance’s working arrangements.</p>	<p>Management update From 2025-26 onwards management have implemented a centralised log of journals which will demonstrate that all journals >100k have been approved. Management are looking at how the use of SAP can continue to refine this process going forward.</p> <p>Auditor comments This will remain in progress for 2024-25. We will follow up during our fieldwork visit to assess management’s actions to address our recommendation for the new financial year 2025-26.</p>

Progress against prior year audit recommendations (6)

Assessment	Issue and risk previously communicated	Update on actions taken
Complete	<p>Assessment of historical grants received in advance (reported prior to 2023-24)</p> <p>In testing grants received in advance, we identified several grants, primarily s106 agreements, that were still recognised in the financial statements despite being a number of years old. Several of these were greater than 10 years old. The CIPFA Code requires that once conditions have been met for a grant, be it capital or revenue, then the Authority must recognise the grant immediately in the CIES. Commonly with s106 agreements, there are several conditions which are met at different stages over the course of the development build. As such, these grants are often initially held on the balance sheet as a grant received in advance, with income then drawn down as and when conditions are met, usually matching the capital expenditure incurred. The issue with this approach is that often a balance may remain on the balance sheet, even after the agreement expires.</p> <p>Recommendation – We recommend that management regularly reviews all significant grants received in advance, particularly those balances which are greater than 5 years old to identify whether there is any risk of clawback. This should be carried out on an annual basis as a minimum. Management should seek to create an information log to record details on each grant such as whether there is any further work still ongoing on the project, and any outstanding conditions or expressed intentions of clawback from the developer.</p>	<p>Management update</p> <p>Any grants in advance working papers should include risk of clawback and this should be then tracked from year to year, allowing the organisation to then act as appropriate, and act as a log to check conditions. The S106 information on the agreement status is something which the planning team should track, we can make sure that this information is reviewed along with grants received in advance.</p> <p>The conditions for S106 agreements have not been met until the money has been spent or funds returned, but there is ongoing work to ensure that conditions have been met and to identify potential clawbacks from developers</p> <p>Auditor comments</p> <p>We will follow up during our fieldwork visit to assess management’s actions to address our recommendation</p>

06 IT audit strategy

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IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Oracle E-Business Suite	Financial reporting	<ul style="list-style-type: none">Our IT Audit team will perform work to obtain assurance that the ITGCs are designed and implemented effectively.
Altair	Police Pension Fund	<ul style="list-style-type: none">We will report any deficiencies identified, with our recommendations at the completion of the work performed.
Trent	Payroll	<ul style="list-style-type: none">We do not plan to test the operating effectiveness of ITGCs.

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07 Advance audit work

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Advance audit work

Details of work to be conducted at the advance stage:

Description	Work commentary
Fees, charges and other service income	<ul style="list-style-type: none">Request general ledger data for 12 months along with the trial balance and mapping.Select a sample for testing, based on data provided, for management to collate supporting evidence in advance of the final audit visit.
Other service expenses	
Employee expenses	
IFRS 16 – Right of use assets and lease liabilities	<ul style="list-style-type: none">Request listings of starters, leavers and changes in circumstance including employee expenditure not processed via payroll for the year.Select a sample for testing, based on data provided, for management to collate supporting evidence in advance of the final audit visit.Obtain the year-end payroll reconciliation (excluding IAS 19 adjustments) and ensure the amounts in the ledgers can be agreed to monthly payroll reports.Perform substantive analytical procedures for the year disaggregated by month.
Capital additions and other capital items	<ul style="list-style-type: none">Document our understanding of management process to identify leases impacted by IFRS 16.To gain assurance over the completeness of the right of use assets and lease liabilities identified by management, we will review from the 2023-24 general ledger lease payments made and select a sample of lease payments for testing to determine that management have appropriately included the leases in their lease register or equivalent.Select a sample of leases for testing and inspect the current year asset register to ensure the right of use asset is appropriately recognised.Review and reperform calculations to determine the future lease liabilities, using present value calculations, are accurate.
	<ul style="list-style-type: none">Request a listing of capital additions which reconciles to the year-end asset register and general ledger.Select a sample for testing, based on data provided, for management to collate supporting evidence in advance of the final audit visit.Perform asset existence and rights & obligations testing based on the 2024-25 opening balances.

08 Value for Money arrangements

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Value for money arrangements

Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

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Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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



Risks of significant weakness in VFM arrangements

Initial risk assessment of the Authority’s VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this indicative Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024-25. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023-24 Auditor judgement on arrangements	2024-25 risk assessment	2024-25 risk-based procedures
Financial sustainability	A No significant weakness in arrangements identified, but 10 improvement recommendations made, predominantly focussed on reviewing assumptions withing various aspects of the budget, HRA and capital programme to increase accuracy.	Planning and risk assessment work is not yet complete. At the time of reporting, we have not identified risks of significant weakness in any of the criteria areas.	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will continue with our risk assessment procedures and undertake sufficient work to document our understanding of your arrangements as required by the Code. If we identify significant weaknesses during the course of our work, we will communicate these with management and those charged with governance.
Governance	A No significant weakness in arrangements identified, but 7 improvement recommendations made including: maximising the possibility of compliance with the new Procurement Act 2023, ensuring that appropriate assurances are gained from Internal Audit, and prioritising renewal of the Anti-Fraud and Corruption Strategy.		
Improving economy, efficiency and effectiveness	A No significant weakness in arrangements identified, but one improvement recommendation made in relation to contract management.		

- G

No significant weaknesses in arrangements identified or improvement recommendation made.
- A

No significant weaknesses in arrangements identified, but improvement recommendations made.
- R

Significant weaknesses in arrangements identified and key recommendations made.

09 Logistics

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Logistics

The audit timeline



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Key elements

- Assess and determine audit scope, risk factors and materiality
- Planning meeting with management
- Planning requirements checklist to management
- Agree timetable and deliverables with management
- Document key business processes, and assess design and implementation effectiveness of relevant controls
- Agree Audit Plan with management

Key elements

- Review key management judgements and estimates
- Perform early audit sampling on selected balances

Key elements

- Audit teams to complete fieldwork and detailed testing
- Weekly update meetings with management

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Audit Findings issued to Audit & Risk Management Committee
- Audit Findings presentation to Audit & Risk Management Committee
- Auditor’s Annual Report
- Finalise and sign financial statements and audit report

Our team and communications

Grant Thornton core team

Page 201	<div><div>Sophia Brown Key Audit Partner</div><div><ul style="list-style-type: none">• Key contact for senior management and Audit & Risk Management Committee• Responsible for overall audit quality</div></div>	<div><div>Bheki Dlamini Audit Engagement Manager</div><div><ul style="list-style-type: none">• Works with your senior finance team members• Responsible for overall audit management, audit delivery and reporting• Resource management</div></div>	<div><div>Mary Adeson Audit In-charge</div><div><ul style="list-style-type: none">• Day-to-day point of contact• Leads the audit fieldwork</div></div>	<div><div>Sanchit Singh Audit In-charge</div><div></div></div>
	<div><div>Formal communications</div><div><div>Service delivery</div><ul style="list-style-type: none">• Annual client service review</div><div><div>Audit reporting</div><ul style="list-style-type: none">• Audit Plan• Audit progress report and sector updates• Audit Findings• Auditor's Annual Report</div><div><div>Audit progress</div><ul style="list-style-type: none">• Audit planning meetings• Weekly audit progress update• Communication of issues• Audit clearance meeting</div><div><div>Technical support</div><ul style="list-style-type: none">• Technical updates• Chief accountants' workshop</div></div>			
	<div><div>Informal communications</div><div><div>Service delivery</div><ul style="list-style-type: none">• Open channel for discussion</div><div><div>Audit reporting</div><ul style="list-style-type: none">• Communication of audit issues as they arise</div><div><div>Audit progress</div><ul style="list-style-type: none">• General audit matters</div><div><div>Technical support</div><ul style="list-style-type: none">• Notification of up-coming issues</div></div>			

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK-based team. They work as part of the engagement team, reporting directly to Sophia and Bheki and will interact with you in the same way as our UK-based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

Fees and related matters

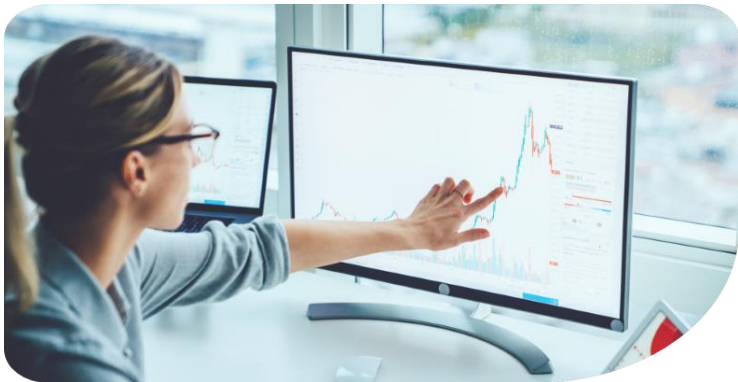
Audit fees

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Updated auditing standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.



Audit fees	2023-24 £	Proposed for 2024-25 £
City Fund audit	340,000	491,570
ISA 240	8,000	n/a
ISA 315	12,000	n/a
Total (Exc. VAT)	360,000	491,570

Assumptions

The total fee for 2024-25 will increase to £491,570. This change reflects the adjustment in audit supply market rates compared to what a similar-sized authority under the PSAA framework contract is charged. Additionally, this fee accounts for the extra work now required under the revised ISA (UK) 315 and ISA (UK) 240, as the previous year's fee was agreed in 2022 and excluded these elements.

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well- presented working papers which are ready at the start of the audit.
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements.
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

2023-24 audit fee

In 2023-24 the audit fee per the contractual agreement was £340,000. Since our appointment in 2022 there were major changes in auditing standards, the revision of ISA (UK) 315 and ISA (UK) 240, requiring additional fees for these areas of work. The final proposed fee for 2023-24, communicated in the 2023-24 audit plan, was £360,000. The final fee charged for 2023-24 was £371,350, which included a charge for additional journals work carried out.

11 Independence considerations

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Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, there are no matters that we are required to report.

FRC Ethical Standard

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. There have been no such breaches to report. We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

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

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

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

12 Communication of audit matters with those charged with governance

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Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence.	●	●
Significant matters in relation to going concern	●	●

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ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Our communication plan	Audit Plan	Audit Findings
Views about the qualitative aspects of the Authority’s accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

13 Delivering audit quality

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Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:



Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.



Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.



Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals.

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Delivering audit quality

Digital differentiation

We are a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

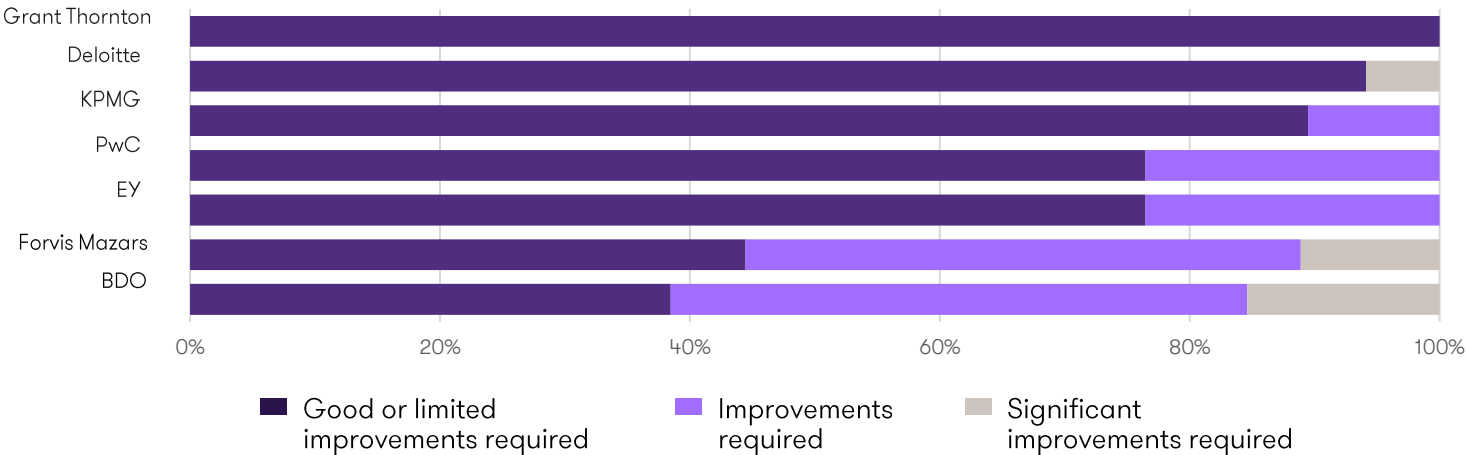
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become issues, we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit quality inspection and supervision inspection
(% of files awarded in each grading, in the most recent report for each firm)



14 Appendices

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Escalation policy



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The Backstop

The Department for Levelling Up, Housing and Communities introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 – Initial communication with the Chamberlain (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Chamberlain to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 – Further reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 – Escalation to Town Clerk & Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Town Clerk & Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding.

Step 4 – Escalation to the Audit & Risk Management Committee (at next available meeting or in writing to Audit & Risk Management Committee within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the Audit & Risk Management Committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

IFRS reporters: New or Revised accounting standards that are in effect

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First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within local government.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters: Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and disclosure in the financial statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement.
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures.
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.



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The Audit Plan for City of London Corporation Pension Fund

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Year ending 31 March 2025

April 2025



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01 Key developments impacting our audit approach

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Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

- The government’s strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:
 - Coordinating the system – including leading the local audit system and championing auditors’ statutory reporting powers;
 - Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
 - Setting the Code of Audit Practice;
 - Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the Ministry of Housing, Communities and Local Government (MHCLG), with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Locally, we completed all prior year pension fund audits ahead of backstop deadlines with unqualified opinions for City of London Corporation Pension Fund.

Key developments impacting our audit approach

National Context

Administration and Governance

The total membership of the LGPS was 6.7 million people. Of this number around one third are active employees who still contribute to the scheme. 71.1% (4.8 million) of all the members of the LGPS are covered by local authorities and other connected bodies, though local authorities and connected bodies represent only 16.5% of employers (with 3,478 employers). In total, there were 21,131 employers covered by the Local Government Pension Scheme at the end of March 2024.

In respect of administration and governance some key matters impacting 2024/25:

The Pension Regulator’s (TPR) General Code of Practice came into effect on 28 March 2024. It replaces Code of Practice 14 for public service pension schemes and brings together ten previous codes into one. The Code provides an opportunity for funds to review current practices but also presents challenges during what is already a busy time for the LGPS.

The Pensions Dashboards Regulations 2022 set out in law the connection to the ecosystem and that maintenance of connection is a legal requirement, it also sets out that schemes must connect to the ecosystem by the ‘connection deadline’ 31 October 2026. To avoid placing undue strain on all parties facilitating connection, the Department for Work & Pensions (DWP) published guidance confirming that public service pension schemes should ‘connect by’ 31 October 2025.

- The regulations implementing the McCloud remedy took effect from 1 October 2023. Statutory Guidance was published in June 2024 and pension funds have, for most members, the period up until a fund’s annual benefit statements for 2024/25 are issued to complete implementation i.e. by the end of August 2025.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Local Context

The total membership of the City of London Corporation Pension Fund (the ‘Fund’) was c. 15,500 people as at the end of March 2024. Of this number around one third are active employees who still contribute to the scheme. In total, there were 11 active employers covered by City of London Corporation Pension Fund at the end of March 2024.

In respect of administration and governance some key matters impacting 2024/25 include:

- The City’s Actuary, Barnett Waddingham (BW), have analysed the TPR’s General Code of Practice to identify if there are any gaps or improvements required in current arrangements. This was reported to the Pensions Committee (in February) and Local Government Pensions Board, and improvements identified are being addressed by the Fund
- The Fund has continued to work through the processes for connecting to the Pensions Dashboard ecosystem and is on track to meet the October 2025 deadline. The rollout was acknowledged in the December 2024 Pensions Scheme – Administrator’s Update. Further updates are scheduled to be made at upcoming committee meetings
- The Fund has continued to implement the McCloud remedy. No significant issues have been encountered. The Pensions Office has implemented the Remedy in respect of active scheme members and all retirements that have occurred since the implementation date (i.e. 1 October 2023) have been processed on this basis. The Pensions Office, in conjunction with each individual Scheme employer, is currently compiling the details of all retirements since April 2014 to assess eligibility and begin the process of re-calculating benefits where appropriate. Active and deferred scheme members must be provided with details by 31 August 2025 and it is expected that all retired scheme member will have been contacted by then

Key developments impacting our audit approach (continued)

National and International Context

Investments and Funding

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Triennial valuations for local government pension funds as at 31 March 2022 (the 2022 valuation) were published in March 2023. These valuations, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. In August 2024 the Government Actuary’s Department (GAD) published its Section 13 report analysing the outcomes of the valuations. GAD noted that funding levels have improved since 2019, however not all funds were in a surplus after the 2022 valuation, with 26 out of 87 being in deficit. In addition, there continues to be considerable variation between funds, with the highest funding level at 154% and the lowest funding level at 67%. This is a wider range than previously reported in the 2019 valuation. The average primary contribution rate to cover future benefit accruals has increased from 18.6% to 19.8% following the 2022 valuations.

At the end of March 2024, the market value of LGPS funds was £391.5 billion, an increase of 9.0% compared to the end of March 2023. Total LGPS income in England and Wales in 2023-24 was £20.7 billion with expenditure of £17.1 billion.

The Fund will be entering the 2025 valuation (as at 31 March 2025) process this calendar year. The valuation will set employer contribution rates for 1 April 2026 through to 31 March 2029. The national and international economic context continue to present challenges for pension funds with a consequential impact on the investments held by pension funds but investment performance and setting stable, affordable contributions for employers will be key factors.

In July 2024 the government launched a Pensions Review of workplace defined contribution pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. This review, Fit for the Future, is being led by the Ministry of Housing, Communities and Local Government (MHCLG). Consultation on the Government’s proposals sought views in three key areas; reforming the LGPS asset pools, boosting LGPS investment in their localities and regions in the UK, and strengthening the governance of both LGPS administering authorities (AAs) and LGPS pools. The consultation closed in January 2025 and outcomes from it are now awaited although we understand that the London CIV has had its proposals for pooling its remaining assets by March next year approved.

In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.

Local Context

The net assets of the City of London Corporation Pension Fund as at the end of March 2024 amounted to £1,495.8m (31 March 2023: £1,375.4m).

- In respect of Investments and Funding some key matters impacting 2024/25 include:
- For City of London Corporation Pension Fund (the ‘Fund’), the 2022 triennial valuation was undertaken by Barnett Waddingham, and showed that the Fund had assets sufficient to cover 98% of the accrued liabilities as at 31 March 2022, which had increased from 90% at the 2019 valuation.
 - Following each triennial valuation, the Government Actuary’s Department (GAD) publish a Section 13 report. This report provides a review or health check of the Local Government Pension Scheme and is mandated under Section 13 of the Public Services Pensions Act 2013. This report went to the September meeting of the Pensions Committee. The City of London Corporation Pension Fund has met all the criteria of the Section 13 valuation although one white flag was raised. The key aim of the review was to ensure that the contributions are set at a suitable level to target 100% funding, over an appropriate period, using suitable assumptions for the fund. There is no requirement to take any action as a result of the white flag, however the Fund may want to think about how it can minimise the risk of any flags being raised following completion of the 2025 valuation.
 - We expect requests to be received from employer body auditors to undertake work on the accuracy and completeness of the information provided to the actuary as part of the 2025 valuation process.
 - During 2024/25 the Fund continued to move assets into London CIV Pool. As at 2024/25 year end, there are 3 new Investments, 2 of which were through the London CIV (level 2) and one Infrastructure Manager (level 3).
 - There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk in relation to management override of controls.

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government and local government pension schemes. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Chamberlain.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team.
- We would like to offer a formal meeting with the Corporate Treasurer and with the Chamberlain/Corporate Treasurer quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to:
 - meet informally with the Chair of your Audit and Risk Management Committee, to brief them on the status and progress of the audit work to date, and
 - In line with best practice, offer to meet in private with the full Audit and Risk Management Committee.
- We will continue to provide you and your Audit and Risk Management Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit and Risk Management Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

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02 Introduction and Headlines

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Introduction and headlines



Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of City of London Corporation Pension Fund (the ‘Fund’) for those charged with governance.

Respective responsibilities

- The National Audit Office (‘the NAO’) has issued the Code of Audit Practice (‘the Code’). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Deed signed on 1 November 2022, which includes our engagement letter.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Fund’s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Risk Management Committee); and we consider whether there are sufficient arrangements in place at the Fund.

The audit of the financial statements does not relieve management or the Audit and Risk Management Committee of their responsibilities. It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Fund’s business and is risk based.

Introduction and headlines (continued)



Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of Level 3 investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £29m (PY £25m) for the Pension Fund, which equates to 2% of your gross investment assets as at 31 March 2024.

We have determined a lower specific planning materiality for the Fund Account of £7.2m (PY £6.4m), which equates to 10% of prior year gross expenditure on the fund account.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1.45m (PY £1.25m).

Audit logistics

Our interim visit took place in February and April 2025 and our final visit will take place in July–September. Our key deliverables are this Audit Plan, Auditor's Report and our Audit Findings Report.

Our proposed fee for the audit is £95,000 (PY: £49,200) for the Fund, subject to the Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

Our understanding is that the Custodian does not independently value the Pension Fund's Investments, meaning we are not able to triangulate valuations included in the financial statements to investment manager and custodian confirmations for these investments. As a result, we carry out further audit procedures to gain assurance over the valuations of these investments.

The fund holds no Level 1 investments.

For Level 2 investments we will agree these to available market information where available and we will supplement this with other information (e.g. the financial statements for pooled property funds) where market information is not readily available.

See page 14 for further details regarding our approach to auditing the valuation of Level 3 Investments.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we, as a Firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

03 Identified risks

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Significant risks identified

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

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Management override of controls <div>Significant</div>	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: <ul style="list-style-type: none">• Review of accounting estimates, judgements and decisions made by management• Testing of journals entries• Review of unusual significant transactions• Incorporate an element of unpredictability into our audit procedures

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“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	<p>We have identified and completed a risk assessment of all revenue streams for the Fund. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition;• opportunities to manipulate revenue recognition are very limited; and• the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p>	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	<p>We have identified and completed a risk assessment of all expenditure streams for the Fund. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate expenditure recognition;• opportunities to manipulate expenditure recognition are very limited; and• the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p>	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
<div>Valuation of Level 3 Investments</div> <div>Significant</div> <div>Relevant Assertion(s)</div> <div>Valuation, Existence</div> <div>Applicable Assertion(s)</div> <div>Rights & Obligations, Presentation</div> <div>Planned level of control reliance</div> <div>None</div>	The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.	By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant accounting estimate by management in the financial statements due to the size of the balance (£221.8m as at 31 March 2024) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of Level 3 investments as a significant risk.	<div>We will:</div> <ul style="list-style-type: none">• Evaluate management's processes for valuing Level 3 investments;• Obtain and review the audited financial statements of the investment accounts, where these are at a different reporting date to the Fund's financial statements the valuations will be compared accounting for cashflows;• Obtain and review the corresponding investment manager report as at the investment accounts and the Fund accounts reporting dates where appropriate;• Review purchase and sale transactions of the investment near the reporting date where appropriate;• Review the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts;• Review management's classification of the assets;• Obtain and review investment manager service auditor report on design and operating effectiveness of internal controls where appropriate.

Other risks identified

Other risks are, in the auditor's judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an 'other risk' is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
<p>Valuation of Level 2 Investments</p> <p>Significant class of transactions</p> <p>Relevant Assertion(s) Existence, Valuation</p> <p>Applicable Assertion(s) Rights & Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>Level 2 investments do not carry the same level of inherent risks associated with level 3 investments, however there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. These assets represent a class of transaction in the financial statements due to the size of the balance (£1,262m as at 31 March 2024). As a result, the valuation of the Fund's Level 2 investments have been identified as 'other risk' of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Agree the valuation to the confirmation received from the investment manager; • Agree the valuation back to quoted prices at year-end where available; • Compare the valuation to purchase and sale transactions near the reporting date (where appropriate); • Review the guidelines under which the investment has been valued (where appropriate); • Obtain and review a service auditor's report on internal controls for the investment manager; • Review management's classification in the fair value hierarchy for a sample of level 2 investments; • Carry out more detailed testing where the planned procedures do not provide sufficient assurance.
<p>Actuarial Present Value of Promised Retirement Benefits disclosure – IAS 26</p> <p>Significant class of transactions</p> <p>Valuation</p> <p>Applicable Assertion(s) Presentation</p> <p>Planned level of control reliance None</p>	<p>The disclosure of the Fund's Actuarial Present Value of Promised Retirement Benefits is an accounting estimate (net liability of £40.8m as at 31 March 2024) and is sensitive to changes in key assumptions. The Pension Fund engage the services of a qualified actuary to develop an IAS 26 compliant estimate of the disclosure. As a result, the disclosure of the Fund's Actuarial Present Value of Promised Retirement Benefits have been identified as 'other risk' of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Update our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated; • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • Assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • Test the consistency of disclosures with the actuarial report from the actuary; and • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Other risks identified (continued)

Other risks are, in the auditor's judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an 'other risk' is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Cash and cash equivalents Significant class of transactions Relevant Assertion(s) Completeness, Existence Applicable Assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the Net Asset Statement.	We will: <ul style="list-style-type: none"> Obtain direct confirmations for all bank accounts Obtain monthly bank reconciliations as at the year-end and for one month post year-end, and Where material, reconciling items will be tested to confirm clearance through the bank account after the year-end
Pension benefits payable Significant class of transactions Relevant Assertion(s) Accuracy Applicable Assertion(s) Completeness, Occurrence, Presentation Planned level of control reliance None	Pension benefits payable represents a significant percentage of the Fund's expenditure.	We will: <ul style="list-style-type: none"> evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; gain an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls; test a sample of lump sums and associated individual pensions in payment by reference to member files; and test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.
Contributions receivable Significant class of transactions Relevant Assertion(s) Completeness Applicable Assertion(s) Accuracy, Occurrence, Presentation Planned level of control reliance None	Contributions from employers and employees represents a significant percentage of the Fund's revenue.	We will: <ul style="list-style-type: none"> evaluate the Fund's accounting policy for recognition of contributions for appropriateness; gain an understanding of the Fund's system for accounting for contribution income and evaluate the design effectiveness of the associated controls; test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained.

Other risks identified (continued)

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an ‘other risk’ is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Financial instrument disclosures	Financial instrument and associated risk disclosures provide assisting users in understanding and evaluating:	We will:
Significant class of transactions		
Relevant Assertion(s)		
Accuracy		
Applicable Assertion(s)		
Completeness, Presentation		
Planned level of control reliance		
None	<ul style="list-style-type: none">• The significance of financial instruments to the entity’s financial position and performance.• The nature and extent of risks from financial instruments during, and at the close of, the reporting period.• How the Fund manages these risks.	<ul style="list-style-type: none">• Update our understanding of the processes and controls put in place by management to prepare the financial instrument disclosures• Document and evaluate the Fund’s accounting policies for appropriateness and consistency• Evaluate the instructions issued by management to their management expert/information provider for these disclosures• Test the consistency of disclosures with the actuarial report from the actuary;• For all material financial instrument disclosures confirm they are disclosed in accordance with IFRS 7, measured in accordance with IFRS 9 and classified in accordance with CIPFA guidance on IFRS 9 Financial Instruments

Other matters

Other work

The Pension Fund is administered by City of London Corporation (the 'Corporation'), and the Pension Fund's accounts form part of the Corporation's financial statements.

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read any other information published alongside the Corporation's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.

We consider our other duties under legislation and the Code, as and when required, including:

- Giving electors the opportunity to raise questions about your 2024/25 financial statements, consider and decide upon any objections received in relation to the 2024/25 financial statements;
- Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
- Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
- Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

04 Our approach to materiality

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Our approach to materiality

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

Matter	Description	Planned audit procedures
01	Determination We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements	<ul style="list-style-type: none">We determine planning materiality in order to:<ul style="list-style-type: none">establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statementsassist in establishing the scope of our audit engagement and audit testsdetermine sample sizes andassist in evaluating the effect of known and likely misstatements in the financial statements.
02	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements	<ul style="list-style-type: none">An item may be considered to be material by nature when it relates to instances where greater precision is required.Additionally, there may be items which we feel would benefit from a lower specific materiality for those account balances (e.g. the Fund Account). Details of lower specific materialities applied can be found on the next page.
03	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process	<ul style="list-style-type: none">We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	Matters we will report to the Audit and Risk Management Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Risk Management Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	<ul style="list-style-type: none">We report to the Audit and Risk Management Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.In the context of the Fund, we propose that an individual difference is clearly trivial if it is less than £1.45m (PY £1.25m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Management Committee to assist it in fulfilling its governance responsibilities.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality

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

	Amount (£)	Qualitative factors considered
Headline materiality for the Fund’s financial statements	29,000,000	<ul style="list-style-type: none">• The Fund’s portfolio is primarily level 2 assets, for which market data is available for audit purposes. Prior period experience noted limited findings with no adjusted or unadjusted misstatements raised in relation to the net assets statement.• Headline Materiality for planning equates to 2% of your gross investment assets as at 31 March 2024.
Specific Materiality for Fund Account The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied.	7,230,000	<ul style="list-style-type: none">• The contribution and benefit structures of the Fund are not complex as there are only 20 employers in the scheme, of which the corporation itself represents 92% of active members and of beneficiaries receiving a pension.• Materiality for the Fund Account for planning equates to 10% of gross expenditure (in the fund account) as at 31 March 2024.



05 Progress against prior year audit recommendations

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Progress against prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Fund’s financial statements, which resulted in three recommendations being reported in our 2023/24 Audit Findings Report. We are pleased to report that management have implemented one our recommendations and that the remaining two recommendations are in progress.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	<p>Journals authorisation</p> <p>The predecessor auditor identified that there is no evidence retained in management’s review of the journals. For all journals where individual lines are over £100k, this is flagged retrospectively by the system provider and shared with the approver automatically via email for their approval.</p> <p>As of 2023/24, we were still unable able to obtain documentation to confirm the implementation of this control where the approver has confirmed their authorisation of the journal lines. We recommend that this control is documented by the approver for a clear audit trail.</p> <p>This audit finding for the pension fund is consistent with the City of London Corporation.</p>	<p>The Strategic Finance Team have developed a SharePoint journal log with an approval workflow. The log requires the preparer of the journal to add information in relation to the journal and attach working papers as evidence for the values. This process is currently in its test phase and the aim is for this to be rolled out to all journal preparers/ approvers for the 2025/26 financial year.</p>
Addressed	<p>Lack of formal documentation in Altair user access provisioning processes</p> <p>During the audit, we noted that the Altair user access request required notification to and approval by the Pension Manager. However, the process was not documented.</p> <p>Risk</p> <p>Documentation provides accountability by establishing a clear trail of who requested access, who approved it, and when it was granted. Without this documentation, accountability and transparency in access management processes are compromised.</p> <p>User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.</p>	<p>The Administration Policy has been expanded to establish & implement formal policies & procedures to document any changes made to the Pensions Software (Altair) system. This updated policy went to the Pensions Committee as an agenda item in February 2025.</p>
In progress	<p>Journal authorisation timeliness</p> <p>During the audit, we noted that there is no defined timeline for sending follow-up emails for approvals or for receiving formal approval of journal entries.</p> <p>Risk</p> <p>Timeliness of journals authorisation enables the appropriate detection and correction of errors to be addressed in a timely manner.</p>	<p>As part of the SharePoint journal log referenced above, a check will be undertaken to ensure all authorisations have been actioned in a timely manner.</p>

06 IT audit strategy

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IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

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application	Audit area	Planned level IT audit assessment
General Ledger-Oracle E-Business Suite	Financial reporting	ITGC assessment (design and implementation) prepared by our IT Audit team in conjunction with the City of London Corporation's (administering authority) general ledger. Noting that the Oracle E-Business Suite system is hosted by the City of London Corporation's and used by the City of London Corporation Pension Fund.
Pension Administration System - Altair	Member Data	ITGC assessment (design and implementation) prepared by our IT Audit team



07 Logistics

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Logistics

The audit timeline

Key Dates

Year end:	Audit and Risk Management Committee:	Pensions Committee:	Audit and Risk Management Committee:	Audit and Risk Management Committee:	Target Sign off:	Pensions Committee:
31 March 2025	12 May 2025	7 July 2025	14 July 2025	15 September 2025	16 September 2025	22 September 2025

Audit phases:

Planning –
February to May 2025

Final –
July-August 2025

Completion –
September 2025

Key elements

- Planning meeting with management to set audit scope
- Agree timetable and deliverables with management and Audit and Risk Management Committee
- Issue the Audit Plan to management and Audit and Risk Management Committee
- Planning meeting with Audit and Risk Management Committee to discuss the Audit Plan (12 May 2025)
- Planning meeting with Pensions Committee to discuss the Audit Plan (7 July 2025)
- Document design effectiveness of systems and processes

Key elements

- Audit teams onsite to complete fieldwork and detailed testing
- Weekly update meetings with management
- Issue Audit progress report and sector update to management and Audit and Risk Management Committee

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Audit Findings issued to Audit and Risk Management Committee and Pensions Committee
- Audit Findings presentation to Audit and Risk Management Committee (15 September 2025)
- Audit Findings presentation to Pensions Committee (22 September 2025)
- Finalise and sign financial statements and audit report

Our team and communications

Grant Thornton core team

Grant Patterson
Engagement Lead/
Key Audit Partner



Jasmine Kemp
Audit Manager



Ronojit Dasgupta
Audit Senior / In-charge



- Key contact for senior management and Audit and Risk Management Committee
- Overall quality assurance

- Audit planning
- Resource management
- Performance management reporting

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none">• Client Surveys	<ul style="list-style-type: none">• The Audit Plan• Audit Progress and Sector Update Reports• The Audit Findings• Auditor’s Annual Report	<ul style="list-style-type: none">• Audit planning meetings• Audit clearance meetings• Communication of issues log	<ul style="list-style-type: none">• Technical updates
Informal communications	<ul style="list-style-type: none">• Open channel for discussion		<ul style="list-style-type: none">• Communication of audit issues as they arise	<ul style="list-style-type: none">• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

08 Fees and related matters

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Our fee estimate

Our estimate of the audit fees we will charge is set out in the table below, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Description	Audit Fee for 2023/24	Proposed fee for 2024/25
	(£)	(£)
City of London Corporation Pension Fund Audit	39,500	95,000
IAS 19 letters**	2,200	1,100
Other*	7,500	0
Total (Exc. VAT)	49,200	96,100

*Note that fees for other audit work required as part of the engagement are now subsumed within the main audit fee for 2024/25

**In prior year audit our IAS19 assurance requests were from Museum of London (MoL) and the City Bridge Fund and City Cash auditor (Crowe) requested access to our files through to review the work on co-mingled asset valuations.

Whilst the City of London Corporation Pension Fund audit is outside of the PSAA contract, it is performed under the NAO's Code of Audit Practice. The NAO's Auditor Guidance Notes (AGNs) set out guidance to which local auditors must have regard under Section 20(6) of the Act. The guidance in AGNs supports auditors in meeting their requirements under the Act and the Code of Audit Practice published by the NAO on behalf of the C&AG.

Para 32 of AGN 07 notes “ the provision of IAS 19 assurances to auditors of relevant authorities under the Act and in accordance with the protocol should be considered work undertaken under the Code of Audit Practice. Arrangements for provision of assurances to auditors of other admitted bodies should be considered by auditors in accordance with their firm’s policies on such matters.”

In the prior year, our audit fee included £7,500 to support assurances and file sharing for the for the City Bridge Foundation and City’s Estate audit which would therefore be considered audit work under the Code.

As the MoL is not a body audited under the Code and as the IAS 19 work would not be required to support the audit of the Fund itself, it will continue be treated as an audit related non-audit service (£1,100). The £1,100 does not exceed the audit fee.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made while preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Wider public sector audit market

In preparing our fee estimate, we have evaluated the Funds proposed audit fee againstt benchmarks such as PSAA fees in the wider market and we have evaluated the actual hours required to undertake the audit in 2023/24.

09 Independence considerations

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Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, we disclose that there are no matters that we are required to report.

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. In this context, we disclose that there are no matters that we are required to report.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund and/or Administering Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund and/or Administering Authority or investments in the Fund and/or Administering Authority held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund/Administering Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	Grant Thornton UK LLP have been appointed as the London CIV 's new auditor. The London CIV are a LGPS asset pool for which the City of London Corporation Pension Fund are one of the 32 Shareholders. We are satisfied that this does not impact upon our independence. Grant Thornton UK LLP will be moving London Offices in 2025/26. The new office will be within the City Of London Corporation boundaries and business rates will be payable. As these are a statutory tax, we are satisfied that there is no impact upon our independence.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund's and/or Administering Authority's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration, we can confirm that we are independent at planning and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The following tables below sets out the non-audit services charged for 2024/25, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Fund’s policy on the allotment of non-audit work to your auditor

None of the below services were provided on a contingent fee basis.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to City of London Corporation Pension Fund. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fee, as detailed below.

Grant Thornton UK LLP also acts as the statutory auditor of the administering authority. The fees for the audit and non-audit services charged for this entity are reported in its Audit Plan. We consider that such services and fees do not impair our independence.

Page 249 Assurance Service Fees

Service	£	Threats Identified	Safeguards applied
Audit Related Assurance			
IAS19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice	1,100 per letter	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee for this work is £1,100 in comparison to the total proposed fee for the audit of £108,250 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	1,100		

This covers all services provided by us and our network to the Fund, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

10 Communication of audit matters with those charged with governance

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Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Delivering audit quality

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

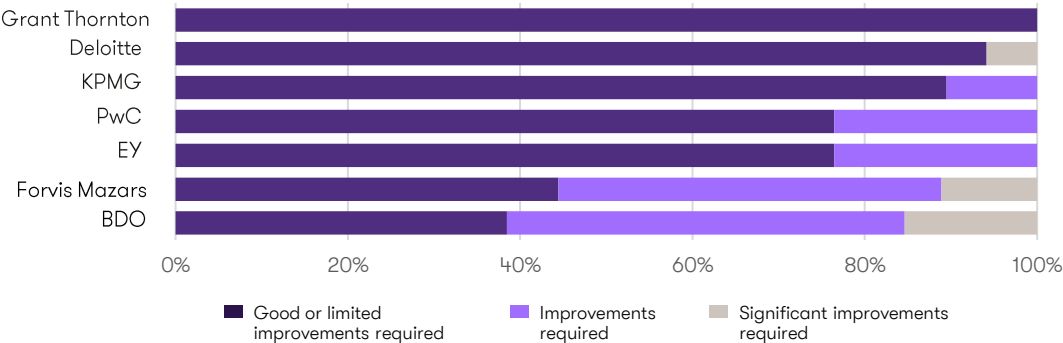
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



12 Appendices

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Escalation Policy



The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit and Risk Management Committee (at next available Audit and Risk Management Committee meeting or in writing to Audit and Risk Management Committee Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the Audit and Risk Management Committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 - Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

IFRS reporters New or revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within Local Government. It is not expected to have a significant impact on pension fund accounts and auditors.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from 1 April 2025.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

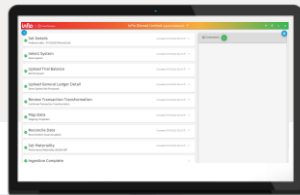


02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

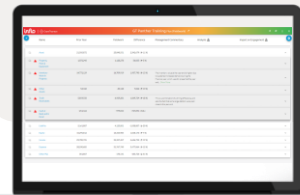


03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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Informing the audit risk assessment for City of London Corporation – City Fund 2024/25

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between City of London Corporation - City Fund's external auditors and City of London Corporation - City Fund's Audit and Risk Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where they are required to make inquiries of the Audit and Risk Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Risk Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Risk Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Risk Committee and supports the Audit and Risk Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of their risk assessment procedures, the auditors are required to obtain an understanding of management processes and the Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas asked by the auditors which we the City of London Corporation - City Fund's management have responded to. The Audit and Risk Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2024/25?	The last few years have been very challenging with global events impacting the wider economy. Inflation has been a growing issue and has been the single biggest driver of external pressures the Corporation has faced. Although inflation rates have now fallen price increases are now embedded in a number of areas. In addition, the City Corporation is undergoing its own period of significant change in response to these events and its ambition to deliver on key priorities such as its move to net zero and support to major capital projects.
2. Have you considered the appropriateness of the accounting policies adopted by City of London Corporation - City Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	The City Fund accounts are prepared in accordance with proper accounting practices as required by the Accounts and Audit Regulations 2015. This comprises the Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS). Accounting policies are reviewed as part of the preparation of the accounts. The key change coming into effect in 24/25 is the implementation of the updated rules around IFRS16- Leases it is anticipated that this will result in a material addition to the balance sheet.
3. Is there any use of financial instruments, including derivatives? If so, please explain	City Fund is invested in money market funds
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	CoL has entered into a guarantee contract for the Police ICT Company – as a national body supporting all forces with ICT services. This guarantee is limited to £28k.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by City of London Corporation - City Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	See legal fees breakdown provided on separate audit request

General Enquiries of Management

Question	Management response
9. Have any of City of London Corporation - City Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	The Corporate fraud register will be provided. Confirmation of non-compliance with laws and regulations has been provided via the Comptrollers and City Solicitor. We are not aware of any uncorrected misstatements that would have a material impact on the financial statements.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The City commission several valuation experts to conduct the valuation of their operational and investment property. These are Gerald Eve, Knight Frank, JLL and Savills. The City Corporation commission Barnet Waddingham to conduct its actuarial valuations including IAS19. We use Analyse Local to support our appeal provision calculation.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Assessment of expected credit losses are made on all non-statutory account debtors as per the requirements. Provisions are made based on backward and forward looking factors. Bad debt provision calculations have been provided as part of the audit pack.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditor responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Risk Committee and management. Management, with the oversight of the Audit and Risk Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Risk Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

The City of London Corporation - City Fund's external auditor, are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. They are required to maintain professional scepticism throughout the audit, consider the potential for management override of controls.

As part of the auditor's audit risk assessment procedures, they are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Risk Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

The auditors need to understand how the Audit and Risk Committee oversees the above processes. They are also required to make inquiries of both management and the Audit and Risk Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions together with the City of London Corporation - City Fund's management responses.

Fraud risk assessment

Question	Management response
<p>1. Has City of London Corporation - City Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>Reliance is placed on the controls in place to prevent fraud e.g. systems/processes/financial monitoring/procurement practice etc and any concerns would be flagged to the Chamberlain and Audit and Risk committee, which would be factored into the financial statements preparation.</p> <p>Any actual or suspected fraud cases are recorded on the INCASE 365 system.</p> <p>Internal Audit has provided independent and objective assurance across a range of City Corporation activities and services through delivery of a continuous programme of Internal Audit reviews. The programme of Audit work has been managed proactively throughout the year in accordance with the Public Sector Internal Audit Standards and with the engagement and support of the Audit and Risk Management Committee considering the risk profile of the organisation and the resources (capacity and capability) available.</p> <p>The Head of Internal Audit has provided an annual opinion stating that the City has adequate and effective systems of internal control (which includes governance arrangements) in place to manage the achievement of its objectives. This is informed by completed Audit work, discussion with key officers and observation of the governance process in operation.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>See response to Q5 on the following page.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within City of London Corporation - City Fund as a whole, or within specific departments since 1 April 2024? If so, please provide details</p>	<p>All frauds, whether actual or suspected are recorded on INCASE365.</p>

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	<p>Biannual counter fraud and investigation reports delivered to the Audit & Risk Management Committee.</p> <p>Corporate risk report as standard item at each meeting of the Audit & Risk Management Committee, departmental and service level risk registers reported to the relevant committees.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within City of London Corporation - City Fund where fraud is more likely to occur?</p>	<p>Yes – those areas where there is an inherent risk of fraud, despite having a sound control framework, the risks of human fraud or error can still exist.</p> <ul style="list-style-type: none"> • Housing allocations and rents (HRA properties) • AP (Mandate) • Social care (Direct Payments) <p>All frauds, whether actual or suspected are recorded on the corporate fraud register.</p>
6. What processes do City of London Corporation - City Fund have in place to identify and respond to risks of fraud?	<p>Fraud risks are considered as part of each internal audit assignment, with appropriate testing undertaken to assess the scale of the fraud risks in that service.</p> <p>IA's counter fraud team consider fraud risks as part of corporate fraud investigation activity and these are reported as appropriate to management, with recommendations made as appropriate to improve the control framework.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for City of London Corporation - City Fund, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Delivery of a programme of Internal Audit work, this incorporates assurance work reviewing controls within key financial systems as well as a risk based programme of activity (the approach to the latter still focusses on the adequacy of the Internal Control environment). Segregation of duties is built into many of our existing processes, often driven/enforced by the design and implementation of our IT systems.</p> <p>The effectiveness of the system of internal control is based upon review and analysis of completed Internal Audit work and other relevant information that the Head of Internal Audit becomes aware of. This is a judgement/opinion based assessment so does not follow a specific process.</p> <p>Refer to the Head of Internal Audit Annual Opinion report to Audit and Risk Management Committee to identify risk areas from absent/weak internal controls. Mitigating actions are usually to implement /improve the controls identified as weak.</p> <p>There are also some effective 2nd line controls, for example in relation to procurement, we also make use of the NFI and more recently the London NFI fraud hub.</p> <p>There is always the potential for override or inappropriate influence, some of the City Corporation's financial arrangements are complicated, that said, Internal Audit work has not identified any specific instances.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Not to our knowledge.</p>

Fraud risk assessment

Question	Management response
<p>9. How does City of London Corporation - City Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>Both the Corporate Anti-Fraud & Corruption Strategy and the new Speak Up Policy provide confidential routes for staff to report any fraud concerns to the Internal Audit & Counter Fraud division for consideration of further investigation. A mandatory fraud awareness eLearning package is in place to raise staff awareness of fraud risks and acts as a reminder to staff about what risks they need to report. This eLearning is repeated periodically for staff employed in high fraud risk areas, such as housing, benefits, accounts payable etc.</p> <p>A mandatory cyber ninja training course has recently been launched with the aim of mitigating cyber enabled fraud risks.</p> <p>Staff are encouraged to report any concerns they may have, these are triaged by the Internal Audit & Counter Fraud division upon receipt with appropriate action taken.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Posts where there is an inherent risk of fraud through misappropriation of funds or the City's assets. These include, finance, cashiers, AP, payroll, benefits, revenues, social care (DP) and housing teams.</p> <p>Staff in high risk posts are required to submit a declaration of interest return on an annual basis to their Chief Officer, any third party interests are considered on the basis of the risks posed and appropriate safeguards put in place.</p> <p>The mandatory fraud awareness eLearning training is repeated periodically for staff employed in high fraud risk posts, with face to face training biennially .</p> <p>Fraud risk workshops have commenced with departments and teams where there is an inherent risk of fraud, and these will result in 'live' fraud risk registers detailing the risks and controls in place to mitigate the risks of fraud. Where weaknesses are identified from the fraud risk workshops, the Counter Fraud team will seek to support management in identifying measures to mitigate these weaknesses.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>Self declaration of conflicts of interests/ third party interests expected to be reported by Chief Officers and Members.</p> <p>The City utilises the NFI AppCheck as part of its recruitment checks to see if staff have a third party interest (recorded within NFI data) that may impact their duties at CoL. Scope exists to use AppCheck periodically for high risk posts but not known if this is being done holistically at present.</p> <p>Testing through the NFI biennial exercise – employees to Companies House data matching, The CoL is signed up to the NFI fraud hub, meaning more regular data matching of staff data to Companies House data.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit and Risk Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Audit & Risk Management Committee (ARMC) receive an annual counter fraud & investigation report to its July 2025 committee and a half yearly report to its November committee.</p> <p>The Committee also receives regular updates on follow up work and has the power to hold officers to account, through calling management to committee to explain why any recommendations have not been implemented.</p> <p>Overall arrangement for reporting and responding to recommendations has been positive and not required further intervention by ARMC.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Details of the disclosures raised under the whistleblowing procedure, along with the outcome of any investigation undertaken during 2024/25 can be found in the 2024/25 disclosure register.</p> <p>All disclosures raised under the Speak Up channels are reported to the Audit & Risk Management Committee for oversight, along with a redacted summary of the outcome.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires the auditors to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Risk Committee, is responsible for ensuring that City of London Corporation - City Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

The auditors are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, auditors' the appropriate legal and regulatory framework. As part of the auditors risk assessment procedures they are required to make inquiries of management and the Audit and Risk Committee as to whether the body is in compliance with laws and regulations. Where they become aware of non-compliance or suspected non-compliance they are required to gain an understanding of the non-compliance and the possible effect on the financial statements.

The auditors risk assessment questions have been set out below together with managements responses.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does City of London Corporation - City Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>Management and Committee reporting arrangements. See annual governance statement.</p> <p>Keep relevant laws and regulations under review – focus on changes in liaison with Comptroller and City Solicitor's department. The Comptroller and City Solicitor, is responsible for providing all legal services required by the City of London. This includes providing legal advice to Committees, Departments of the City, to the Commissioner of Police for the City, and to other organisations for whom the Comptroller & City Solicitor is required to act as legal adviser (e.g. the Museum of London).</p> <p>No</p>
<p>2. How is the Audit and Risk Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The City Corporation has established formal Risk Management arrangements which include the development and maintenance of corporate, departmental, and service risks, their regular review by departmental senior management, through the Chief Officer Risk Management Group, and reported to the relevant Grand/Service Committee. These arrangements are subject to annual review by the Audit and Risk Management Committee and have continued to operate effectively.</p> <p>The Audit and Risk Management Committee continue to play an important and integral part in ensuring that our most important risks were reviewed through regular risk updates and deep dives of corporate risks on a rolling basis. The Committee also continued to operate the Informal Risk Challenge process, meeting with Chief Officers individually to evaluate their approach to managing risk within their operations.</p> <p>See Risk Management Policy and Strategy for further details</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2024 with an on-going impact on the 2024/25 financial statements? If so, please provide details</p>	<p>Not as far as we are aware</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>Not of a material nature</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does City of London Corporation - City Fund have in place to identify, evaluate and account for litigation or claims?	<p>See response to Q2 on previous page.</p> <p>In addition, confirmation is required from each Chief Officer that events after the balance sheet date and contingent liabilities/outstanding claims have been considered, with details of any material items or a nil return being provided.</p>
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	Not as far as we are aware

Related Parties

Matters in relation to Related Parties

City of London Corporation - City Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by City of London Corporation - City Fund;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Authority, or of any body that is a related party of the Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Authority's perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK) 550 requires the auditors to review managements procedures for identifying related party transactions and obtain an understanding of the controls that we have established to identify such transactions. The auditors will also carry out testing to ensure the related party transaction disclosures we make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in City of London Corporation - City Fund's 2024/25 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and City of London Corporation - City Fund whether City of London Corporation - City Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>Members have agreed to disclose all related party transactions of £10k to ensure transparency so our disclosures go above the strict accounting requirement. The disclosure in the accounts makes clear the movements from the previous year.</p>
<p>2. What controls does City of London Corporation - City Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Members are required to complete these disclosures as part of their role. Related parties linked to roles obtained through the Corporations are included by default.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The Corporation does not operate single member decision making so all decisions are routed through the committee system. All procurement activity follows procurement rules which would usually result in a tender or approved framework being utilised with a transparent selection process.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Whilst delegation limits are in place for Officers to action transactions most if not all significant transactions would be routed through a committee process. An audit trail of approvals will be required in order for payments to be processed.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for public sector bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by City of London Corporation - City Fund will no longer continue?	The organisation undertakes regular in-year budget and risk monitoring and produces a medium-term financial plan as part of the budget setting process each year to ensure resources are allocated effectively to ensure statutory services are able to continue.
2. Are management aware of any factors which may mean for City of London Corporation - City Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
3. With regard to the statutory services currently provided by City of London Corporation - City Fund, does City of London Corporation - City Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for the Authority to cease to exist?	The City of London Corporation expects continued delivery of these services.
4. Are management satisfied that the financial reporting framework permits City of London Corporation - City Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty or require significant judgement.

Specifically do Audit and Risk Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We, management would ask the Audit and Risk Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates – General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	These are reviewed and disclosed in note 2 of the accounts. Potential areas include pension liability, PPE, asset valuations and arrears.
2. How does the Authority's risk management process identify and address risks relating to accounting estimates?	<p>The City of London Corporation is committed to ensuring risk management is utilised in every aspect of the organisation to drive efficiency, innovation and effectiveness in its overall decision-making process.</p> <p>The Corporate Risk Register contains the City Corporation's most significant risks and is reviewed by the Executive Leadership Board (chaired by the Town Clerk) before being reported to the Audit and Risk Management Committee on a quarterly basis.</p> <p>Each department has a nominated risk coordinator who can provide support and guidance to officers and managers on risk management.</p> <p>The Risk Management Forum, chaired by the Chief Strategy Officer's Corporate Risk Manager, enables risk coordinators and risk management leads discuss and understand strategic and operational elements of risk management, including the review, development and engagement of managing risks within the City Corporation.</p>
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	These are largely driven by technical reporting requirements as set out but professional bodies (RICS and IAS etc). CoL does maintain some level of internal expertise like property specialists, accountants, those operating within the pension field etc to support the process. In relation to NNDR appeals the use of external experts provides us with a wider view of the evolution within this area and our position as the second largest business rate authority means we have close contact with Govt and other large business rate areas (like Westminster) to understand potential changes. Judgements on the recoverability of arrears are reviewed each year to ensure they appropriately capture the risk around this.
4. How do management review the outcomes of previous accounting estimates?	Many of these areas are constantly evolving and therefore these estimates only reflect a point in time. Previous years values form the starting point against current year estimates will be measured, and understanding key movements is critical to understanding how positions may have evolved.
5. Were any changes made to the estimation processes in 2024/25 and, if so, what was the reason for these?	No.

Accounting Estimates – General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	These are largely focused on the key areas of estimation which are material to the accounts requiring specialist training in making assessment (e.g. property and actuarial valuations) or where access to specialist knowledge provides support and advice when linking into the estimations process (e.g. NNDR provisions). Where specialised skills or knowledge are not available internally, the Corporation utilises interim staff or consultants to ensure that the required skills are accessible.
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	<p>All external advice is subject to review processes where information provided is challenged to ensure it is robust and any movements are understood. For valuations, formal challenge sessions are held with our internal property experts and then further challenge is made by our capital accountants if there are any valuations that are flagged as outliers. The pension valuations are largely formulaic but we do ensure that significant movements between years are understood with additional disclosures included if necessary. NNDR appeals are subject to review by the Head of Revenues and the collection fund accountant. Bad debt provisions are viewed by the relevant head of finance and service leads to ensure a reasonable position is reached.</p> <p>Note in the case of external experts the base data used to produce these estimates is provided by CoL so we ensure these remain robust.</p>
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	See response to Q7 above.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	See response to Q7 above.

Accounting Estimates – General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	These are established processes which are supported by external advice adhering to professional standards
12. How is the Audit and Risk Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The Audit Committee are aware of any prior audit issues raised with accounting estimates and are informed of changes made to address these issues. Briefing sessions are held on the accounts prior to sign off which enables Members (within and outside of the committee) to challenge the approach to any aspect of the accounts. Members appoint senior staff within Chamberlain's with appropriate skills and qualifications to provide the relevant assurance around the statement of accounts. The audit committee also maintains 3 independent members with appropriate skills and experience to provide challenge to all elements of the audit committee remit including the approval of the statement of accounts.

Appendix A – Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	External RICS valuations	Passing over of data by CoL to base valuations on, review meetings to discuss valuations, further challenge by capital team on valuation report.	Yes	Valuations are inherently uncertain due to the nature of the valuation process as individual valuers make judgements in forming a valuation.	No
Authority dwelling valuations	Internal valuer using beacon methodology	Qualification of valuers, training, peer review	Internal qualified valuers	Valuations are inherently uncertain due to the nature of the valuation process as individual valuers make judgements in forming a valuation.	No
Investment property valuations	External RICS valuations	Passing over of data by CoL to base valuations on, review meetings to discuss valuations, further challenge by capital team on valuation report.	Yes	Valuations are inherently uncertain due to the nature of the valuation process as individual valuers make judgements in forming a valuation.	No
Depreciation	Methods used as accepted by CIPFA code of practice. Asset lives determined as part of capital scheme development and principle as identified in the accounts	Discussion with capital scheme managers and subsequent use of valuations process to determine changes in UEL. Control in place to ensure all capital spend is capture through project procedure.	Project manager identified when capital scheme undertaken to advise to UEL	UEL are an inherent estimate.	No

Appendix A – Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Actuarial valuations as set out by actuarial standards	Underlying data is provided by CoL, estimates are reviewed and challenged once provided by Actuary	Yes, Barnett Waddingham	There is a degree of uncertainty involved due to the long-term nature of pension liability.	No
Fair value estimates	There is a degree of uncertainty involved due to the long-term nature of pension liability.	N/a	None – albeit these fund are invested with an investment firm.	N/a	No
Provisions	Currents only applicable for NNDR appeals. In general confirmation of potential issues received via Chief Officer confirmations	Senior leaders, including the Town Clerk and City Solicitor determine if there is an issue.	No	Would be subject to the specific provision issue that was being dealt with.	No
Accruals	Based on financial commitments at the end of the financial year yet to be recorded. Limited use of models but judgement require on value of capital works completed at year end, which is determined by contractor	Review of financial position by budget holders and finance professionals.	No	Limited uncertainty as this is usually based on actual delivery of product or service.	No

Appendix A – Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit loss and impairment allowances	Generally review of historic trends, with account taken of future issues that may impact specific income streams	Review of historic trends, information for service managers	No	Locally determined depending on income stream	No
NNDR Appeals provision	Method as set out in CIPFA code of practice	N/a	No	N/a	No
Any other account (if applicable)	Analysis provided by Analyse Local	VOA listing of CCA	Analyse Local	Uncertainty inherent but wider data set utilised by Analyse Local provide greater level of support for approach.	No

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Informing the audit risk assessment for City of London Corporation Pension Fund 2024/25

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between City of London Corporation Pension Fund's external auditors and City of London Corporation Pension Fund's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of their risk assessment procedures, the auditors are required to obtain an understanding of management processes and the City of London Corporation Pension Fund's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas asked by the auditors which we the City of London Corporation Pension Fund's management have responded to. The Audit and Risk Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2024/25?	There have been no key events or issues that have a significant impact on these statements.
2. Have you considered the appropriateness of the accounting policies adopted by City of London Corporation Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Accounting policies are reviewed as part of the preparation of the accounts. No changes have been made in 2024/25.
3. Is there any use of financial instruments, including derivatives? If so, please explain	The Pension Fund monies are invested with fund managers within different asset classes such as equity, multi asset, corporate bonds, private equity and infrastructure.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by City of London Corporation Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	No external solicitors are used by the Pension Fund.

General Enquiries of Management

Question	Management response
9. Have any of the City of London Corporation Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Pension Fund has Mercer as its Investment Consultant. Mercer provide general advice around the investments of the fund, state of the market etc. Barnett Waddingham are the Pension Fund Actuary.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Assessment of expected credit losses are made on all non-statutory account debtors as per the requirements. Provision are made based on backward and forward looking factors.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditor responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Risk Committee and management. Management, with the oversight of the Audit and Risk Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Risk Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

The City of London Corporation Pension Fund's external auditor, are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. They are required to maintain professional scepticism throughout the audit, consider the potential for management override of controls.

As part of the auditor's audit risk assessment procedures, they are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Risk Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

The auditors need to understand how the Audit and Risk Committee oversees the above processes. They are also required to make inquiries of both management and the Audit and Risk Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions together with the City of London Corporation Pension Fund's management responses.

Fraud risk assessment

Question	Management response
<p>1. Has City of London Corporation Pension Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the City of London Corporation Pension Fund's risk management processes link to financial reporting?</p>	<p>Reliance is placed on the controls in place to prevent fraud e.g. systems/processes/financial monitoring/procurement practice etc and any concerns would be flagged to the Chamberlain and Audit and Risk committee, which would be factored into the financial statements preparation.</p> <p>Any actual or suspected fraud cases are recorded on the INCASE 365 system.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>See response to Question 5 below.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within City of London Corporation Pension Fund as a whole, or within specific departments since 1 April 2023? If so, please provide details</p>	<p>See response to Question 5 below.</p>

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	<p>Biannual counter fraud and investigation reports delivered to the Audit & Risk Management Committee.</p> <p>Corporate risk report as standard item at each meeting of the Audit & Risk Management Committee.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within City of London Corporation Pension Fund where fraud is more likely to occur?</p>	<p>Yes – those areas where there is an inherent risk of fraud, despite having a sound control framework, the risks of human fraud or error can still exist</p> <ul style="list-style-type: none"> • Continued payment of pensions following death • Over payment of pensions • Scammers targeting scheme members to persuade them to transfer their benefits to other arrangements that may be unusual or high risk or allow the scammers to steal the funds outright. <p>No</p>
6. What processes do City of London Corporation Pension Fund have in place to identify and respond to risks of fraud?	<p>Fraud risks are considered as part of each internal audit assignment, with appropriate testing undertaken to assess the scale of the fraud risks in that service.</p> <p>Internal Audit's counter fraud team consider fraud risks as part of corporate fraud investigation activity and these are reported as appropriate to management, with recommendations made as appropriate to improve the control framework.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for City of London Corporation Pension Fund, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Delivery of a programme of Internal Audit work, this incorporates assurance work reviewing controls within key financial systems as well as a risk based programme of activity (the approach to the latter still focusses on the adequacy of the Internal Control environment). Segregation of duties is built into many of our existing processes, often driven/enforced by the design and implementation of our IT systems.</p> <p>The review of the effectiveness of the system of internal control is based upon review and analysis of completed Internal Audit work and other relevant information that the Head of Internal Audit becomes aware of, this is a judgement/opinion based assessment so does not follow a specific process.</p> <p>Refer to Head of Internal Audit Annual Opinion report to Audit and Risk Management Committee to identify risk areas from absent/weak internal controls. Mitigating actions are usually to implement /improve the controls identified as weak.</p> <p>There is always the potential for override or inappropriate influence, some of the City Corporation's financial arrangements are complicated and not necessarily transparent, that said, Internal Audit work has not identified any specific instances.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Not to my knowledge.</p>

Fraud risk assessment

Question	Management response
<p>9. How does City of London Corporation Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>Both the Corporate Anti-Fraud & Corruption Strategy and the Whistleblowing Policy provide confidential routes for staff to report any fraud concerns to the Internal Audit & Counter Fraud division for consideration of further investigation.</p> <p>A mandatory fraud awareness eLearning package is in place to raise staff awareness of fraud risks and acts as a reminder to staff about what risks they need to report. This eLearning is repeated periodically for staff employed in high fraud risk areas, such as housing, benefits, accounts payable etc.</p> <p>Staff are encouraged to report any concerns they may have, these are triaged by the Internal Audit & Counter Fraud division upon receipt with appropriate action taken.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Posts where there is an inherent risk of fraud through misappropriation of funds or the Pension Fund's assets. These include, pensions administration, cashiers and investments.</p> <p>Staff in high risk posts are required to submit a declaration of interest return on an annual basis to their Chief Officer, any third party interests are considered on the basis of the risks posed and appropriate safeguards put in place.</p> <p>The mandatory fraud awareness eLearning training is repeated periodically for staff employed in high fraud risk posts.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>Self declaration of conflicts of interests/ third party interests expected to be reported by officers and Members.</p> <p>The City utilises the NFI AppCheck as part of its recruitment checks to see if staff have a third party interest (recorded within NFI data) that may impact their duties at CoL. Scope exists to use AppCheck periodically for high risk posts, but not known if this is being done holistically at present. Testing through the NFI biennial exercise – employees to Companies House data matching, The CoL is signed up to the NFI fraud hub, meaning more regular data matching of staff data to Companies House data.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Audit & Risk Management Committee (ARMC) receive an annual counter fraud & investigation report to its July 2025 committee and a half yearly report to its November committee.</p> <p>Regular updates on follow up work and have the power to hold officers to account, through calling management to committee to explain why recs not implemented.</p> <p>Overall arrangement for reporting and responding to recs has been positive and not required further intervention by ARMC.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No.</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires the auditors to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Risk Committee, is responsible for ensuring that City of London Corporation Pension Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

The auditors are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, auditors' the appropriate legal and regulatory framework. As part of the auditors risk assessment procedures they are required to make inquiries of management and the Audit and Risk Committee as to whether the body is in compliance with laws and regulations. Where they become aware of non-compliance or suspected non-compliance they are required to gain an understanding of the non-compliance and the possible effect on the financial statements.

The auditors risk assessment questions have been set out below together with managements responses.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does City of London Corporation Pension Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the City of London Corporation Pension Fund's regulatory environment that may have a significant impact on the City of London Corporation Pension Fund's financial statements?</p>	<p>Through Management and Committee reporting arrangements.</p> <p>Keep relevant laws and regulations under review – focus on changes in liaison with Comptroller and City Solicitor's department. The Comptroller and City Solicitor, is responsible for providing all legal services required by the City of London. This includes providing legal advice to the Pension Fund.</p> <p>No, the 'McCloud Remedy' regulations were implemented with effect from 1 October 2023, however these have had no noticeable effect on the 2024/25 accounts.</p>
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	See corporate risk management procedure.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2024 with an on-going impact on the 2024/25 financial statements? If so, please provide details	No.
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	No.

Impact of laws and regulations

Question	Management response
5. What arrangements does City of London Corporation Pension Fund have in place to identify, evaluate and account for litigation or claims?	Management and insurance arrangements - see annual governance statement.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No, not that we are aware.

Related Parties

Matters in relation to Related Parties

City of London Corporation Pension Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by City of London Corporation Pension Fund;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Authority, or of any body that is a related party of the Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Authority's perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK) 550 requires the auditors to review managements procedures for identifying related party transactions and obtain an understanding of the controls that we have established to identify such transactions. The auditors will also carry out testing to ensure the related party transaction disclosures we make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in City of London Corporation Pension Fund's 2024/25 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and City of London Corporation Pension Fund Whether City of London Corporation Pension Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>Members have agreed to disclose all related party transactions of £10k to ensure transparency so our disclosures go above the strict accounting requirement. The disclosure in the accounts makes clear the movements from the previous year.</p>
<p>2. What controls does City of London Corporation Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Members are required to complete these disclosures as part of their role. Related parties linked to roles obtained through the Corporation are included by default.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The Corporation does not operate single member decision making so all decisions are routed through the committee system. All procurement activity follows procurement rules which would usually result in a tender or approved framework being utilised with a transparent selection process.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Whilst delegation limits are in place for Officers to action transactions most if not all significant transactions would be routed through a committee process. An audit trail of approvals will be required in order for payments to be processed.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for public sector bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by the City of London Corporation Pension Fund will no longer continue?	The Pension Fund undergoes a triennial valuation to set the employer contribution rates for the following three years. Each year an IAS 19 and IAS26 is produced as are FRS102 (for some of the admitted bodies).
2. Are management aware of any factors which may mean for the City of London Corporation Pension Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No.
3. With regard to the statutory services currently provided by City of London Corporation Pension Fund, does City of London Corporation Pension Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for the City of London Corporation Pension Fund to cease to exist?	The City of London Pension Fund is a local government pension scheme and is governed by regulations. There are no plans for it to “cease to exist”. The administration of the Pension Fund will continue to be provided in house.
4. Are management satisfied that the financial reporting framework permits City of London Corporation Pension Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes. Yes.

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty or require significant judgement.

Specifically do Audit and Risk Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We, management would ask the Audit and Risk Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates – General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	These are disclosed in the accounts.
2. How does the City of London Corporation Pension Fund risk management process identify and address risks relating to accounting estimates?	This is disclosed in the accounts under Critical Judgements in apply accounting policies and Assumptions about other major sources of estimation uncertainty.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	This is mainly driven by technical reporting requirements (IAS19, IAS26 and FRS 102) which are undertaken by the actuary (Barnett Waddingham).
4. How do management review the outcomes of previous accounting estimates?	Many of these areas are constantly evolving and therefore these estimates only reflect a point in time. Previous years values form the starting point against current year estimates will be measured. See also Question 3 above.
5. Were any changes made to the estimation processes in 2024/25 and, if so, what was the reason for these?	No.

Accounting Estimates – General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	These are largely focused on the key areas of estimation which are material to the accounts requiring specialist training in making assessment (e.g. property and actuarial valuations) or where access to specialist knowledge provides support and advice when linking into the estimations process (e.g. NNDR provisions) Actuarial valuations must be undertaken by an actuary – for the City of London Pension Fund, the actuary is Barnett Waddingham.
7. How does the City of London Corporation Pension Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The pension valuations are largely formulaic, but we do ensure that significant movements between years are understood. At the triennial valuation, the draft valuation is subject to review and challenge by officers and a small group of Members.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	See Question 7 above.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	See Question 7 above. Actuary Actuary Accounting policies

Accounting Estimates – General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	These are established processes which are supported by external advice adhering to professional standards.
12. How is the audit and risk committee provided with assurance that the arrangements for accounting estimates are adequate ?	The Audit & Risk Committee are aware of any prior audit issues raised with accounting and are informed of changes made to address these issues. Briefing sessions are held on the accounts prior to sign off which can enable Members (within and outside of the committee) to challenge the approach to any aspect of the accounts. Member appoint senior staff within Chamberlain's with appropriate skills and qualifications to provide the relevant assurance around the statement of accounts. The Audit & Risk committee also maintains 2 independent members with appropriate skills and experience to provide challenge to all element of the Audit & Risk Committee remit including the approval of the statement of accounts.

Appendix A – Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Actuarial PV of Retirement Benefits	Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	Underlying data is provided by CoL, estimates are reviewed and challenged once provided by Actuary.	Yes, Barnett Waddingham	There is a degree of uncertainty involved due to the long-term nature of pension liability.	No
Level 2 investments	The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).	Underlying data provided by Fund Manager and Custodian. CoL challenge any variances between Custodian and Fund Managers values.	Fund Manager/Custodian	Degree of uncertainty is low as market values are provided by Fund Manager/Custodian, potential differences arise from different foreign exchange rates used (i.e. rounding of decimal places) and whether values have been taken as at MID pricing or BID pricing.	No
Level 3 investments	As above for Infrastructure (IFM) and Property. For Private Equity and Infrastructure (DIF), this is determined by using latest available data and calculated using the latest available market values (31 December, in most cases) and adjusted for cash flow and foreign exchange movements occurring during the period.	Underlying data provided by Fund Manager. The adjustments used for cashflows are reconciled on a quarterly basis.	Fund Manager/Custodian	There is a degree of uncertainty involved due to the adjustment for cash flow and foreign exchange movement.	No
Contribution Accruals	Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate.	N/A, no estimates used	No	Contributions are as per sent by employers/members per rates and adjustment certificates	No

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City's Estate Group and Other Charities of the City of London

Audit Planning Report to the Audit and Risk Committee

Year ending 31 March 2025

Presented to the Audit and Risk Committee on 12 May 2025

Strictly Private and Confidential

The Audit and Risk Committee
City of London
PO Box 270
Guildhall
London
EC2P 2EJ

Dear Members of the Audit and Risk Committee

We have set out in this audit planning report various matters relating to our audits of the financial statements of City's Estate Group and Other Charities of City of London for the year ending 31 March 2025 following our initial discussions with Sonia Virdee, Daniel Peattie, Iain Jenkins and their team on 20 March 2025.

I have pleasure in submitting our audit planning report for the year ending 31 March 2025. The primary purpose of this report is to communicate to the Audit and Risk Committee and the Council Members relevant matters relating to our forthcoming audits.

I look forward to discussing our report with you, as well as any further matters you may wish to raise with us, and I shall be attending the Audit and Risk Committee meeting with Rachel Laws (Senior Manager).

We look forward to working with you on the completion of the audit of the annual report and financial statements of City's Estate Group and Other Charities of the City of London.

Yours sincerely

Tina Allison
Partner

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1. Executive summary

Our report to you

We are pleased to present our Audit Planning Report to the Audit and Risk Committee and welcome the opportunity to discuss this with you at your meeting on 12 May 2025.

International Standards on Auditing (UK) require that we communicate formally with “those charged with the governance” of City’s Estate Group and Other Charities of the City of London regarding relevant matters relating to our forthcoming audits. The objectives of this are to:

- ensure that there is a mutual understanding of the scope of the audit and the respective responsibilities of ourselves as auditor and those charged with governance;
- share information to assist both ourselves as auditor and those charged with governance to fulfil their respective responsibilities; and
- provide to those charged with governance constructive observations arising from the audit process.

We have discussed the matters below in Section 2 to Section 5 of this report:

- | |
|--|
| • an overview of the planned scope and timing of the audit |
| • the significant risks of material misstatement, whether due to fraud or error, and our plans to address these |
| • any other significant matters that, in our professional judgment, are relevant to the oversight of the financial reporting process |

Responsibilities and ethical standards

We have prepared this report taking account of the responsibilities of the Members and ourselves set out in [Appendix 1](#) of this report.

Operating environment and group structure

Our understanding of the operations is set out in [Appendix 2](#).

Group audit

Our consideration of the group structure and our audit approach is set out in [Appendix 3](#).

Internal controls and the IT environment

We have documented our consideration and approach to internal controls, including the IT environment, in [Appendix 4](#).

Audit materiality

Our overall audit materiality for the financial statements as a whole will take account of the level of activity / funds held by each entity and will be set at approximately 2% of investments, 1.5% of Income or 2% of Expenditure as appropriate for the entity concerned.

Further details of materiality levels, including those of components, are set out in [Appendix 3](#).

The City Corporation’s Report and Financial Statements

We have set out in [Appendix 7](#) a number of considerations to be taken by the Members and management when preparing the financial statements for the year ending 31 March 2025.

Audit reports

Please note that, while the financial statements are in draft form, the draft audit reports should contain the words “This report has not yet been signed” in the space for our signature. We will agree with you when this wording can be removed.

2. Significant audit risks

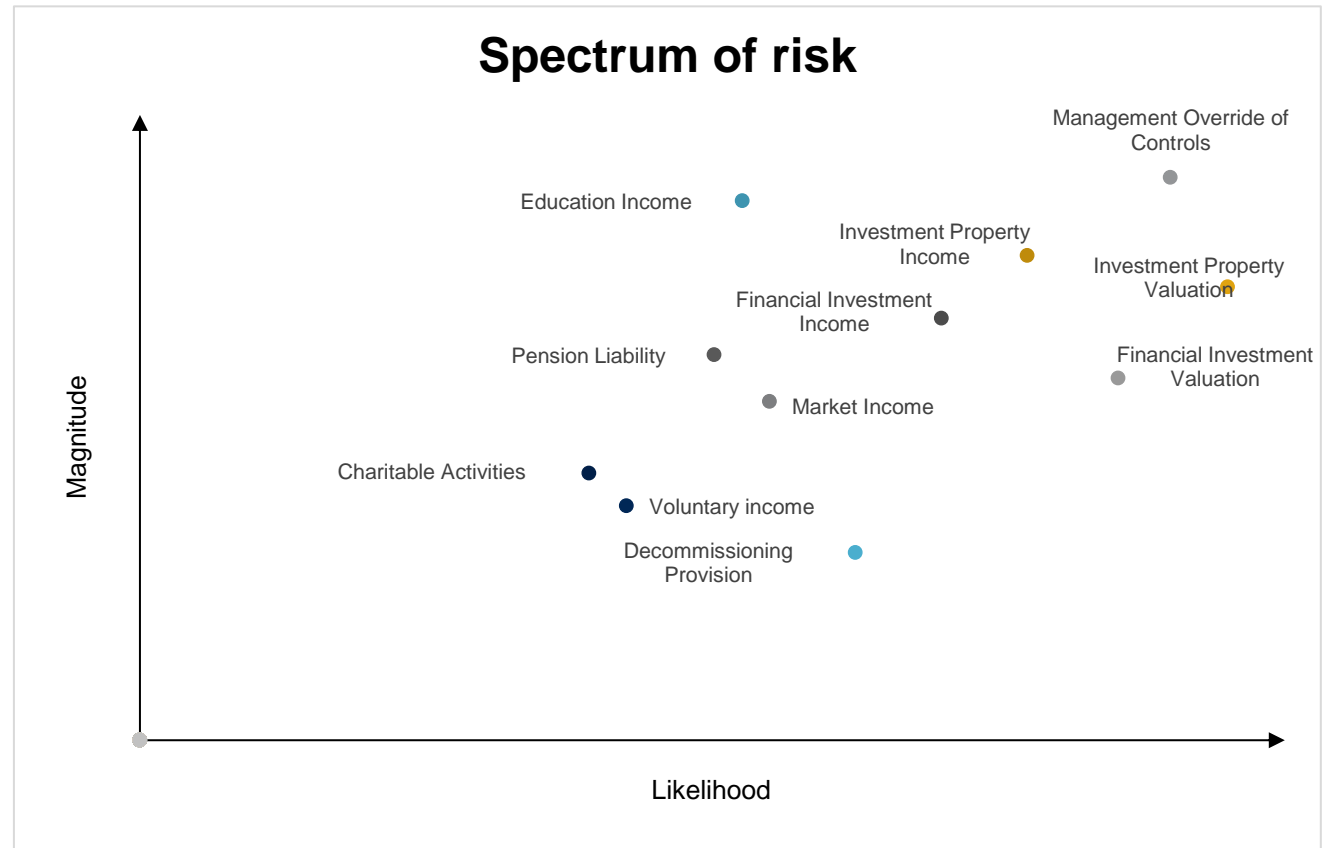
ISA (UK) 315 (Revised) came into effect for periods starting in December 2021.

The revised ISA introduces the concept of a spectrum of inherent risk, considering both the likelihood and magnitude of a possible misstatement. A 'significant' risk is one close to the upper end of the spectrum of inherent risk, or one that has to be treated as such under other auditing standards.

Risk is considered in the context of how, and the degree to which, inherent and control risk factors affect the likelihood and magnitude of a misstatement occurring. Such factors may be qualitative or quantitative, and include complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or other fraud risk factors.

Our audit work will take account of our assessment of the risks of misstatement of transactions and balances in the financial statements. We identify a range of risks from our understanding of City's Estate Group and Other Charities of the City of London, its people and environment, and the system of internal control and plan our audit work so as to reduce the risk of material misstatement to an acceptable level.

In line with ISA (UK) 315 (Revised), we have considered the inherent risk including both the likelihood and magnitude of a potential misstatement, as shown in the chart opposite.



We have included in the table below an indication as to which entities each risk applies to and noted this in each sub-heading of Section 2 to indicate the relevant entities for the identified risk.

Reference	Entity
A	City's Estate (Parent)
B	Natural Environments (previously known as open spaces)
C	Power station companies
D	Other charities within the Corporation subject to Audit

2.1 Revenue recognition – Investment property income (A)

Key related judgements

Investment property income is one of the largest revenue streams for City's Estate, totalling £76.4m in 2024 (2023: £60.8m).

Investment property income is comprising mostly of routinely invoiced income, there have been rent-free periods offered in the year and rent holidays requiring more complex accounting. In addition, the quarterly invoicing pattern usually followed leads to the need to partially defer invoiced income at yearend.

This revenue stream also includes revenue released from deferred lease premiums attached to long term leases where City's Estate is the lessor.

Given the relative size of this revenue stream and complexities arising over cut-off and lease accounting, we consider there to be a significant risk over this revenue stream.

Crowe response

Our audit work will include the following:

- Reviewing the income recognition policy to ensure it is aligned with FRS 102 and is being appropriately applied and disclosed.
- Document and review the systems and controls in place over investment property income.

- This is a key area of control to ensure that you are recognising all income that is due and closely manage and monitor the debtor ledger.
- We will carry out analytical procedures and substantive testing on all income streams including reconciliations to the relevant systems and other records.
- Review a sample of transactions and bank receipts either side of the year end date to ensure these have been recognised in the appropriate period.
- Obtain a breakdown of investment property income for the year and reconcile to the trial balance.
- Verify a sample of property receipts to supporting tenancy agreements and invoices. Where there are rent free periods or rent holidays, reviewing supporting documentation for this and agreeing this has been appropriately accounted for.
- Review the year-end deferred income balances, testing a sample to support and re-calculating the split of any invoices as appropriate.
- Reviewing the long-term lease premium accounting treatments to ensure they have been accounted for in accordance with the relevant accounting standards, and that they are being released correctly.

2.2 Revenue Recognition – Financial investments income (A, D)

Key related judgements

Investment income in City's Estate and the City of London Charities Pool is derived from the various investment holdings including listed investments, private equity, multi-asset and infrastructure fund holdings and bank deposits. City's Estate co- invests with the City of London Pension Fund and City Bridge Foundation into a number of private equity holdings, with a portion of the value and investment income then apportioned to each entity from this central pool.

The Charities Pool entity acts as a pooled investment vehicle for the smaller charities within the City of London, responsible for managing their collective portfolios and dividing any income received in proportion to the units the other charities hold in the entity.

In addition, Hampstead Heath Trust holds a standalone portfolio along with Sir William Coxen Trust Fund which both also generate income through interest and dividends.

The primary risk for this revenue stream is over the accuracy of the central split of

- (i) private equity allocated to City's Estate, and
- (ii) income for the entities invested in the Charities Pool,

As well as the completeness of the investment income reported for the year in each entity, where it might be necessary to accrue for income not yet received.

Crowe response

Our audit testing in this area will include:

- Agreeing the income reported in the investment managers' reports and bank interest to the nominal ledger and third party sources and reviewing cut off to check that the income has been appropriately recognised, including agreeing that the income is complete and covers the full financial period.
- Reviewing the relevant AAF01/06 controls reports for the investment managers and custodians to gain assurance that income is being reported accurately to the Corporation and Charity.
- Reviewing the allocation of private equity investment income to City's Estate, ensuring it is in line with the proportion of the investment holdings allocated to each entity.
- Reviewing the split of investment income to the charities holding units in the Charities Pool, to ensure it has been calculated correctly and income for the full year has been allocated.

2.3 Revenue Recognition – Education income (A)

Key related judgements

Income through tuition and other related fees is one of the primary revenue streams in City's Estate, amounting to £104.1m in 2024 (2023: £96.7m) which is the largest individual income stream representing 49.7% of total income (2023: 52.1%).

This income stream is generated from the three schools and one higher education body that the entity operates; City of London School, City of London Junior School, City of London School for Girls, City of London Freeman's School and Guildhall School of Music and Drama.

From January 2025, following the government decision to impose VAT on independent school fees, the members elected to include VAT on the school fees of the City of London Schools.

The recognition of school fees is considered highly predictable due to certainty surrounding pupil numbers and termly fees which allow us to create a meaningful expectation of income from sources outside finance. As such this area is not considered a significant risk.

However, for wider educational income (including extras, trips, registrations etc) we consider the primary risks to lie over the completeness, existence and cut-off of this income to be a significant risk.

Crowe response

Our audit testing in this area will include:

- Gain an understanding of the systems and controls in place around education income, including controls over pupil management and invoicing at each school.
- Complete a proof-in-total over education fee income at each school using pupil data and fixed tuition fees lists for each school.
- Complete testing on the underlying inputs into this proof in total, including any discounts offered in the year.
- Review a sample of tuition and other education fee income from source, agreeing it to support and receipt to the bank and agreeing completeness of data by selecting samples from a source external to finance to trace through to the financial statements.
- Perform cut-off testing around the year end to ensure income has been recognised in the correct years and income has been deferred appropriately.
- Review the treatment of VAT on fees including reviewing which elements of fees VAT has been applied to and agreeing that this has been correctly embedded into the VAT returns and workings.

2.4 Revenue Recognition – Market income (A)

Key related judgements

Market income consists of rental and similar income from the markets that City's Estate operates, being Billingsgate and Smithfield. Whilst comprising primarily of routinely invoiced income, the quarterly invoicing pattern usually followed leads to the need to partially defer invoiced income at year-end.

This revenue stream also includes revenue from related non-rental sources such as service charge and car parking income.

Given the relative size of this revenue stream, we consider there to be a significant risk over this revenue stream, primarily over cut-off and completeness.

Crowe response

Our audit testing in this area will include:

- Review a sample of transactions from source documentation and bank receipts either side of the year end date to ensure these have been recognised in the appropriate period.
- Obtain a breakdown of market income for the year and reconcile to the trial balance;
- Verify a sample of market income from source documentation to nominal and bank receipts; and
- Review the year-end deferred income balances, testing a sample to support and re-calculating the split of any invoices as appropriate.

2.5 Revenue Recognition – Charitable activities income (B, D)

Key related judgements

In addition to the funding received from City's Estate, the various charities within the City's Estate group generate revenue through a variety of activities. This includes revenue generated from sources such as car parking, café sales, use of sports grounds and admission fees.

Due to the varying nature of these revenue streams each requiring different recognition criteria to be considered, we consider there to be a significant risk for this revenue stream.

Crowe response

Our audit approach over these revenue streams will include:

- Obtaining an understanding of systems and controls over all material revenue streams within this category;
- Reviewing the revenue recognition policy for each material revenue stream to ensure it is compliant with the applicable accounting standards;
- Testing a sample of charitable activity income substantively from source documentation, agreeing it to nominal and receipt to bank;
- Performing cut-off testing by reviewing transactions around yearend; and
- Confirming the recognition City's Estate grants to Open Spaces entities.

2.6 Revenue Recognition – Voluntary income (B, D)

Key related judgements

Included within the Natural Environment entities and the City of London Girls Bursary Fund is voluntary income. Due to the varying nature of these revenue streams, each requiring different recognition criteria, we consider there to be a significant risk over this revenue stream, primarily over cut-off and completeness.

Crowe response

As part of our audit, we will:

- Obtain an understanding of systems and controls over all material revenue streams within this category.
- Review the revenue recognition policy for each material revenue stream to ensure it is compliant with the applicable accounting standards.
- Test a sample of voluntary income substantively from nominal and agreeing it to supporting documentation and receipt to bank.
- Test a sample of voluntary income from source documentation to nominal and receipt into the bank.

- Perform cut-off testing by reviewing transactions around year end.

2.7 Financial investment valuation (A, B, D)

The financial investments portfolio within City's Estate was £988.5m as at 31 March 2024 (2023: £1,038m). The key risks in this area are considered to be the existence and valuation of assets.

As the investments are held and managed by third party service providers it is important that:

- the Entity has sufficient controls in place to mitigate the risks associated with outsourcing services; and
- the controls in operation by the third-party service provider over the ownership and management of the Entity's assets are sufficient; and their associated income streams are sufficiently robust.

Our focus will be on your own internal procedures to manage and control the investments as well as the controls being operated by both the investment managers and the custodian, including consideration of the relevant AAF01/06 controls reports. We will obtain valuations directly from the investment managers.

We will review the reconciliations between the reports from the investment managers and the custodian's report and the records independently maintained to confirm ownership and to identify potential anomalies or significant movements in the year (particularly in relation to purchases and disposals).

Listed and unlisted investments

In relation to substantiating the valuation and existence of assets reported in the financial statements our work will include:

- Selecting a sample of individual funds within the portfolio and obtaining direct confirmation from the investment manager to confirm the valuation used by management within the financial statements;
- For each fund identified in our sample we will reconcile the valuation to records to confirm ownership and existence;
- For listed investments we will agree a sample of prices quoted by individual investment managers to publicly available market information to ensure valuations are reasonable;

- For unlisted investments including unquoted hedge funds and private equity we will obtain the latest available audited financial statements from each fund manager and confirm that an unmodified audit opinion has been issued and the valuation of assets had been prepared on a basis consistent with your accounting policy and FRS102;
- Agreement of a sample of investment movements reported during the year to supporting investment manager records to ensure these are accurately reported;
- Perform a check of the accuracy and completeness of investment disclosures within the financial statements to ensure these are appropriately stated and consistent with the requirements of FRS102 and the Charities SORP.

Review management's overall reconciliation of asset values to information reported by Cambridge Associates

2.8 Estimates and Judgements – Investment Property Valuation (A)

Investment properties held by City's Estate totalled £1,863m as at 31 March 2024 (2023: £1,918m). It is our understanding that these properties are valued independently by two firms registered as valuers with the Royal Institution of Chartered Surveyors ("RICS") as at 31 March each year.

Investment properties are carried in the financial statements at fair value. FRS102 requires revaluation to be made with sufficient regularity to ensure that the carrying value does not differ materially from that which would be determined using fair value at the reporting date.

We will review the investment property valuation report with consideration to judgements and estimates used by the valuer with reference to market data. We will also test the inputs provided to the valuer by the entity and the ownership status via land registry.

We will also consider management's assessment of indicators which might identify a reduction of fair value within the portfolio and review wider information to consider if there are other indicators which may impact valuation of properties at year end.

We will seek additional assurance over property valuations from an independent external property expert (Cluttons) who will review a sample of properties and assess the overall valuation scope, methodology and

assumptions used in order to confirm if the valuation provided by surveyors is reasonable.

We will also review the valuation adjustment and ensure any gains/losses on revaluation have been appropriately recognised in the Statement of Comprehensive Income.

2.9 Estimates and Judgements – Pension liability (A)

The assumptions surrounding the FRS102 pension liability calculations performed by the actuaries can make a significant difference to the result disclosed in the financial statements.

The City Corporation operates a funded defined benefit pension scheme, The City of London Pension Fund, for its staff employed on activities relating predominantly to the three principal funds for which it is responsible (City Fund, City's Estate and City Bridge Foundation).

At present, City's Estate includes the pension scheme liability in the accounts as reported under IAS19, with a conversion not made to FRS102 on the grounds of the difference not being material. There is a risk that this difference may in fact be material or otherwise significant.

Estimates and judgements that are not considered to be significant risks are set out in Section 3.

- Benchmarking the assumptions used by the actuary in calculating the FRS102 pension liability.
- Assessing the difference in calculating the liability between IAS19 and FRS102 to determine whether it is material or otherwise significant.
- Verifying scheme assets to third party documentation; and
- Verifying (on a sample basis) the input data provided to the actuary to HR and payroll records.
- Verify the apportionment methodology of the pension liability across the 3 City of London funds.

2.10 Estimates and Judgements – Decommissioning provision (C)

Key related judgements

Included within the accounts of Barking Power Limited is a provision for the decommissioning of the site in preparation for future development. This provision has a number of key assumptions regarding expected costs and the time period over which they will be incurred. During FY23/24 there was a significant utilisation of the provision as major works were finalised and the provision at 31 March 2024 was £2.5m (2023: £26.6m).

From our planning discussions with management we understand that the decommissioning is complete however there are further potential costs which are to be provided for which management are reviewing potentially totalling £1m.

Furthermore, from our discussions with management we understand there is a potential contingent liability disclosure for FY25 in connection to possible future costs removing gas pipelines. At the time of writing, management is assessing the potential obligations arising from this and their likelihood of occurrence to assess the quantum and any potential accounting disclosure.

Given the size of the provision to Barking Power Limited and its reliance on judgemental inputs, we consider there to be a significant risk over the valuation of the provision.

Crowe response

As part of our audit work in this area, we will:

- Obtain and review management's estimation of the provision;
- Gain an understanding of the key inputs to the provision calculation, agreeing them to supporting documentation as appropriate; and
- Review costs incurred post year-end to ensure that they are in line with management's forecast to corroborate the accuracy of the provision made.
- Challenge management assumptions / basis of estimation for reasonableness.
- We will seek an update on events after the balance sheet date to assess if any assumptions or judgements included in the final provision remain appropriate.

2.11 Related parties

In line with the ISAs which directs our audit work (ISA (UK) 550) we are obliged to ensure that any related parties are identified and that any transactions involving these parties and the group are appropriately authorised and correctly disclosed in the financial statements.

We will therefore review City's Estate procedures for identifying potential related parties, ensuring all transactions are complete, including any annual declaration of interests completed by the Board and Senior Management team.

We consider completeness of related party disclosures to be a significant area of risk as transactions of this nature are always material by nature, coupled with the large volume of potential individuals which may be captured by the disclosure requirements. We understand that management have updated the process in the period to ensure the timely collection of information required to populate this disclosure.

2.12 Consolidation (A, B, C, D)

In 2023 we highlighted a significant deficiency surrounding the preparation of the consolidated group accounts which management were not initially able to balance.

Although there were no such issues in 2024, given the inherent complexity of the consolidation due to the multiple entities consolidated, and that it is a manual process with a high level of adjustments, this has been identified as a significant risk.

Crowe response

As part of our audit work in this area, we will:

- Agree the inputs for the consolidated entities to the individual audited financial statements.
- Review all manual adjustments made to the balance sheet and SOCI as part of consolidation.
- Review intercompany balances and transactions identified in the course of audit testing to agree appropriately eliminated.
- Review adjustments in the prior year to build expectation and identify any potentially omitted adjustments.

- Document our understanding of the consolidation process to agree this is in line with expectations.

2.13 Management override of controls (A, B, C, D)

Although the level of risk of management override of controls varies from entity to entity, Auditing Standards recognise that this risk is nevertheless present in all entities because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Due to the unpredictable way in which such override could occur, including to mask fraud, the override of controls is a significant risk for all audits.

The members of The City Corporation must satisfy themselves that the control environment present within the entity together with the Member controls and controls over the posting of journals are adequate to deter any inappropriate override of controls from management.

We are required to design and perform audit procedures to respond to the risk of management's override of controls which will include:

- Understanding and evaluating the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements and testing the appropriateness of a sample of such entries and adjustments;
- Reviewing accounting estimates for biases that could result in material misstatement due to fraud. We have noted above that the following estimates and judgements are considered significant audit risks:

- * Financial investment valuation
- * Investment property valuation
- * Pension liability
- * Decommissioning provision

Other estimates and judgement which are not considered significant audit risks are included in section 3.

- Obtaining an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our

understanding of City's Estate Group and Other Charities of the City of London and their environment and obtaining corroborating

evidence that these are valid, approved business transactions and there is no indication of fraud.

3. Other areas of audit focus and disclosure

We have also noted the following matters from our initial discussions and from our work in previous years as not having significant audit risk but being potentially relevant to the financial statements.

3.1 Other Income

International Standards on Auditing (ISA (UK) 240) presumes there is always a significant risk of material misstatement due to fraud in revenue recognition, unless this is rebutted.

Whilst we deem the income streams detailed above to be significant (see Section 2) we do not consider other income streams to be significant. Other income includes numerous immaterial income streams including innovation and growth and grants and other activities which have historically been immaterial individually and in total and therefore we do not consider these income streams to be a significant risk. Upon receipt of the draft 31 March 2025 year end financial statements if these streams are material individually or in total we will perform a risk assessment of this revenue stream and report this to you within our findings report.

Across all income streams the key risks remain the same:

- Completeness (has all income due been appropriately recognised in the period?).
- Cut off (has income been recognised in the appropriate period?).
- Fund allocation (have donor restrictions on the use of the income been appropriately captured in the financial statements?).
- Valuation (where income is owed at year end, is it likely to be received or should it be provided against?).

3.2 Judgements and Estimates

ISA (UK) 540 Auditing Accounting Estimates and Related Disclosures requires additional audit focus over management's estimates, including undertaking separate risk assessments for both inherent and control risks.

In respect of the former, consideration is required of the estimation uncertainty, the subjectivity and the complexity of the estimate. We are also required to consider whether the disclosures made in the financial statements are reasonable.

We will pay careful attention to areas of the financial statements affected by management judgement and estimation. We have initially identified the following for specific review which are not outlined in the significant audit risks detailed in the previous section.

- Assessment of impairment of assets.
- Assessment of impairment of goodwill (City's Estate)
- Assessment of the remaining useful life of assets.
- The classification of accounts between short term investments and cash and cash equivalents.
- The split of recharged expenditure between the various entities of the City of London Corporation.
- Valuation of insurance provision (City Re)

We will identify all areas where an accounting estimate or judgment is used and we will obtain an update from management on the basis of the estimates.

We will consider whether these have high or low estimation uncertainty. Where there is high estimation uncertainty (primarily, if there is a range of reasonable outcomes which exceeds our materiality) this indicates a "significant risk". We will compare the estimates and judgments made in the prior period with actual outcomes.

We will also review management's assessment of this and specifically consider whether the estimates and judgments arrived at by management indicate any "management bias". This means that management will also need to consider whether there is any bias in information received from other departments. It is important that you are satisfied that the assumptions used by management are appropriate and we will ask you to provide a written representation to us to confirm this.

Market Closure

We are aware of the ongoing application to close the markets and are having ongoing discussions with management about potential implications for the financial statements and disclosure requirements in terms of both potential compensation payments provision and impact on market income in the year.

Upon conclusion of these discussions, we will perform a risk assessment of any provision requiring disclosure and report this to you within our findings report.

3.3 Payroll

Payroll is the largest single expenditure item for City's Estate totalling £110.2m for the year ended 31 March 2024 (2023: £101.1m) which represented 31.1% of total expenditure (2023: 32.8%).

Other entities under the scope of this report also incur significant payroll costs, which are recharged from the central payroll function within the Corporation of London.

The key risks in this area are considered to be:

- Existence (does the expenditure relate to genuine employees?).
- Accuracy (are payments made at authorised amounts and are the correct deductions made?).
- Disclosure (have all required disclosures been made in the financial statements?).

As part of our audit we will review the controls in place over monthly processing including the reconciliation of the payroll to the nominal ledger.

We will also perform analytical procedures that consider gross pay, deductions and staff numbers year on year to ensure that all trends and relationships appear reasonable and that the totals agree with the ledger, and we will verify a sample of staff between the payroll and other HR records and agree their costs to supporting documentation on a sample basis.

3.4 Grant expenditure

Whilst grants are not expected to have any performance related conditions which might create significant judgement over the recognition of expenditure, the volume and total value of the grants awarded is material.

As part of our testing, we will agree a sample of grants to supporting documentation and payment and review the agreements to ensure they have been appropriately recognised. We will also perform cut-off testing around year-end in order to ensure that grants have been recognised within the correct financial period.

3.5 Other expenditure

Our approach for other expenditure items will be based on analytical review procedures, which consider actual versus budget and prior year results, together with understanding the controls operated by City's Estate to ensure that expenditure is appropriately controlled and authorised and that the required cut-off has been correctly applied at the year-end.

We will also select a sample of expenditure transactions from the nominal ledger for agreement to underlying records, to ensure that transactions are being accurately processed in the accounting system and authorised by an appropriate individual within the organisation.

Additionally, we will review transactional repairs and maintenance nominal ledger codes for evidence of capital expenditure which has been incorrectly expensed in the period.

3.6 Other Balance Sheet Items

In addition to our focus on the areas detailed above we will carry out our standard audit procedures on the other material balance sheet amounts. Our work will include:

- Testing of key control accounts reconciliations;
- Testing of bank reconciliations;
- Review of post year end transactions where these help to confirm the year end position;
- Verification of ownership of land and buildings; and
- Confirmation of assets held (e.g. cash at bank) to third party confirmations.

We will pay particular attention to areas of "estimate and judgment" as detailed above.

3.7 Going concern and our audit reporting

In preparing the financial statements to comply with Financial Reporting Standard 102 the Trustees/Members/Directors (as applicable) are required to make an assessment of the entity's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, those charged with governance are required to consider all available information about the future of the entity in the period of at least, but not limited to, twelve months from the date when the financial statements are approved and authorised for issue. In forming conclusions on going concern those charged with governance will need to evaluate which of three potential outcomes is appropriate to the specific circumstances of each entity, including the City's Estate group and parent. Those charged with governance may conclude:

- There are no material uncertainties that lead to significant doubt upon the entity's ability to continue as a going concern;
- There are material uncertainties that lead to significant doubt upon the entity's ability to continue as a going concern; or
- The use of the going concern basis is not appropriate.

A material uncertainty is defined as 'An uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern, where the magnitude of its potential impact and likelihood of occurrence is such that appropriate disclosure of the nature and implications of the uncertainty is necessary for the fair presentation of the financial statements.'

Under ISA (UK) 570, where a material uncertainty related to going concern exists, we are also required to determine whether the financial statements:

- Appropriately disclose the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and management's plans to deal with these events or conditions; and
- Disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

We have discussed with management and explained that as part of our work on going concern for the year ending 31 March 2025 we will do the following.

- Review the period used by those charged with governance to assess the ability of each entity to continue as a going concern;
- Examine detailed budgets and forecasts prepared by management covering the period of the going concern assessment which adequately take account of the potential impacts of cost-of-living crisis, inflation and other global or UK economic factors on City's Estate or the other entities to ensure these appropriately support the conclusion of those charged with governance;
- Review the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year; and
- Review any other documentation which those charged with governance use in assessing the going concern status and make any necessary enquiries of management.

We will agree with management the preparation of a detailed paper setting out their assessment of each entity's ability to continue as a going concern for consideration alongside the draft financial statements by the Audit and Risk Committee.

4. Fraud and irregularities and our audit reporting

As we reported last year, the primary responsibility for the prevention and detection of fraud rests with management and “those charged with governance” (i.e. the Members, Trustees and/or Directors), including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by irregularities including fraud, or error.

Corporate governance and fraud

As part of our audit procedures we make enquiries of management to obtain their assessment of the risk that the financial statements may be materially misstated due to fraud. However, we emphasise that the responsibility to make and consider your own assessment rests with yourselves and that the Members, Audit and Risk Committee and management should ensure that these matters are considered and reviewed on a regular basis.

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As auditors, we are required to document an understanding of how “those charged with governance” exercise oversight of management’s processes for identifying and responding to the risks of fraud in City’s Estate Group and Other Charities of the City of London and the internal controls that management has established to mitigate these risks. Specifically, we require a response to the following questions:

- What, in your view, are the risks of fraud in the entity? Both misappropriation of assets and fraud relating to financial reporting?
- What are the general risks of fraud in this business sector, and how does this entity mitigate them?
- How do you monitor and review management’s process for identifying and responding to the risks of fraud in the entity?
- To what extent do you understand the controls management has put in place to mitigate those risks?
- Has there been any actual or suspected fraud during the year?
- Have there been any allegations of fraud during the year?

Members may find it helpful to prepare a fraud risk assessment alongside management. A fraud risk assessment is an objective review of the fraud risks

facing an organisation to ensure they are fully identified and understood. This includes ensuring:

- fit for purpose counter fraud controls are in place to prevent and deter fraud and minimise opportunity, and
- action plans are in place to deliver an effective and proportionate response when suspected fraud occurs including the recovery of losses and lessons learnt.

Any fraud risk assessment should not be seen as a standalone exercise but rather an ongoing process that is refreshed on a regular basis.

A copy of our guidance and a framework on conducting fraud risk assessments can be obtained from our website here:

<https://www.crowe.com/uk/insights/fraud-risk-assessment-non-profit>.

Our responsibilities

In line with ISA (UK) 700 our audit report will include an additional comment to explain to what extent the audit was considered capable of detecting irregularities, including fraud.

As auditors, we are required to document an understanding of how “those charged with governance” exercise oversight of management’s processes for identifying and responding to the risks of fraud in City’s Estate Group and Other Charities of the City of London and the internal controls that management has established to mitigate these risks.

We note that City of London has a structured process for fraud reporting, through its risk management and the Audit and Risk Committee. We have not been made aware of any significant matters which would affect our assessment of audit risk at this stage, although this will need to be reviewed

by us, and confirmed by the Members, up to the date of approval of the financial statements.

We will make enquiries of management and others within City's Estate Group and Other Charities of the City of London as appropriate, regarding their knowledge of any actual and suspected or alleged fraud affecting each entity. In addition, we will be required to ascertain the following from the Audit and Risk Committee, Members and Directors (As appropriate).

- Whether they have knowledge of any fraud or suspected fraud.
- The role that the Audit and Risk Committee / Members / Directors exercise in oversight of:

- i) Each entity's assessment of the risks of fraud, and the design, implementation and maintenance of internal controls to prevent and detect fraud; and
- ii) their assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We will seek representations from the Members / Trustees / Directors (as appropriate on these matters and we will liaise with the finance team, in the first instance, to identify any specific risks or information relevant to these considerations.

5. Staffing and fees

Staffing

Tina Allison is your Audit Partner. She will be assisted by Rachel Laws as Senior Manager who will be supported by Jamie Smith (Audit Manager). Vincent Marke continues to be your Audit Partner for Natural Environment and other Sundry Trust entities which are consolidated into the Group accounts.

Our audit fees

Please refer to Appendix 5 for a detailed breakdown of fees broken down by entity. All fees are stated exclusive of VAT and disbursements

As in previous years our proposed audit fee is based on two assumptions.

- First draft financial statements and detailed supporting schedules are available at the commencement of the audit. If this information is not available to us at the start of our audit we may seek to charge additional fees to cover any resulting delays or inefficiencies.
- We are required to check and review up to two further drafts of the financial statements prior to these being finalised for approval by the members. If it is necessary for us to review additional drafts we may charge additional fees to cover any resulting extra staff time.

To assist you in providing the required information, we have provided a separate list of audit deliverables to the City of London finance team.

Our deliverables to you

In addition to carrying out the necessary audit procedures in accordance with International Standards on Auditing we will provide to you the following.

- Statutory audit reports on the financial statements of each entity.
- This Audit Planning Report to confirm the details of the planned timing of our audit and related year-end meetings, to confirm the key members of your audit team and their independence, and to summarise our audit approach and any specific issues relevant to our audit which we have identified from our initial discussions with City of London's finance team or elsewhere.
- An Audit Findings Report to summarise any key issues or adjustments identified during our audit which have impacted on the disclosures in, or required adjustment to, the draft financial statements together with comments on any weaknesses in City of London's systems and controls which come to our attention during our audit work on the annual statutory financial statements.
- Draft of the Representations Letters which we are required to obtain from the Members / Trustees / Directors (as applicable) to confirm certain specific matters relevant to the completion of the statutory financial statements.

Timetable

The anticipated timetable and deadlines are as follows.

Key Events	Date
Initial planning meeting	20 March 2025
Audit and Risk Committee meeting to consider audit plan	12 May 2025
Central Works and City's Estate interim systems and sample selection	16 June 2025
Deadline for delivery of all fieldwork deliverables and financial statements	4 August (City's Estate excl. NE entities) 11 August (Sundry Trusts including NE entities)
Audit fieldwork	w/c 11 August (City's Estate excl. NE entities) w/c 18 August (Sundry Trusts including NE entities)
Clearance meeting with finance team	October 2025
Audit and Risk Committee meeting to consider accounts and report from the auditors	17 November 2025
Accounts signed by Members	30 November 2025

Appendix 1 - Responsibilities and ethical standards

Scope of our audits

Our audits are a statutory requirement to ensure that Those Charged with Governance have properly discharged their legal responsibilities to prepare their annual reports and the financial statements in accordance with the applicable legislation and financial reporting requirements.

As your auditor we are required to obtain sufficient evidence to enable us to report as to whether the financial statements of each entity give a true and fair view of the financial performance of the entities, are free from material misstatements and are compliant with the requirements of relevant legislation and applicable Financial Reporting Standards.

Your financial statements

The financial statements on which we are to report are your responsibility; our audit of the financial statements does not relieve management or the Members / Trustees / Directors (as appropriate) of their responsibilities for the financial statements and the Trustees / Directors (as appropriate) must be satisfied that the financial statements give a true and fair view before approving them. Further details of your and our respective responsibilities are set out in our engagement letters dated 30 January 2023.

Directors' responsibilities (Power Station entities only)

Under the provisions of the Companies Act, the Directors' Report is required to include a statement confirming for each director who was a director at the time of the approval of the financial statements that:

- they have each taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information; and
- so far as they are aware there is no relevant audit information of which the company's auditor is unaware.

Non-audit services

We have considered the non-audit services we have provided in the period and have concluded that there are no facts or matters that bear upon the integrity, objectivity and independence of our firm or of the audit partner and audit staff related to the provision of such services which we should bring to your attention. Our fees for non-audit services in the year have been as follows.

GSMD Agreed upon procedure review £6,600

Teachers Pension Audit £13,200

Legal and regulatory disclosure requirements

In undertaking our audit work we will consider compliance with the following legal and regulatory disclosure requirements, where relevant:

- Charities Act 2011
- Companies Act 2006
- The Charities (Accounts and Reports) Regulations 2008
- The Charities SORP (FRS102)
- Financial Reporting Standard 102

We are not aware that any limitations will be placed on the planned scope of our audits.

Our audit approach

We will carry out our audit in accordance with International Standards on Auditing (UK) ('ISA's (UK)'). Overall, we seek to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, in order that we can report to the Trustees / members of each entity.

Our work will include such tests of transactions and of existence, ownership, valuation and completeness of assets and liabilities that we consider necessary for this purpose.

We will update our understanding of each entity including objectives, strategies, operations, governance structures, sources of incoming resources and related risks. We will also update our understanding of the classes of transactions, account balances, and disclosures to be expected in the financial statements. We will consider your selection and application of accounting policies and whether they remain appropriate, and your reasons for any changes thereto.

We will review your systems for the purpose of our audit and we will report to you any significant deficiencies in internal control identified during our audit which, in our professional judgment, are of sufficient importance to merit your attention after discussing them with management. Our audit should not, however, be relied upon to identify all systems deficiencies, which are your responsibility, and we shall only draw your attention to matters we have encountered as a part of our audit work.

We will also read the Trustees' / Directors' / Strategic Reports and any other information that will be included with the financial statements to ensure this is consistent with the financial statements.

We are required to confirm during our audit whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting each entity. We have not been made aware of any such issues from our initial discussions but will be requesting confirmation of this as part of the audit completion process.

Ethical Standard

We are required by the Ethical Standard for auditors issued by the Financial Reporting Council ('FRC') to inform you of all significant facts and matters that may bear upon the integrity, objectivity and independence of our firm.

Crowe U.K. LLP has procedures in place to ensure that its partners and professional staff comply with both the FRC's Ethical Standard for auditors and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

In our professional judgement there are no relationships between Crowe U.K. LLP and each entity or other matters that would compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff. We are not aware of any further developments which should be brought to your attention.

Independence

International Standards on Auditing (UK) require that we keep you informed of our assessment of our independence.

We confirm that we have carried non-audit services as detailed above. We have not identified any other issues with regards to integrity, objectivity and independence and, accordingly, we remain independent for audit purposes.

In communicating with those charged with governance of the parent entity and group we consider those charged with governance of the subsidiary entities to be informed about matters relevant to them.

The matters in this report are as understood by us as at the date of this report. We will advise you of any changes in our understanding, if any, during our meeting prior to the financial statements being approved.

Appendix 2 - Group Structure

City's Estate is not a legal entity; it is a fund of the City of London Corporation (the City Corporation) that can be traced back to the 15th century and has built up from a combination of properties, land, bequests and transfers under statute since that time. This engagement only covers City's Estate. A second fund, City Fund, covers the City's activities as a local authority, police authority and port health authority. Its financial statements are published separately and are not part of the City's Estate. The City Corporation is also the sole trustee of City Bridge Foundation (CBF) which has separate controls and systems, and is managed by a different team to City's Estate with a separate board which is responsible for all decision making of the entity and as such are not consolidated into the City Estate accounts. CBF is a long-standing charity which maintained the original London Bridge, funded by bridge taxes, rents and private bequests. CBF is audited separately by Crowe and is not part of The City's Estate

The City's Estate financial statements consolidate the financial results of the services provided directly, including:

- Ceremonial, schools and markets;
- City Re Ltd. a wholly-owned subsidiary of the City Corporation whose principal activity is to provide re-insurance protection and is included as part of management and administration activities in City's Estate;
- Trust funds in respect of seven Natural Environment entities in addition to the Sir Thomas Gresham Charity and Keats House;
- Barking Power Limited and Thames Power Services Limited. The latter two companies represent a power station that is located on a site which the City Corporation intends to remediate and decontaminate for future redevelopment and is part of City's Estate innovation and growth activities.

In the case of charities and trusts, the rationale for consolidation is that the City Corporation is the sole Trustee and thereby exercises operational control over their activities, but specifically through its City's Estate fund due to this fund providing the majority of each charity's funding City's Estate is managed by committees of the City Corporation, with Membership of the committees drawn from the 25 Members of the Court of Aldermen and the 100 Members of the Court of Common Council.

The City Corporation is responsible for preparing the Annual Report and Financial Statements.

Consideration of group structure

As part of our assessment under ISA 600 Revised we will be assessing the rationale behind the inclusion of the below entities as part of the City Estate group as well as the omission of the Sundry trusts entities from consolidation, and assessing this for compliance with the revised standard.

Entity	Main Objectives
Ashtead Common	The objective of the charity is the preservation in perpetuity of the common at Ashtead as an open space for the recreation and enjoyment of the public.
Burnham Beeches	The objectives of the charity are the preservation and maintenance of Burnham Beeches and Stoke common, as Open Spaces for the recreation and enjoyment of the public and to maintain their natural aspect.
Epping Forest	The objective of the charity is the preservation of Epping Forest in perpetuity, as an open space for the recreation and enjoyment of the public. The open space consists of the lands known as Epping Forest including Wanstead Park and Higham's Park in Essex. Various buffer lands have been acquired by the City Corporation around the edges of Epping Forest.
Hampstead Heath / Hampstead Heath Trust	The objective of the charity is the preservation and maintenance of Hampstead Heath in perpetuity, as an open space for the recreation and enjoyment of the public.
Highgate Wood and Queen's Park Kilburn	The objective of the charity is the maintenance and preservation in perpetuity of the open spaces known as Highgate Wood and Queen's Park Kilburn, as public parks or open spaces for use by the public for exercise and recreation.
West Ham Park	The objectives of the charity are to hold West Ham Park on trust forever "as open public grounds and gardens for the resort and recreation for adults and as playground for children and youth". The City of London Corporation agreed to maintain and preserve the Park for this purpose at its own cost.
West Wickham and Spring Park Wood, Coulsdon and Other Commons	The objectives of the charities are the preservation and maintenance of West Wickham Common and Spring Park Wood Coulsdon, as Open Spaces for the recreation and enjoyment of the public.
Sir Thomas Gresham	The objectives of the charity are the provision of eight Almshouses known as the Gresham Almshouses; the annual payment of an allowance to the almsfolk; and the annual payment to the four Gresham college lecturers as detailed below.
Barking Power Limited	Decommissioning of the power station is the principal business of the Company and, because it receives minimal external revenue, this is financed by a loan from the City of London Corporation.
Thames Power Services Limited	To provide management services to Barking Power Limited in connection with operation and decommissioning of Barking Power Station.

Keats House	The objective of the charity is to preserve and maintain and restore for the education and benefit of the public the land with the buildings known as Keats House as a museum and live memorial to John Keats and as a literary meeting place and centre.
City Re Limited	A wholly-owned subsidiary of the City Corporation whose principal activity is to provide re-insurance protection and is included as part of management and administration activities in City's Estate

Appendix 3 - Group audit

Group audit

ISA (UK) 600 clarifies how the risk model underpinning the ISAs applies in a group context. It explains that:

"The group's information system, including its financial reporting process, may or may not be aligned with the group's organisational structure. For example, a group may be organised according to its legal structure, but its information system may be organised by function, process, product or service (or by groups of products or services), or geographic locations for management or reporting purposes.'

This means that City's Estate, its individual subsidiaries and its branches are all potential components for the purposes of the ISA.

We are required to audit each component to a "component performance materiality". The level of performance materiality to be used is a matter of judgement but it will always be lower than group materiality.

For components where Tina Allison is not the audit partner our work will include the following:

- Discussing with the component auditor or component management the component's business activities that are significant to the group.
- Discussing with the component auditor the susceptibility of the component to material misstatement of the financial information due to fraud or error.
- Issuing group audit instructions, including setting a level of materiality for components.
- Assess the competence of the component auditor.
- Reviewing the component auditor's documentation of identified significant risks of material misstatement of the group financial statements.
- Reviewing the component auditor's working papers relevant to the group audit.

Consideration of group structure

As stated in Appendix 2, as part of our assessment under ISA 600 Revised we will be assessing the rationale behind the inclusion of the below entities as part of the City Estate group as well as the omission of the Sundry trusts entities from consolidation, and assessing this for compliance with the revised standard.

Entity	Scope of planned work	Materiality Calculation	Materiality £'000	Reporting threshold £'000	Auditor (Partner)
City's Estate	Group audit	2% of investments (Overall materiality)	57,028	2,851	Crowe U.K. LLP
		1.5% of income (Specific materiality – used for all areas of testing except investments, investment property, Goodwill & Pensions)	3,137	157	
Consolidated entities – Tina Allison as Audit Partner					
Barking Power Limited	Full scope audit	2% of fixed assets 2% of expenditure	2,288 5	114 0.25	Crowe U.K. LLP
Thames Power Services Limited	Full scope audit	2% of expenditure	4.3	0.2	
Consolidated entities – Vincent Marke as Audit Partner					
Burnham Beeches	Audit of specific classes of transactions, account balances or disclosures	2% of expenditure	30	1.5	Crowe U.K. LLP
Epping Forrest	Full scope audit	2% of expenditure	167	8.35	Crowe U.K. LLP
Hampsted Heath / Hampstead Heath Trust	Full scope audit	2% of expenditure	205	10	Crowe U.K. LLP
Highgate Wood and Queen's Park Kilburn	Audit of specific classes of transactions, account balances or disclosures	2% of expenditure	30	1.5	Crowe U.K. LLP
West Ham Park	Audit of specific classes of transactions, account balances or disclosures	2% of expenditure	30	1.5	Crowe U.K. LLP

West Wickham and Spring Park Wood, Coulsdon and Other Commons	Audit of specific classes of transactions, account balances or disclosures	2% of expenditure	20	1	Crowe U.K. LLP
Ashtead Common	Independent Examination	2% of expenditure	13.5	0.6	Crowe U.K. LLP
Sir Thomas Gresham	Independent Examination	2% of expenditure	2.0	0.1	Crowe U.K. LLP
Keats House	Independent Examination	2% of expenditure	9.0	0.45	Crowe U.K. LLP
Consolidated entities – Other					
City Re	Audit of specific classes of transactions, account balances or disclosures	2% of income	55	2.7	Moore Stephens (Guernsey)

Appendix 4 - Audit materiality

Audit materiality and communication of errors and adjustments

We do not seek to certify that the financial statements are 100% correct; rather we use the concept of “materiality” to plan our sample sizes and also to decide whether any errors or misstatements discovered during the audit (by you or us) require adjustment.

The assessment of materiality is a matter of professional judgment but consideration will be given to the highest cumulative error which would not threaten the validity of the financial statements. A matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

Whether adjustments are material to the “true and fair” view can only be judged in the particular circumstances of the items and their impact on the financial statements to which they relate. Materiality will be considered having regard to the overall financial statement totals, the relevant individual balance, the type of transaction and the disclosures.

Our overall audit materiality for the financial statements as a whole will take account of the level of funds held by City’s Estate and will be set at approximately 2% of investments, and this measure will be applied to the audit of investments (including Goodwill) and pension liability.

In addition, we will determine whether a materiality amount lower than this materiality level is applicable for any particular classes of transactions, account balances or disclosures.

We also set a level of materiality (‘performance materiality’) below the amount set for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality also refers to amounts set at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.

We will, of course, discuss with your finance team all errors, other than those that are “clearly trivial”, that we discover during the course of our audit work. Where such errors would have an impact upon the numbers reported in the statutory financial statements, but are not significant in terms of our audit, we will ask management if they wish to adjust the financial statements.

We will bring to your attention all significant potential adjustments to the financial statements. We will not, however, bring to your attention matters that we consider to be “clearly trivial” and we therefore propose to only identify amounts greater than 5% of our audit materiality.

Our audit materiality levels for the separate entities within the group are set out in [Appendix 2](#).

Appendix 5 - Schedule of Fees

Entity	Assessed Scope at planning stage	2025 £	2024 £
City's Estates	Audit	287,500	276,255
City's Estates Trusts and Companies			
Ashted Common (Charity no: 1051510)	Audit (2024: IE)	9,350	2,520
Burnham Beeches (Charity no: 232987)	Audit	9,350	9,000
Epping Forest (Charity no: 232990)	Audit	15,600	15,000
Hampstead Heath (Charity no: 803392)	Audit	15,600	15,000
Highgate Wood and Queen's Park Kilburn (Charity no: 232986)	Audit	9,350	9,000
West Ham Park (Charity no: 206948)	Audit	9,350	9,000
West Wickham Common and Spring Park Wood, Coulsdon and Other Commons (232988 & 232989)	Audit	9,350	9,000
Sir Thomas Gresham Charity (Charity no: 221892)	IE	2,620	2,520
Barking Power Limited (BPL) (Company no: 2354681)	Audit	30,650	29,450
Thames Power Services Limited (TPSL) (Company no: 2624730)	Audit	7,200	6,930
Sundry Trusts and other accounts			
Corporation of London Charities Pool (Charity no: 1021138)	Audit	9,350	9,000
Hampstead Heath Trust (Charity no: 803392-1)	Audit	5,200	5,000
City Educational Trust Fund (Charity no: 290840)	IE	2,620	2,520
City of London School Bursary and Awards Fund (Charity no: 276654)	IE	2,620	2,520
City of London School for Girls Bursary and Awards Bursary Fund & London School for Girls Scholarships and Prizes Fund (Charity no. 276251 & 276654)	Audit	9,350	9,000
City of London Freemen's School Bursary Fund (Charity no. 284769)	IE	2,620	2,520
The City of London Corporation Combined Education Charity (Charity no: 284769)	IE	2,620	2,520
Other Trust Funds			
Emmanuel Hospital (Charity no: 206952)	IE	2,620	2,520
Sir William Coxen Trust Fund (Charity no: 206936)	IE	2,620	2,520
Samuel Wilson's Loan Trust (Charity no: 206964)	IE	2,620	2,520
City of London Almshouses (Charity no: 1005857)	Audit	9,350	9,000
Keats House (Charity no: 1053381)	IE	2,620	2,520
Other Assurance			
Guildhall School of Music and Drama (GSMD)	Inc/Exp Certification	15,600	15,000
Total		475,730	450,835

Appendix 6 - Internal controls and the IT environment

Obtaining an understanding of internal control relevant to the audit

Our audit tests will combine a review of each entities controls with tests of detail (substantive procedures) and analytical review procedures.

ISAs require us to document our understanding of your business and assess the risk of material misstatement. For controls considered to be 'relevant to the audit' we are required to evaluate the design of the controls and determine whether they have been implemented. The controls that are determined to be relevant to the audit are those:

- relating to identified risks (including the risk of fraud in revenue recognition) or other audit issues;
- where we are unable to obtain sufficient audit assurance through substantive tests alone; and/or
- where we consider it more efficient to obtain assurance through controls testing.

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of detailed audit testing required will be considered.

Obtaining an understanding your IT environment

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment, including the relevant applications, infrastructure, processes and personnel, relevant to the preparation of the financial statements.

This includes how information, data and resources relating to significant classes of transactions, accounts and balances flow through the IT system, any related accounting records and the financial reporting process. We also consider the resources required, including the applications, infrastructure, processes and personnel.

Our understanding is used to identify risks arising from the use of IT judged relevant to our audit and assess the relevant controls (ITGCs) in place to mitigate them. Examples of ITGCs are shown in the diagram on the following page.

Our audit will include completing an assessment of the design and implementation of ITGCs where relevant to our audit.

Where required for complex IT environments, for example where there are multiple automated processes or controls, we may engage our IT Audit team to perform this work.

Our audit work is not designed to provide assurance as to the overall effectiveness of the controls operating within each entity, although we will report to management and the Audit and Risk Committee any recommendations on controls that we may have identified during the course of our work.

IT Governance



- ☐ Policies and procedures
- ☐ Incident management
- ☐ Outsourcing

Access management



- ☐ User access privileges
- ☐ User access reviews
- ☐ User provisioning / de-provisioning

IT General Controls

IT Operations



- ☐ Data backup and recovery
- ☐ Intrusion detection
- ☐ Vulnerability identification

Application changes



- ☐ Evaluation and authorisation
- ☐ Data migration
- ☐ System software changes
- ☐ Data conversion

Appendix 7 - Crowe Analytic Tools ('CAT')

We have a suite of data analytic tools which we can use to improve our risk assessment process, carry out substantive procedures and to perform tests of controls to support judgements and to provide insights. Some routines can be used to help us identify areas of focus whilst others provide audit evidence.

There are often technical challenges to overcome such as: obtaining read only access to your systems; or, where data has been extracted by management, carrying out a validation process. There is complexity in at least the first year of setting up some of the routines which will take additional management time to ensure the data presented to auditors has integrity and can be extracted in the right format. Once set up though the routines will become easy to execute in subsequent years.

DataSnipper

Datasnipper is an intelligent automation platform, integrated within Excel, that significantly enhances the efficiency and accuracy of financial audit work. It helps to take data from PDF in to Excel.

We use this on almost all our audits on financial statements to cast, agree comparatives to prior year and to check for internal consistencies. We also use it to for version comparison of financial statements against previous drafts.

DataSnipper is also used to snip and sum data from documents for sample testing, and use it on some high volume routine testing to make these formula driven/snip driven rather than manual.

We use the snips to validate things like procurement testing for audit efficiency.

Journals

We use a variety of tools for our testing of journals as suited to our clients.

For example, with Inflo, we have the ability to analyse 100% of the transactions and apply sophisticated risk scoring to test for fraud or error.

Other analytical tools

We use a range of other analytic tools such as Alteryx, Idea and Python with a PowerBi reporting tool to deliver bespoke audit tests. This automation delivers audit efficiencies enabling us and our clients to focus on other important areas.

We find this of greatest use on low value, high volume revenue testing (e.g. retail or membership fees). In these areas there is a low level of judgement involved and so a low level of audit risk. A data analytics approach in this area allows us to test the full population of revenue transactions,, from input to bank, identifying any unusual items that require further investigation.

WHERE WE PLAN ON UTILISING CROWE ANALYTIC TOOLS ON ASPECTS OF OUR AUDIT THIS IS DETAILED IN SECTION 2 AND SECTION 3 ACCORDINGLY

Appendix 8 - The City Corporation's Report and Financial Statements

Financial Statements and our audit

The preparation and presentation of the financial statements remains the responsibility of those charged with governance. However, our audit work will include reviewing the statements to ensure that they properly reflect the underlying financial records of each entity and also that they continue to be appropriately prepared in line with the requirements of FRS 102, Charities SORP (FRS 102) and the requirements of the Charities / Companies Act (as applicable).

As part of our audit we will:

- ensure there is a full audit trail from the trial balance to the financial statements;
- review the financial statements against legal, regulatory and the SORP requirements and sector best practice;
- review the processes operated by each entity for identifying any related party transactions that might require disclosure; and
- review the latest copy of the risk register and ensure any key issues for the financial statements have been considered in the context of

our audits, and appropriately managed in the context of each entity's governance.

The City Corporation's Report

We expect that the City Corporation's Report will include discussions of risks, outcomes, outputs and impacts and information on financial and non-financial KPIs.

Whilst we are required to review the report for any inconsistencies with the information included in the financial statements we do not audit the City Corporation's Report. The responsibility for preparing the report rests with The City Corporation.

Although Council Members may seek the assistance of the organisation's staff in drafting the report, the Members must approve the final text of the report. It is therefore important that Members have some assurance over the process which management have adopted in the collection and verification of the data included in the Members' Report.

It will also be important that each entity continues to ensure consistency between the statutory Members' Report information and any information that is included elsewhere including on its website.

Appendix 9 - External developments

We note that whilst City's Estate is not a Charity, the below external developments are relevant directly to the charities in the group but also demonstrate good practice issues and therefore can be useful in the context of City's Estate.

We have summarised below some of the developments and changes in the charity sector over the recent period which we believe may be of interest or relevant to you. Please note that this information is provided as a summary only and that you should seek further advice if you believe that you have any specific related issues or intend to take or not take action based on any of the comments below.

We believe it is important to keep our clients up to date on the issues that affect them and, as a part of our ongoing communication, we regularly hold webinars and therefore encourage you to visit our website (<https://www.crowe.com/uk/croweuk/industries/webinars>) or register to our mailing list (nonprofits@crowe.co.uk) to stay updated on these. Any webinars which you have missed remain available on demand on our website.

Governance

State of the Sector

The Charity Commission has released its latest annual report on public trust in charities. The findings indicate that trust levels have remained stable since 2020, largely driven by the perception of a charity's aim to do good.

There is a persistent belief that smaller, local charities are more trustworthy than national charities. This is despite the fact that larger charities are subject to more stringent transparency requirements, which are a key factor in building trust. Respondents highlighted that their trust is influenced by how charities ensure that monies reach their intended causes and by visibly demonstrating their charitable activities.

The report, which includes interviews with a diverse range of the public, reveals that only one in 5 individuals are well-acquainted with the Charity Commission, with increased familiarity with the Commission associated with higher levels of trust. For more details, see the full report [here](#).

Smee & Ford legacy trends 2024 reported record legacy income of £3.5 billion in 2023, marking a 3.2% increase. Charitable estates have also risen to £22.6 billion, a 5.6% increase and 2023 had the highest record of unique charitable legacies for the past decade. The report highlights that there is further growth anticipated from Baby Boomer bequests with an increase in

annual deaths expected to rise to over 730k by 2035 translating to 47,000 charitable cases per annum in the years to come.

Additionally, the CAF UK Giving Report 2024 revealed that donations reached £13.9 billion in 2023, up from £12.7 billion in 2022. However, there was a decrease of £800 million in funds directed towards overseas causes. Furthermore, average monthly donation was £65; 40% higher than 2019 but using the median method, donations remained at £20 per month, unchanged for 7 years – using statistics from Pro-Bono Economics, with inflation it should have been £25.

An analysis of the VCSE Barometer carried out by Pro-Bono Economics found that one-third (33%) of charities reported a decline in their finances in the quarter-ended July 2024. This is attributed to ongoing workplace challenges and rising demand for services across charities of all sizes.

For further information on the treatment for the charity sector's unhealthy status quo, please visit: <https://www.probonoeconomics.com/>

Budget 2024: Key implications for charities

The 2024 budget, released 30 October, outlines new government's tax, welfare, and spending priorities up to March 2026, with a framework extending beyond April 2026. It also previews the spring spending review, which will allocate funding for central government departments through to March 2029.

Key announcements for Charities:

- Local government funding. A 3.2% rise in core local government spending, at least £600 million funding for social care.
- Support for individuals and carers. Reduced Universal Credit deductions increased Carer's Allowance earnings limit.
- VAT and business rates relief for private schools. VAT relief is removed. Business rate relief is for those providing full time education to pupils with education, health, and care plans.
- SEND Support. £1 billion to support children with special educational needs and disabilities (SEND).
- Hardship support. £1 billion next year to extend the Household Support Fund and hardship payments.
- Educational funding. An additional £30 million for free breakfast clubs, £300 million for further education and £40 million for the Growth and Skills Levy for training.
- Holocaust education. An additional £2 million to support Holocaust education charities.
- Research and development and inheritance tax reliefs maintained.

Further positive announcements include increased budget for the Charities Commission, additional support for central government departments and public services, and more funding for 'trailblazer' programmes and mental health crisis centres.

However, the 6.7% rise in the national living wage and the increase in employer National Insurance contributions (NICs) to 15%, both effective from April 2025, will impose financial pressures for charities. Additionally, the NIC threshold has dropped from £9,100 to £5,000.

From April 2025, many charities that employ staff will see their costs increase, with the average employer expected to incur an extra £26,000 in annual costs (approximately £800 per employee). However, the Employer's Allowance is set to increase from £5,000 to £10,500 and the threshold for claiming this allowance will be removed, potentially allowing more charities to benefit.

Holistically, commentators believe that the budget signals a shift in government's approach to funding local public services. It aims to simplify

local government funding and commits to moving towards multi-year settlements, which will help local authorities and voluntary sector partners to plan more effectively.

The Future Charity Chair

Crowe are pleased to have been involved in a research project looking at the essential attributes that Charity Chairs of the future will need to embrace. This research explored the topic through roundtable discussions and in-depth interviews, with the final thought leadership report published in June 2024.

The research aimed to:

- Contribute ideas that will help to shape the future development and recruitment of charity Chairs.
- Enhance the future sustainability of the charity sector by highlighting longer term considerations for Board discussion.
- Provide fresh thinking to positively influence regulation and best practice guidance for the sector.
- Emphasise the value of good charity governance and the need for it to continually evolve to remain relevant.

The research highlighted a number of key findings, including challenges from a lack of diversity within charities (including trustees, staff and volunteers), and the need to recruit individuals who represent the charity's beneficiaries.

Recommendations raised within the report include developing a leadership development programme for current Chairs, succession planning and a need to promote the role as one of ambition and aspiration.

The full report can be found [here](#).

Building Resilience: Responsive strategies in uncertain times

It is now accepted thinking that the uncertainty of the past few years is here to stay due to global economic uncertainties, geopolitical instability and as a result of rapid technological change.

These continuing challenges signal a new normal which requires all organisations to adapt to survive and thrive. Whilst there have been uncertainties in the past, the level and number has increased as has the speed with which these will impact an organisation.

For non profit organisations, the ever-present challenge is how they can deliver their mission in times of growing demand amid a squeeze on income and rising costs. It becomes even more imperative for boards and the leadership teams to continue to focus on organisational purpose, impact and culture. Juggling competing priorities often results in a lack of focus on matters related to climate risks or EDI and ESG. It is key that organisations focus on strategy at different time horizons to avoid falling behind the curve.

Further information can be found on our Insights page [here](#).

Charity Commission: New commission guidelines CC48 and CC27

CC48: Charity Meetings

The CC48 guidance from the Charity Commission, updated July 2024, provides essential rules for charity meetings that must be adhered to. The guidance emphasises the necessity for charities to adhere to their Governing Document rules on planning, running and recording meetings.

The Governing Document must be amended where rules are outdated to ensure decisions made in meetings are valid. For example, CC48 provides specific guidance on updating the Governing Document to allow for virtual and hybrid meetings. It also covers different types of meetings, such as trustee meetings and Annual General Meetings (AGMs), each with their own rules that must be followed.

CC48 can be found [here](#).

CC27: Decision Making for Trustees

The CC27 guidance from the Charity Commission outlines seven principles and best practices for trustees on decision making.

The seven decision-making principles are:

1. Trustees must act within their powers
2. Trustees must act in good faith

3. Trustees must be sufficiently informed
4. Trustees must take account of all relevant factors
5. Trustees must identify and disregard irrelevant factors
6. Trustees must manage conflicts of interest
7. Trustees must ensure their decision is within the range of decisions that a reasonable trustee body could make

This guidance provides detail on each principle but particularly when making significant or strategic decisions and how to record the decisions made.

Whilst CC27 applies specifically to all trustees of all charities in England and Wales -whether registered, unregistered or exempt, including corporate charity trustees – the guidance can be useful for other members of the charity to be aware of in considering in their decision making.

CC27 can be found [here](#).

The Charities Act 2022: Implementation

The Charities Act 2022 (the Act) received Royal Assent on 24 February 2022 and brings into force a number of key changes to the Charities Act 2011, aimed at simplifying a number of processes.

The Charity Commission are currently working through implementing the various changes brought about by the legislation, and set out an indicative timetable [here](#). Most of the provisions have now come into force.

Provisions of the Act in force that came into force on 31 October 2022

- Section 5: Orders under section 73 of the Charities Act 2011
- Section 8: Power of the court and the Commission to make schemes
- Section 32: Trustee of charitable trust: status as trust corporation
- Section 36: Costs incurred in relation to Tribunal proceedings etc
- Part of Section 37: Public notice as regards Commission orders etc.

- Part of Section 40 and Schedule 2: Minor and consequential amendments

Provisions of the Act that came into force on 14 June 2023

- Sections 9-14 and 35a: Permanent endowment
- Sections 17, 19-22: Charity land
- Sections 25-28: Charity names
- Section 38 and 39: Connected persons
- Part of Section 40 and Schedule 2: Minor and consequential amendments

Provisions of the Act that came into force on 7 March 2024

- Section 1-3: Charity constitutions
- Sections 18* and 23: Charity land
- Section 24 and Schedule 1: Amendments of the Universities and College Estates Act 1925**
- Section 29: Powers relating to appointments of trustees
- Section 31: Remuneration etc of charity trustees etc
- Sections 33, 34 and 35(b): Charity mergers
- Section 37: For remaining purposes
- Section 40 and Schedule 2: For remaining purposes

* Section 18(1) (in part), (2)(a), (2)(c) and (3)(a) will come into force on 7 March 2024. Due to the provisions being linked to section 24 and Schedule 1, section 18(1) (for remaining purposes), (2)(b) and (3)(b) will come into force on 19 May 2025.

** Section 24 and Schedule 1 will come into force on 19 May 2025.

Provisions of the Act expected to come into force later in 2024

- Sections 15 and 16: Ex gratia payments

The key provisions of the Act that have been implemented to date are set out below, and further information can be found [here](#).

Making changes to governing documents

The Act introduces a new statutory power to allows trusts and unincorporated associations to make changes to their governing documents.

Charities will still however need to get the Commission's authority to make certain 'regulated alterations' in the same way as companies and Charitable Incorporated Organisations (CIO).

Other related changes include:

- how unincorporated charities must pass trustee and (where they have members) member resolutions when using the new power
- that the Commission will apply the same legal test when deciding whether to give authority to charitable companies, CIOs, and unincorporated charities changing their charitable purposes
- a power for the Commission to give public notice to, or to direct charities to give notice to, regulated alterations they make

The Commission have updated CC36 to reflect these changes, which can be found [here](#).

Selling, leasing or otherwise disposing of charity land

The following provisions are now in force:

- provisions relating to disposals by liquidators, provisional liquidators, receivers, mortgagees or administrators
- provisions relating to the taking out of mortgages by liquidators, provisional liquidators, receivers, mortgagees or administrators
- changes about what must be included in statements and certificates for both disposals and mortgages

Charities must comply with certain legal requirements before they dispose of charity land. Disposal can include selling, transferring or leasing charity land. The Act simplifies some of these legal requirements. The changes include:

- widening the category of designated advisers who can provide charities with advice on certain disposals

- confirming that a trustee, officer or employee can provide advice on a disposal if they meet the relevant requirements
- giving trustees discretion to decide how to advertise a proposed disposal of charity land
- removing the requirement for charities to get Commission authority to grant a residential lease to a charity employee for a short periodic or fixed term tenancy

The Commission have updated CC28 to reflect these changes, which can be found [here](#).

Charity mergers

For certain mergers, new rules are now in force that will allow most gifts to charities that merge to take effect as gifts to the charity they have merged with.

Updated guidance on charity mergers can be found [here](#).

Failed appeals

The Act introduces new rules granting the power for trustees to apply cy-près, allowing charities more flexibility in response to a charity appeal that has failed, allowing *donations* to be applied for another charitable purposes rather than having to be returned to donors under certain conditions:

- The donation is a single gift of £120 or less; and the Trustees reasonably believe that during the financial year the total amount received from the donor for the specific charitable purpose is £120 or less (unless the donor states in writing that the gift must be returned if the charitable purposes fail); or
- The donor, after all agreed actions have been taken, cannot be identified or found; or
- The donor cannot be identified (for example cash collections)

The Charity Commission published guidance in relation to failed appeals on 31 October 2022, which can be found [here](#).

The Charity Commission has also updated its guidance [CC20 'Charity fundraising: a guide to trustee duties'](#) to reflect these changes.

The Fundraising Regulator has also published guidance, further details of which are provided below.

Payments to Trustees for providing goods to the charity

The Charities Act 2011 provided a statutory power for charities, in certain circumstances, to pay trustees for providing a service to a charity beyond usual trustee duties.

The Act extends this power to allow, in certain circumstances for payments to trustees for providing goods to the charity.

Updated guidance can be found [here](#).

The Charity Commission has also updated its guidance [CC29 'Conflicts of interest: a guide for charity trustees'](#) and [CC11 'Trustee expenses and payments'](#) to reflect these changes.

Power to amend Royal Charters

Royal Charter charities are able to use a new statutory power to change sections in their Royal Charter which they cannot currently change, if that change is approved by the Privy Council.

Updated guidance can be found [here](#).

Using permanent endowment

The Act introduces new statutory powers to enable:

- charities to spend, in certain circumstances, from a 'smaller value' permanent endowment fund of £25,000 or less without Commission authority
- certain charities to borrow up to 25% of the value of their permanent endowment fund without Commission authority

Charities that cannot use the statutory powers will require Charity Commission authority.

In addition, a new statutory power enables charities that have opted into a total return approach to investment to use permanent endowment to make social investments with a negative or uncertain financial return, provided any losses are offset by other gains.

Updated guidance can be found [here](#) and [here](#) for total return investment.

Investing Charity Money

CC14 was updated in August 2023, it is now called Investing Charity Money and takes account of the High Court Judgement on the Butler Sloss case.

CC14 states that all charities should have a written investment policy if their governing document requires they have one or if the charity is a trust, and where it gives an investment manager powers to make decisions on its behalf. It includes:

- Examples of various issues which may be relevant for trustees to consider when making investment decisions, such as the potential for an investment to conflict with the purposes of the charity, or the reputational impact of an investment decision.
- Steps trustees 'must' take to be compliant with the law and those trustees 'should' do as best practice but not legally required.
- Explanations on acting in the best interests of a charity, ensuring that above all else any decision furthers its purposes.
- Guidance on social investment and no longer uses terminology that could get in the way of trustees' understanding, such as 'ethical investment', 'mixed motive investment' and 'programme related investment'. It should be noted that whilst the guidance has simplified the terminology, this distinction is still important from a financial reporting perspective, as the Charity SORP requires different accounting treatment for mixed motive and programme related investments.

It also provides example approaches to financial returns including avoiding those investments which can reduce support for a charity and harm its reputation, and is more specific on ESG factors:

- aiming only for the best financial return you can achieve, within the level of risk that you have decided is acceptable for your charity
- alongside the financial return you are aiming for, avoiding investments that conflict with your charity's purposes.
- alongside the financial return you are aiming for, avoiding investments that could reduce support for your charity or harm its reputation, particularly amongst its supporters or beneficiaries.

- alongside the financial return you are aiming for, avoiding or making investments in companies because of their practice on environmental, social and governance (ESG) factors
- alongside the financial return you are aiming for, using your shareholder vote, or other opportunities that come with your investment, to influence practice at companies that your charity is invested in.

The revised guidance can be found [here](#).

Defined Benefit Funding Code of Practice

The Department for Work and Pensions published its revised DB Funding and Investment Strategy Regulations in January 2024 and applies to actuarial valuations of defined benefit pension schemes from 22 September 2024. The Regulations are closely tied to the Pensions Regulator's new DB Funding Code of Practice.

The Pensions Regulator (TPR) is analysing responses to its second consultation on the new Defined Benefit (DB) funding code of practice. The new Code includes a requirement for a 'funding and investment strategy' (FIS) where trustees will be required to articulate their approach and decisions on funding and investments. Trustees must prepare a written statement of strategy which records the FIS and supplementary details, is signed on the trustees' behalf by their chairperson, and submitted to TPR with each triennial valuation.

Under the proposals, TPR sets out a "twin-track" model where trustees will be able to choose either a prescriptive "Fast Track" option or a more flexible "Bespoke" approach to completing and submitting an actuarial valuation for TPRs assessment. The proposed requirements for the fast track route include a number of areas such as suitable long-term objectives for schemes to achieve low dependency by the time a scheme is significantly mature (measured as 12-year duration) and discount rates of gilts plus 0.5% p.a. The fast track does not explicitly take account of covenant strength. TPR plans to consult separately on proposed changes to covenant guidance.

The revised Code was published in July 2024 and can be found [here](#).

Charity Commission: Charities and Artificial Intelligence

On 2 April 2024 the Charity Commission published a blog explaining that charities may need to consider having an internal artificial intelligence (AI) policy, and that Trustees should be aware of the risks and opportunities arising from AI whether they are currently using AI or planning to do so.

The Commission is not anticipating issuing specific guidance but encourages trustees to apply existing guidance to new technologies as they emerge.

The key consideration is that AI should be used responsibly in a way that furthers the charity's purposes. Before utilising AI, consider the advantages and risks – and how these will be managed – in the context of the trustee's duties and charity's objectives.

That could involve looking at what gaps can be filled, or insights generated by an AI tool, what skills are needed to use these tools to the charity's advantage and if people within the charity's trustees, staff or volunteers have those skills. This could also consider how staff or volunteers may already be using AI.

As the use of AI develops and more applications become available, the Commission recommends charities consider whether having an internal AI policy would be beneficial so it is clear how and when it can be used in governance, by employees in their work, or in delivering services to beneficiaries.

However, Trustees remain responsible for decision making and it is vital processes are not delegated to AI alone as there are risks inherent to the way AI is built, operates, and continues to learn. Trustees and others in charities must ensure that human oversight is in place to prevent material errors, and a human touch is key to the way many charities operate and interact with their beneficiaries.

Trustees should consider external risks and reputational damage arising from the misuse and recircularization of AI, such as fake news or deep fakes.

Whilst this evolving technology may seem daunting to many, there are more opportunities for charities to engage with the technology now it is more widely available.

The full blog can be obtained [here](#).

Compliance

Employment Rights Bill Duty on employers to prevent sexual harassment at work

The Worker Protection (Amendment of Equality Act 2010) Act 2023 received Royal Assent on 26 October 2023, and came into force on 27 October 2023, and introduces a new duty on employers to take reasonable steps to prevent sexual harassment of their employees in the course of their employment. 'In the course of their employment' covers activities outside of the workplace, for example work social events.

The new duty to prevent sexual harassment will be enforceable by an employment tribunal, where the tribunal has first upheld a claim for sexual harassment. A tribunal will have the discretion to award a 'compensation uplift' by increasing any compensation it awards for sexual harassment by up to 25% where there has been a breach of the employer's duty in sexual harassment cases.

The Equality and Human Rights Commission's guidance on sexual harassment and harassment at work contains steps employers should consider taking in order to prevent and deal with harassment at work. These steps include having an effective and well communicated anti-harassment policy in place and maintaining a reporting register of complaints for all forms of harassment.

A copy of the guidance can be found [here](#).

Fundraising Regulator:

In November 2023 the Fundraising Regulator published its latest Annual Complaints Report which covers the period 1 April 2022 to 31 March 2023. The report analyses complaints received by the Fundraising Regulator and complaints reported to 58 of the UK's largest fundraising charities.

The number of complaints to the sample charities rose proportionally for most methods in line with increased fundraising activity – with 13 of the 23 fundraising methods having increased complaint numbers in 2021/22 compared to 2020/21. The overall number of complaints had increased since 2021/22 which is reflective of increases in fundraising activity since the pandemic.

Over the same period, complaints about fundraising methods including door to

door fundraising (60), charity bags (57) and addressed mail (51) accounted for the majority of the 270 complaints within the Fundraising Regulator's scope. A common theme was that of misleading information, highlighting the importance of clarity in fundraising materials.

You can see the full report [here](#).

In August 2024, the fundraising regular produced guidance on charitable institutions working with commercial participators and with professional fundraisers. Both pieces of guidance define professional fundraisers and commercial participators and in both cases explain that charities should carry out due diligence, have in place a written agreement and carry out monitoring.

Gender pay reporting

Any employer with 250 or more employees on a specific date each year (the 'snapshot date') must report their gender pay gap data. For most entities the snapshot date is the 5 April of each year.

You must report and publish your gender pay gap information within a year of your snapshot date. You must do this for every year that you have 250 or more employees on your snapshot date.

Guidance on what and how to report can be found [here](#).

The Economic Crime and Corporate Transparency Act 2023

A new failure to prevent fraud offence has been introduced by the Economic Crime and Transparency Act 2023. It will apply to all large corporate entities, including charitable companies, Royal Charters and CIOs.

When considering the size criteria it is worth noting that the legislation references the financial year of the entity that precedes the year of the fraud offence.

An offence is committed where an employee or agent commits fraud. The penalty is an unlimited fine for the organisation, and no personal liability will be introduced for trustees or management failure to prevent fraud.

The legislation is far reaching, and where an organisation operates or is based overseas, if an employee commits fraud under UK law or affecting UK victims, the company can be prosecuted.

There is a defence to the failure to prevent economic crimes if the organisation can prove that it had reasonable prevention measures in place,

or that it was not reasonable in all the circumstances to expect it to have had any procedures in place.

The guidance for the new corporate criminal offence of “failure to prevent fraud” has been published by the UK government. The Act aims to hold large organisations accountable if they benefit, or there is an intention to benefit, from fraudulent activities conducted by their employees, agents, subsidiaries, or other associated persons. Organisations have to put in place proactive measures and reasonable procedures to provide a defence to criminal liability for failing to prevent fraud and other economic crimes by associated persons.

The offence sits alongside existing law; for example, the person who committed the fraud may be prosecuted individually for that fraud, while the organisation may be prosecuted for failing to prevent it.

The offence, which will come into effect on 1 September 2025, applies to all large incorporated bodies, subsidiaries, partnerships, and large not-for-profit organisations such as charities if they are incorporated and Royal Charter. Whilst unincorporated charitable trusts may not be included, this guidance is considered as being best practice. It is important to note that the size criteria is considered in the year preceding the fraud offence. An organisation will be criminally liable if an associated person commits fraud intending to benefit the organisation such as through dishonest sales or commercial practices, hiding important information from consumers or investors, or dishonest practices in financial markets.

The guidance sets out six principles that should inform fraud prevention frameworks put in place by organisations in order to comply with the law - top level commitment, risk assessment, proportionate risk-based prevention procedures, due diligence, communication (including training), and ongoing monitoring and reviews.

Risk assessments must fully consider the potential for relevant economic crimes to be committed. These include but are not limited to fraud. Onboarding of employees and ‘associates’ must be reviewed and mitigation measures put in place. Sufficiency of training which is properly tailored to the particular employees involved is increasingly an area of regulatory focus and must also be part of the policies and procedures put in place here.

Full details of the guidance can be found [here](#).

Another aspect of the Act is to improve the accuracy and quality of data filed with the Registrar of Companies, helping to tackle economic crime and boost

confidence in the UK economy.

From a company secretarial point of view, the most significant change introduced by the Act is the reform of Companies House.

Key changes

Registered office address to be ‘appropriate’

All companies must now have an ‘appropriate address’ as their registered office. This means that documents sent to the registered office address will reach someone acting on behalf of the company and that delivery can be acknowledged. Companies are not allowed to use a PO Box address. In the event of non-compliance, Companies House will change the registered office address to a default address.

Registered email address

Both existing and new companies must provide Companies House with a registered email address for communication purposes. This information must be included when filing the next confirmation statement with a statement date of 5 March 2024 onwards or at the time of incorporation. A new company cannot be incorporated without this information, and existing companies will not be able to file a confirmation statement without it.

Statement of lawful purpose

After 4 March 2024, new companies must confirm that they are being incorporated for a lawful purpose. Existing companies will need to confirm annually in the confirmation statement that their intended future activities will be lawful.

Broadening of Registrar’s powers

The Registrar will have enhanced powers to question information filed at Companies House and request additional information to ensure that documents are timely, accurate, and not misleading. Companies House will have greater authority to scrutinise, query, and reject information that is filed or is in the process of being filed.

Authorised Corporate Service Provider (ACSP)

Under new identity verification measures, most documents filed at Companies House must be delivered by an ACSP. This includes incorporations, officer appointments (directors, secretary, members of LLP, partner of LP) and PSC

appointment. This means if you are filing these documents with Companies House then you will need professional corporate service providers to do this for you or you will have to follow the additional identity verification steps to be introduced by Companies House.

Changes to be introduced to Company Accounts

Companies House is currently working on mandating digital filing and full tagging of financial information in an iXBRL format. The number of times a company can shorten its Accounting Reference Period will be reduced. Small companies will be required to file a profit and loss account and a directors' report, while micro-entities will need to file a profit and loss account. The option to file abridged accounts will be removed, and companies claiming an audit exemption will need to provide an additional eligibility statement.

Restrictions on the use of corporate directors

All directors (or director equivalents) of the entity that have been appointed as a corporate director must be natural persons, and those natural person directors must have undergone an appropriate identity verification process. Historically, any corporate entity could be appointed as a corporate director of a UK company. However, moving forward, only UK-registered entities will be eligible for appointment as corporate directors, and all directors (or director equivalents) of such entities must be natural persons. Companies with existing corporate directors will be given 12 months to comply; within that time, they must either ensure their corporate director is compliant with the principles or resign them.

Considering the recent changes introduced by the Act, boards of directors will need to review their current processes for filing at Companies House, adopt new systems for verifying filings, monitor identity verification requirements, introduce new policies on director changes, and review the appropriateness of the company's registered office address.

New free digital service from National Cyber Security Centre

The National Cyber Security Centre has launched a new free digital service, MyNCSC, which aims to enhance charities' cyber security approach.

MyNCSC combines Active Cyber Deference (ACD) digital services, offering a unified experience tailored to each user's needs, including content, vulnerabilities, and alerts.

The MyNCSC platform is a free service for UK registered charities, enabling

organisations to access various ACD services, such as:

- early warning
- mail check, assessing email security compliance
- web check, finding and fixing common security vulnerabilities in the charity's website

There are plans to gradually increase the number of ACD services integrated with MyNCSC.

MyNCSC offers a unified user interface for accessing multiple services promoting collaboration within organisations when managing digital assets and viewing findings.

Further information and guidance on how MyNCSC works can be found [here](#).

Virgin Media pension case

Until it was abolished in April 2016, defined benefit pension schemes could contract out of the State schemes. In return for lower employer and employee National Insurance contributions, a scheme was required to meet certain minimum requirements in relation to the benefits provided through the scheme. Before 6 April 1997 a contracted-out salary-related scheme was required to provide each member with a Guaranteed Minimum Pension. The 1995 Pensions Act ended that regime and with effect from 6 April 1997 contracted-out schemes had to satisfy the Reference Scheme Test, which had to be assessed and certified by the scheme actuary that the minimum level of benefits under the reference scheme test would continue to be satisfied after the amendment was made.

On 25 July 2024, the Court of Appeal upheld the High Court's decision in relation to Virgin Media v NTL Pension Trustees II Limited that the statutory actuarial confirmation was required, and without this, alterations are void. This decision could potentially have a significant impact for other schemes where changes have been made without actuarial confirmation.

The question appealed was whether a confirmation was required for changes to future service benefits or just past service benefits. The Court of Appeal upheld the High Court's decision that confirmation was required for amendments to future accruals, before legislation changes in 2013. Legislation does allow the Government to make retrospective regulations to

validate amendments that are void due to the absence of such written confirmation. Therefore, depending upon the outcome of any subsequent appeal to the Supreme Court, there is the possibility that DWP may take action to validate scheme rule amendments which would otherwise be invalidated by the principle in the Virgin Media case.

On 29 July 2024 a joint statement was issued a working group formed by the Association of Consulting Actuaries, the Association of Pension Lawyers and the Society of Pension Professionals proposing that the Secretary of State for Work and Pensions make regulations to validate retrospectively any scheme rule amendment affecting reference scheme test benefits, that is held to be invalid solely because a written actuarial confirmation was not received before that amendment was made. If such regulations were to be made, this would provide a fallback position for DB schemes and their sponsoring employers if issues of invalidity of scheme rule amendments were to be raised based on the Virgin Media case. Other industry bodies have also begun lobbying government to make these changes.

In the meantime, scheme actuaries may need to consider whether they need to take account of matters raised through the Virgin Media case and take into account the impact on funding updates and triennial actuarial valuations. To date actuaries have not been explicitly referred to this matter in their actuarial valuations.

From a pension scheme accounting perspective, unless the possibility of settling the contingent liability is remote or it is not material disclosure should be made in the notes to the financial statements of the estimated financial effect and an indication of the uncertainties relating to the amount or timing. Trustees of pension schemes should assess whether disclosure is required in their accounts.

Employers will also need to consider the impact of the case on their accounts, and this will include retrospective and future liabilities and therefore will be a larger amount. If the amount is not included in actuarial valuations due to lack of information, there will need to be an assessment as to whether a disclosure is required.

Holiday Entitlement – where are we now?

In March 2023 the government opened a consultation exercise to review the legislation governing holiday entitlement and holiday pay, which had over time become complex, and in some cases, difficult for employers to follow.

The consultation exercise ended on 7 July 2023, and the government's response was published on 8 November 2023. The response indicates that the following actions will be taken:

- *Introduce an accrual method for calculating holiday*
Entitlement will be calculated as 12.07% of hours worked in a pay period for irregular hours and part year workers. All other workers will accrue leave at 1/12th of their entitlement on the first day of each month during their first year of employment.
- *Sanction rolled-up holiday pay (RHP)*
Legislation will be introduced to allow RHP for irregular hours workers and part-year workers only.
- *Introduce a definition of irregular hour workers & part-year workers*
Legislation will be updated to define what is meant by irregular hours workers and part-year workers.

The Government has laid out revisions in respect of the above as part of The Employment Rights (Amendment, Revocation and Transitional Provision) Regulations 2023, effective from 1 January 2024.

Irregular hours and part-year workers

To the relief of many employers the revised Working Time Regulations ('WTR') will include provisions aimed squarely at addressing the flaws laid bare in the Harper Trust v Brazel case in which it was held part year workers on permanent contracts were entitled to a full year's holiday entitlement, regardless of the number of weeks worked.

For holiday years from 1 April 2024 individuals who work irregular hours or part-year (such as term time or casual workers) will accrue holiday on the last day of each pay period at a rate of 12.07% of the number of hours worked during the pay period. This will ensure that their entitlement will remain in proportion to the hours that have been worked and differs from other employees who receive their full entitlement at the start of a holiday year. It is open to employers to allow the employee to take more holiday than they have accrued – in such cases its essential that employment contracts reserve the right for the employer to deduct over usage from final salaries.

For the same group of workers the revised WTR sees a welcome return of rolled-up holiday pay. Rolled-up holiday pay is where the accrual in a pay period

is paid to the employee with their basic salary rather than when they actually take their holiday. The practice was outlawed because in the opinion of the European Court of Justice it discouraged workers from taking time off. However, for many casual work arrangements rolled up holiday pay is the only logical approach and many employers have continued to apply it.

From 1 April 2024 rolled up holiday pay will be permitted on condition that:

- the individual is a part-year or irregular hours worker
- the holiday pay is calculated using 12.07% of all pay for work done
- the holiday pay (12.07%) is paid at the same time as the pay for work done
- the holiday pay is separately itemised on the payslip.

It's worth noting that the 12.07% formula does not account for the different holiday pots that we covered at the start of this article and therefore in some cases it could result in higher rates of holiday pay.

It is also the case that an employer has a legal duty to ensure that an individual takes their 5.6 weeks of holiday per year and this duty applies even when they are paid using rolled-up holiday pay and not when they actually take their holiday – which could make it difficult to monitor.

Record Keeping

Following a 2019 decision by the European Court of Justice employers have been required to record the daily hours worked by their employees.

Under the revised WTR employers will be required to keep records that evidence compliance with the 48-hour week, opt-out agreements, length of night work and health assessments for night workers, and therefore an employer is not required to record daily hours if they can evidence compliance by other means.

Key Takeaways

The revisions to the WTR should be welcome news for most employers, although in some areas they lack detail – such as a lack of definition around normal earnings for the calculation of holiday pay.

Employers of irregular and part year workers will be eager to adapt their processes to accommodate 'accrue as you go' and rolled up holiday pay.

For some employers it will be the much-needed spur to start and correctly calculate holiday pay and for others a need to evaluate the true status of their self-employed contractors.

However, for almost all employers there will be a need to look at policies and procedures to ensure that they align with the new rules on holiday carry over and ensure that 'use it or lose it' prompts are timetabled before the end of the holiday year.

The full article can be obtained [here](#).

Financial and other reporting

FRC Amendments to FRS 102

The Financial Reporting Council (FRC) issued amendments to financial reporting standards on 27 March 2024, the changes are mostly effective for accounting periods beginning or after 1 January 2026. This follows the consultation impact assessment during 2023.

The amendments include:

- a new model of revenue recognition in FRS 102 and FRS 105 based on the IFRS 15 five-step model for revenue recognition with appropriate simplifications
- a new model of lease accounting in FRS 102 based on IFRS 16 on-balance sheet model (again with appropriate simplifications)
- various other incremental improvements and clarifications

The FRC published new editions of the standards and updated staff factsheets with guidance during 2024.

The SORP committee are reflecting on these amendments and exploring how they will impact the remaining stages of the SORP development process with updates to follow.

The full amendment documents can be obtained [here](#).

Dispelling common myths about charities

ICAEW, with input from Crowe, has published guidance exploring ten myths surrounding charities and their operations, with a view to encourage

transparent communication in areas where these misconceptions are prevalent. The ten myths considered are:

- Charities spend too much on fundraising.
- They should not make a surplus or build up cash reserves.
- Too much is spent on highly paid executives.
- They should not undertake commercial activities.
- Charities should be run and staffed [for free] by volunteers.
- Too much is spent on overheads.
- Charities don't pay taxes, so need less money.
- Professional qualifications are needed to become a charity trustee.
- Charities are less vulnerable to fraud than other organisations.
- Charities should not engage in campaigning and political activity.

The guidance includes access to a webinar discussing some of the key myths with voices from the sector.

The Guidance can be found [here](#).

Charity Digital Skills report

The Charity Digital Skills annual report, now in its eighth year, continues to serve as an essential measure of the charity sectors' digital proficiency, attitudes, and behaviour. As charities face ongoing challenges from the cost-of-living crisis and adapt to a rapidly changing digital landscape, this report aims to highlight how charities are increasingly leveraging digital tools and identifying key trends.

The report highlights that:

- Half of charities have a digital strategy and 45% say this is a priority for this year, with 76% making progress this year.
- 1 in 4 charities say data is a high priority, with 48% use data to improve services or operations.
- 68% are struggling to process digitally due to finances, capacity or headspace.

- 56% are to engaging with emerging tech trends with 40% saying that they have poor skills & capacity.
- Over half (62%) of charities say trustees' digital skills are low or could improve.

Whilst many gaps identified in previous years persist, particularly in funding and leadership, there have been positive developments. Notably, there is a significant shift towards charities creating their own digital strategies. These strategies are crucial for ensuring that charities do not fall behind, especially with the rise of AI.

The report can be found [here](#).

NCSC publishes "Cyber Threat Report: UK Charity Sector"

The National Cyber Security Centre has published its annual report, outlining cyber threats currently facing charities of all sizes.

The 2024 DCMS Cyber Security Breaches Survey measures the policies and processes organisations have for cyber security; highlights the commonly perpetrated breaches and attacks and their impacts; and provides a number of recommendations and links to guidance to assist charities strengthen their defences.

The report revealed that 32% of UK Charities identified a cyber-attack in the last 12 months, an increase from the reported 24% in 2023, with phishing breaches being the most common. This increase has driven an increase in the deployment of various controls and procedures in businesses, such as:

- using up-to-date malware protection,
- restricting admin rights,
- network firewalls, and
- agreed processes for phishing emails.

The report notes that the charity sector is particularly vulnerable as they often hold significant amounts of sensitive or valuable data, making them attractive targets for cyber-attacks. Therefore, charities should consider adapting to the increasingly technical environment. This need for adaption is exemplified by cybersecurity being deemed high priority for 63% of charities, with 30% of Boards having explicit responsibility for cyber security, and 47% of high-income charities having formal cyber strategies in place.

A copy of the report can be obtained [here](#).

Charity Commission: Guidance on accepting donations

In March 2024, the Charity Commission published new guidance to help charities when deciding whether to accept, refuse or return a donation.

The guidance explains when donations must be refused or returned and when these might likely need to be refused or returned. The guidance makes clear that trustees should start from a position of accepting donations, but from time to time a charity may face a difficult decision as whether to refuse or return a donation. The guidance sets out an approach for trustees to take on these occasions, advising they:

- consider the risks involved in refusing or returning the donation, and how likely and serious these are. These include negative financial impact, ability to deliver services and ability to attract donations in future
- consider the risks involved in accepting or keeping the donation, and how likely and serious these are. These include the likelihood of reduced support or reputational harm, particularly among supporters or beneficiaries
- determine how any decision aligns with their charity's purposes
- determine what steps they can take to mitigate the risks. These include negotiating the terms of a conditional donation with the donor or developing a public explanation for a decision

It explains that if a charity is considering refusing or returning a donation, the charity must have the legal power to refuse or return a donation. In some situations, there are additional legal rules to consider e.g. disposal or land or properties of a special trust.

The charity should also consider whether it needs to make a SIR when it refuses or returns a donation.

Ultimately, as the guidance states: "Deciding whether to accept, refuse or return a donation is likely to involve a careful balancing exercise. There may be no right or wrong answer, but your decision must be rational and reasonable, and supported by clear evidence."

The full guidance can be obtained [here](#).

Taxation

Charities tax compliance

As part of the Autumn Budget 2024, the government published a response to their consultation on charities tax compliance. The original consultation, published in April 2023, received responses from 33 stakeholders in the charity sector including Crowe UK.

The consultation addressed four key areas of tax compliance for charities. A summary of these areas and the proposed changes to tax legislation, all of which will take effect from April 2026, are outlined below.

Preventing donors from obtaining a financial benefit from their donation

The issue: Existing legislation on Tainted Charity Donations does not have a wide enough scope to capture all possible arrangements between charities and donors that could be used to exploit tax reliefs on charitable donations for financial advantage.

The change: The legislation will be amended to lower the bar for challenging transactions, and the current motive test will be replaced with an outcome test. This is expected to allow HMRC to consider a series of transactions in the round and allow for a more objective assessment of the interactions between a donor and a charity.

Issues to consider: Ahead of the drafting of the new legislation, charities may wish to assess any long term arrangements they have with donors in order to be ready to assess whether any changes will need to be made to these arrangements to minimise the risk of falling into the tighter scope of the new rules.

Preventing abuse of the charitable investment rules

The issue: Under current legislation, certain types of investment qualify automatically as approved charitable investments, irrespective of how the investment is actually used.

The change: Legislation will be amended so that all investments (as opposed to only 'Type 12' investments under current legislation) must be demonstrably for the benefit of the charity and not for the avoidance of tax. Investments which do not meet this test will not be approved charitable investments and may lead to a tax exposure.

Issues to consider: Charities may wish to review their investment policies for all types of investment to ensure that sufficient evidence will be available in the event of an enquiry to demonstrate that all investments are made for the financial or charitable benefit of the charity. Further guidance on approved charitable investments is available [here](#).

Closing a gap in non-charitable expenditure rules

The issue: The non-charitable expenditure rules under current legislation do not account for legacy income as a type of 'attributable income'. This provides scope for charities to use legacy income for non-charitable purposes without incurring a tax charge.

The change: Legislation will be amended so that income which is relievably in either the charity's hands or the donor's hands will be included within the 'attributable income' definition.

Issues to consider: Charities should assess their proposed expenditure from legacy funding to ensure that this will not fall within the tax law definition of non-charitable expenditure. Further guidance on non-charitable expenditure is available [here](#).

Sanctioning charities that do not meet their filing and payment obligations

The issue: Some charities are persistently failing to meet their tax compliance obligations whilst also taking advantage of reliefs and exemptions available to them as charities.

The change: The Fit and Proper Persons test will be amended so that a manager of a charity who persistently fails to comply with the charity's tax obligations will fail the management condition. This may ultimately lead to the loss of recognition as a charity for tax purposes and to the loss of charitable reliefs and exemptions.

Issues to consider: Charities may consider appointing a suitable official to be responsible for ensuring compliance with the charity's tax compliance obligations, including the filing of tax returns which are in many cases requested on a rotational basis from charities.

The full published response to the consultation is available [here](#).

Private schools and rates relief

As confirmed at the Autumn Budget 2024, charitable rate relief will be removed from private schools with effect from April 2025. There will be an exception for private schools that are "wholly or mainly" concerned with providing full-time education to pupils for whom an education, health and care plan (EHCP) is maintained.

Creative industry tax reliefs

All claims for Theatre Tax Relief (TTR), Orchestra Tax Relief (OTR) and Museums and Galleries Exhibition Tax Relief (MGETR) made on or after 1 April 2024 must be accompanied by an additional information form. The form must be submitted online and must be filed before or on the same day as the company tax return in which the relevant claim is made. Claims submitted without having filed the additional information form beforehand will be invalid and must be re-submitted.

The Autumn Budget 2024 has confirmed the new permanent rates of 40% and 45% which were introduced in the Spring Budget 2024. The new rates will take effect from 1 April 2025.

Stamp Duty Land Tax

HMRC guidance has been updated to confirm that in circumstances where it is necessary to determine the market value of a land transaction for SDLT purposes, it is not necessary to obtain a formal valuation. This is a useful clarification particularly for charities receiving a transfer of land under an incorporation or merger, where the market value may be reportable even where no SDLT is payable due to charitable reliefs.

Autumn Budget 2024

On 30 October, the Chancellor of the Exchequer Rachel Reeves delivered her Autumn 2024 Budget, unveiling a series of significant changes set to impact businesses across various sectors, including most of our audit clients.

In her address, the Chancellor emphasised the government's commitment to restoring economic stability and fostering sustainable growth. She highlighted the need to tackle fiscal challenges inherited from previous administrations, make tough decisions on tax, welfare, and spending, increase support for public services, and boost capital investment.

Headlines from the budget include:

- From April 2025, the National Living Wage will rise by 6.7% - increasing to £12.21 per hour for adults over 21 – and employer National Insurance Contributions (NICs) will increase to 15%, with the threshold for NICs dropping from £9,100 to £5,000.
- The NICs Employment Allowance will increase from £5,000 to £10,500 starting April 2025 and the previous threshold for eligibility removed, enabling more businesses to benefit from this relief.
- Corporation Tax will continue to be capped at 25% for the duration of the current parliament, with the Small Profits Rate and Marginal Relief to remain at their current rates and thresholds.
- The budget includes several measures to increase funding for charities and not-for-profits. The government has committed an additional £1.3 billion in new grant funding for local authorities, alongside funding for education and hardship support.
- 20% VAT on private school fees from 1 January 2025, and the removal of charitable rates relief for private schools (further details below).
- For those charities with retail, hospitality or leisure activities, an additional 40% relief on business rates for these sectors up to 2025/2026, capped at £110,000 per business.

Full details of the changes introduced in the budget can be found [here](#).

New rates for creative industry tax reliefs

New permanent rates announced in the Spring Budget 2024 will apply from 1 April 2025 for Theatre Tax Relief, Orchestra Tax Relief and Museums and Galleries Exhibition Tax Relief.

The new rates will be 40% for non-touring productions and 45% for touring productions and all orchestra productions. Previously, the rates were due to taper back to their original levels of 25% and 20% by 2026.

Additionally, Museums and Galleries Tax Relief – which was previously due to expire in 2026 – will have its sunset clause removed so that it is now a permanent relief.

Administrative changes to creative industry tax reliefs

All claims for Theatre Tax Relief, Orchestra Tax Relief and Museums and Galleries Exhibition Tax Relief made on or after 1 April 2024 must be accompanied by an online information form. The form must be submitted before or on the same day as the submission of the company tax return in which the claim is made. The form is available [here](#).

A number of other administrative changes have been made to the creative industry reliefs which include a requirement to disclose connected party transactions with a potential restriction on connected party costs where these have not taken place on an arm's length basis.

Further details of the administrative changes are available in the policy paper [here](#).

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City of London Corporation Committee Report

Committee(s): Audit and Risk Management Committee – For decision	Dated: 12/05/2025
Subject: Annual Governance Statement (City Fund) 2024-25	Public report: For Decision
This proposal: <ul style="list-style-type: none"> provides statutory duties 	
Does this proposal require extra revenue and/or capital spending?	No
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: Chief Strategy Officer	
Report author: Barbara Hook, Town Clerks Department	

Summary

This report presents the Annual Governance Statement (AGS) 2024/25 (City Fund), which is published alongside the 2024/25 City Fund and Pension Fund Statement of Accounts, as required by the Accounts and Audit (England) Regulations 2015 and prepared in accordance with practice guidance: "Delivering Good Governance in Local Government" (issued jointly by the Society of Local Authority Chief Executives and Senior Managers and the Chartered Institute of Public Finance and Accountancy).

Recommendation(s)

Members are asked to:

- Consider and approve the AGS, at Appendix 1, for signing by the Chair of the Policy and Resources Committee and the Town Clerk and Chief Executive

- Note that the AGS will be published alongside the 2024/25 City Fund and Pension Fund Statement of Accounts
- Delegate authority to the Town Clerk, in consultation with the Chairman and Deputy Chairmen of this Committee, to amend the AGS for any relevant significant events or developments that occur prior to the date on which the Statement of Accounts is signed by the Chamberlain.

Main Report

Background

1. This report presents the City Corporation's Annual Governance Statement (AGS) (City Fund) 2024-25, required by The Accounts and Audit (England) Regulations 2015 which apply to the City of London's City Fund activities. Specifically, as an audited body, the City Corporation must conduct a review each financial year of the effectiveness of its system of internal control and publish an AGS, alongside the authority's Statement of Accounts.
2. The Chartered Institute of Public Finance and Accountancy (CIPFA), in association with the Society of Local Authority Chief Executives and Senior Managers (SOLACE), publishes a Delivering Good Governance in Local Government: Framework and an accompanying guidance note, which represents the proper practice guidance in relation to this.
3. The AGS must be signed by the most senior officer (Chief Executive or equivalent) and the most senior Member (Leader or equivalent). Following a resolution of this Committee in March 2012, the Policy and Resources Committee approved a report on the process for producing the AGS, and approved the practice whereby the AGS is approved by this Committee and signed by the Chairman of the Policy and Resources Committee.
4. The Audit and Risk Management Committee has a key role within the 'review of effectiveness' of the City's governance framework, including the system of internal control. One of its prime responsibilities is to review the work of the internal auditors, consider the risk management framework, and consider comments made by the external auditors and other review agencies and inspectorates.

Current Position

5. The intended purpose of the AGS is to describe what steps the organisation has taken to evaluate the adequacy and effectiveness of its systems of governance and provide an overall conclusion thereon.
6. The AGS at Appendix 1 seeks to enable public accessibility and to help drive improvement in the Corporation's overall effectiveness, as allowed for by CIPFA guidance. The AGS lists actions identified to improve the effectiveness of City of London Corporation governance and the Chief Officer who has Lead

responsibility for implementing these in the 2025-26 year (paragraph 76). All Chief Officers will contribute to the delivery of these actions. The Chief Officer with Lead responsibility will ensure that delivery is joined up across the City Corporation.

7. The AGS was reviewed by the Executive Leadership Board in April 2025.
8. In accordance with the practice adopted in previous years, Members are asked to delegate authority to the Town Clerk, in consultation with the Chairman and Deputy Chairmen of this Committee, to amend the AGS for any relevant significant events or developments that occur prior to the date on which the Statement of Accounts is signed by the Chamberlain. Publication of the Statement of Accounts is due by 31st May.

Corporate & Strategic Implications

Strategic implications – Publication of an Annual Governance Statement (City Fund) alongside the Annual Statement of Accounts (City Fund) is a statutory requirement and, as such, supports delivery of the Corporate Plan outcomes.

Financial implications - None

Resource implications - None

Legal implications - None

Risk implications - None

Equalities implications – None

Climate implications - None

Security implications - None

Conclusion

9. Members are asked to consider and approve the AGS, prepared in accordance with the requirements of The Accounts and Audit Regulations 2015 and associated recognised practice guidance. Once approved by this Committee, the AGS will be presented to the Town Clerk and Chief Executive and Chair of Policy and Resources for signature and will subsequently be published alongside the financial statements for the City Fund and Pension Fund.

Appendices

- Appendix 1 – Annual Governance Statement (City Fund) 2024-25 Final Draft

Barbara Hook

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Annual Governance Statement (City Fund) 2024-25

Executive Summary

1. The City Corporation has approved and adopted a code of [Corporate Governance](#) which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework 2016*. The City of London Corporation has complied with this code and met the requirements of [regulation 6\(1\) of the Accounts and Audit \(England\) Regulations 2015](#), which requires all relevant bodies to prepare an annual governance statement.
2. **This Annual Governance Statement (City Fund) statement sets out**
 - a. **our assessment of effectiveness in 2024-25**
 - b. **where our governance needs to improve and our commitment to do this during 2025-26**
 - c. **how we have improved our governance arrangements in 2024-25, and**
 - d. **provides a forward look on governance**
3. **The City of London Corporation is satisfied that appropriate fit for purpose governance arrangements are in place and are operating effectively.** Chief Officers and their teams input to this report, as the 1st line of Defence assurance, noting any areas of improvement that have been identified and that are to be implemented over the coming year. 2nd line of Defence assurance is achieved through corporate functions, such as Corporate Health and Safety, Corporate Risk Management and the Central Finance Function. These functions and any identified improvements are also noted. The City of London Corporation is committed to demonstrating effective governance and taking action that will strengthen this position further. Actions identified for implementation in 2025-26 include continuing to implement transformation across the City of London Corporation, for example in HR and Finance with the next stages of embedding Programme

Delivering Good Governance in Local Government (CIPFA and Solace, 2016)



Sapphire, continuing delivery of the People Strategy's five themes, moving forward with phase 2 of the EEDI Review and phase 2 of the Transformation Programme, progressing the Health and Safety Action Plan and preparing for a Local Authority Peer Review which will take place during 2025/26 .

4. 3rd line of Defence assurance is achieved through Internal Audit. **The Head of Internal Audit has provided an annual opinion stating that the City of London Corporation has adequate and effective systems of internal control (which includes governance arrangements) in place to manage the achievement of its objectives.** This is informed by completed Audit work, discussion with key officers and observation of the governance process in operation.
5. External Assurance Providers provide External Audits and Inspections. Grant Thornton UK LLP provides the external audit of the City Fund and Pension Fund accounts, and as part of their work, review the Annual Governance Statement to be assured that it is consistent with our financial statements and is in line with the requirements set by CIPFA . Other providers of external audit include Ofsted and the Care Quality Commission.
6. This annual governance statement was approved by the City Corporation's Audit and Risk Management Committee on [to add date].

[signature]
Chris Hayward
Policy Chairman

[signature]
Ian Thomas CBE
Town Clerk and Chief Executive

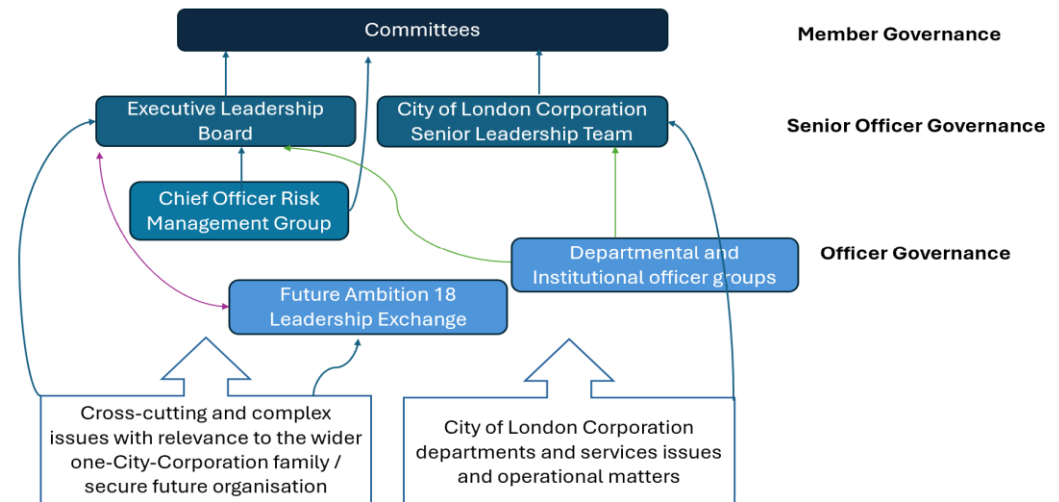
Our assessment of Effectiveness

Governance

7. The Annual Governance Statement (City Fund) 2024-25 has been produced from inputs provided by our Chief Officers and their teams for areas within their portfolios and using internal audits findings, and considering performance measures and various legal and statutory duties, including those reported in the public domain via our governance. We recognise the importance of appropriate controls, effective processes, and good management in ensuring the successful delivery of services for our communities and have in place **a robust system of governance**.
8. Our Code of [Corporate Governance](#) is a series of regulatory documents and protocols which govern how the City Corporation operates and takes decisions. These procedures, covering both the Local Authority and Police Authority roles and also applied to our private and charitable functions, where appropriate, are followed to ensure that our actions are fair, efficient, transparent and accountable. [Key elements](#) of the City Corporation's Governance Framework are explained (for example how the [Court of Common Council](#), the City of London Corporation's primary decision making assembly, appoints Grand Committees each year to provide scrutiny and oversight on its behalf) and some of the ways in which the City of London Corporation is consistent with the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework 2016*'s seven principles are listed.
9. Our [Corporate Plan 2024-2029](#) communicates six key outcomes we want to achieve over five years. Progress will be set out in an Annual Progress Report from 2026 onwards, as was noted in the [Corporate Plan 2024-2029 Preliminary Progress Report](#) published in February 2025. In addition, there will be twice yearly reporting on the City of London Corporation's People Strategy.



10. Appropriate **Member scrutiny and oversight** is vital in assuring the robustness of the City of London Corporation's governance. On being elected, new Members receive induction to enable them to understand and undertake their role. Induction is planned in advance of new member elections and prioritised to ensure effective governance and decision making are enabled from the start of each Member's term of office. In March 2025, 28 new Members were elected and have commenced Induction, managed by the Governance and Member Services team, arranged over a period of three months. This is to be followed by a rolling training programme over the course of their four year terms of office.
11. The City of London Corporation's **governance arrangements are kept under regular review**. Committee plans and Terms of Reference, and business as usual reviews into the various thresholds and responsibilities captured within the [Scheme of Delegations](#) and [Standing Orders](#), are completed as per agreed processes. In March 2025, the Court of Common Council approved revisions to the Standing Orders and revisions to the Members' Code of Conduct.
12. Scrutiny and oversight are achieved through **officer governance groups**. The City of London Corporation Senior Leadership Team (SLT), the Executive Leadership Board (ELB) and the Chief Officer Risk Management Group (CORMG) are the most senior officer governance groups and have continued to provide strategic oversight, guidance, and decision-making for effective governance and management, discharging the aggregate set of accountabilities delegated to Officers by Members. SLT comprises Tier 1 Chief Officers and meets weekly, covering operational matters, including organisational strategy and performance. ELB comprises Chief Officers and Heads of Institutions and meets for quarterly away days, providing collective leadership and direction, considering the City of London Corporation as a whole. CORMG is a sub-group of ELB, meeting at least six times per year, supporting ELB's overall responsibility for risk management. Below these a number of departmental and institutional officer governance groups enable the City Corporation to discharge appropriate governance responsibilities; such as the Health, Safety and Wellbeing Board, Portfolio Board, Corporate Projects Board, and Transformation Programme Board. The Future Ambition 18 Leadership Exchange (replacing Senior Leaders Forum which operated 2021-2023), comprising c.150 cross-City of London Corporation senior leaders below the Chief Officer level, was launched in 2024. This group will embed during 2025 determining how to work together to enable a world class City of London Corporation.



13. Effective systems and processes are in place to provide assurance that people meet our **expected standards of conduct**. The [Member Development and Standards Sub Committee](#) ensures all Members access opportunities to broaden specialist knowledge and skills in relation to their duties as Aldermen or Common Councillor. It is also responsible for monitoring, upholding and reviewing the City Corporation's Standard's regime. A revised [Members Code of Conduct](#) was approved by the Court of Common Council in March 2025. A [Panel of Independent Persons](#), a diverse group of 12 independent persons appointed by the Court of Common Council, receives allegations of misconduct under the Members' Code of Conduct. It facilitates informal resolution where appropriate, determines whether to investigate allegations, considers the outcome of investigations and if necessary, holds a hearing and appeal and presents recommendations to the Court regarding breaches of the Code and any sanctions. The regime involves a three-stage process: an assessment stage, a hearing stage and an appeal stage which are considered by separate Sub-Panels. The Panel is also responsible for considering requests for dispensations. Regular training is available to all Members on the Code of Conduct, and External Members are also subject to this Code.
14. The City of London Corporation has information for employees on **how to raise a concern** on its website and its staff intranet. During 2024/25 a new Speak Up Policy & Procedure was developed, and this will be formally launched to staff in April. This will replace the previous [Whistleblowing Policy](#). (Whistleblowing is the term used when someone who works in, or for an organisation, wishes to raise concerns about malpractice in the organisation and the covering up of any of these). The new Speak Up Policy and Procedure is to be supported by a new case management system for Speak Up concerns (Whistleblowing & Grievance) and a new innovative electronic reporting tool, allowing concerns to be raised anonymously and enabling two way communication retaining anonymity, through the INCASE system. During 2024-25 five concerns were raised that, following Internal Audit triage, would meet the test for a protected disclosure under the whistleblowing arrangements. (This compares with four concerns raised during 2023-24.)
15. The City of London Corporation has an [Anti-Fraud and Corruption Strategy](#) to **reduce the risk of fraud and corruption** to the City of London Corporation, from internal and external sources. It provides a good practice guide to assist staff, users of public services and members of the public on Anti Fraud and Corruption issues and legislation, and assistance on the course of action to be taken by City Corporation employees and users of its public services.
16. The City of London Corporation has approaches in place to support its **compliance and preparedness** in the areas of Security and Resilience, Business Continuity, MAGIC (Gold Command) and Health & Safety, with processes and data reviewed regularly to help drive effectiveness and continuous improvement.

Delivery of Services

Police Authority function

17. The **City of London Police**, the City's independent territorial police service, is overseen by the [Police Authority Board \(PAB\)](#) and its sub-Committees. Comprising elected Members and external appointees, PAB is the City's equivalent of a Police and Crime Commissioner. It holds the City of London Police Commissioner to account for the efficient and effective delivery of the service, ensures value for money in the way the police is run, and sets policing priorities taking into account the views of the community. The City of London Police's operational and organisational priorities and objectives are published in periodic Policing Plans and strategies. In 2024-25 the new [Policing Plan 2025-2028](#), [Victims Strategy](#), [2024-25 Neighbourhood Policing and Engagement Strategy](#) and [Equity, Diversity and Inclusion Strategy 2024-2027](#) were developed and published. It's Neighbourhood policing approach connects the City of London Police directly to our communities, with Dedicated Ward Officers (DWO) making the police more visible, able to interact with the public, aid local knowledge, and keep those who live, work, and visit the city safe and feeling safe. In February 2025, the appointment of the [17th Commissioner of the City of London Police](#) received Royal Assent.

Community Engagement

18. City Question Time events were held in June 2024, October 2024, December 2025 and February 2025 at venues across the City, **enabling residents to meet and hold their elected officials to account**. Focus on delivering on the Policy Chairman's "Resident Reset" priority in 2024-25 saw the appointment of a Resident Communications and Campaigns Manager, introduction of a regular print newsletter delivered to all resident properties, improvements to the regular resident e-newsletter and creation of a residents landing page on the City website. The City of London Corporation captures the questions raised at these events and in January 2025 published '[You Said, We Did](#)' to **illustrate how it has responded** on issues including policing, housing, cleansing, planning and transport.
19. [Consultations](#) and **engagement** were held on important areas of policy, including on the City Plan 2040 as it progressed through the City of London's Committee governance during 2024-25, enabling stakeholders to see how future plans for the Square Mile have developed, and on Adult Social Care, the Safer City Partnership Strategy, Future Pharmacy Services and the 0-2 Childcare Policy. The Business Rates meeting was held in February 2025 (combined with City Question Time), **engaging with the business community on how decisions on setting business rates for the 2025-26 year were reached**. Stakeholder engagement plays a vital part in the City of London Corporation's policy development. Unpaid carers were involved in the development of the specification and the commissioning interviews for a new carers service which was successfully launched in 2024. Consultation on SEND Strategy included art engagement session with children with SEND and facilitated sessions with 30 professionals and parents; the SEND Strategy was approved by Community and Children's Services Committee in January 2025. Healthwatch patient panels were consulted the



SEND Strategy and Adult Social Care Strategy. Consultation was undertaken on the refurbishment of Golden Lane Leisure Centre and the provision of services there and focus groups were established. A new resident engagement strategy within our housing service is in consultation. We have an active Children in Care Council.

20. Our [City Belonging Project](#) **connected workers across our diverse community**, through engagement with the diversity networks of City businesses, to aid consultation and co-creation in areas such as planning, transportation and service delivery and enable workers to feel as much a part of the community where they work as they do where they live. We launched 6 City Belonging networks: Latinos in the City, City Muslim Network, City Jewish Network, Veterans in the Square Mile, Women in the Square Mile, and Social Mobility in the City. 9 more City Belonging networks will be launched before the end of 2025. 454 City organisations and nearly 2,000 people took part in City Belonging events, including our Guildhall Pride celebration and the Lord Mayor's Show.



Equity, Equality, Diversity and Inclusion

21. The City Corporation aims to drive forward **Equity, Equality, Diversity and Inclusion (EEDI)** at all levels of the organisation to meet its published [Equality Objectives](#). The [EDI Sub-Committee](#), led by elected Members, strengthens the EDI governance structure and sets the strategic direction for EDI. This is coupled with an internal EEDI forum that brings together multiple internal stakeholders of City Corporation. This forum enables collaboration and insight as to how EEDI measures are working in practice. We have developed City Corporation wide EQIA and diversity monitoring guidance, issued November 2024. The City Corporation has 8 staff diversity networks and is a signatory of charters and accreditations including Women in Finance, Stonewall, Disability Confident Employer, London Living Wage and the Social Mobility Employer Index. We are developing a Social Mobility Action Plan. The City Corporation was ranked at 58th in the [Social Mobility Employer Index](#) in October 2024, substantially improving on its 2023 ranking of 87th. Many departments have a local equality framework providing a medium for local staff engagement. In 2024-25 a comprehensive EEDI Review has been undertaken to develop recommendations for EEDI going forward. Early findings of phase 1 of the review were communicated to EDI Sub Committee in February 2025. The full review recommendations will be considered by the EDI subcommittee in June 2025.

Department of Community and Children's Services

22. An Ofsted inspection of Children's Social Care Services and Early Help took place in September 2024 and **we retained our outstanding rating**.
23. The Safeguarding Sub-Committee fulfils our legal obligation to have a Corporate Parenting Board. Members on the Sub-Committee scrutinise various performance and strategies in relation to safeguarding and our Corporate Parent role. Over the past year the sub-committee has considered Service

Development Plans, the Corporate Parenting Strategy and Annual Report, Quarterly Performance Reports and the Annual Report from the City and Hackney Safeguarding Children's Partnership.

24. There is significant political oversight & support which has historically focussed on rough sleeping but there has been more focus on statutory homelessness in the last few years as temporary accommodation placements have risen. Positive recognition that investment in officers (training, office culture, career progression) creates a knowledgeable workforce that seeks to offer a holistic service to residents and by doing so improves the outcomes for both the resident and the organisation as a whole.
25. The City of London Health and Wellbeing Board worked with the Local Government Association to review how to strengthen its role, learn from best practice and ensure that the Board is delivering on its priorities set out in the Joint Local Health and Wellbeing Strategy. A report setting out this new approach was agreed at the Health and Wellbeing Board in January 2025.
26. The Annual Tenant Satisfaction Survey showed that **overall satisfaction with our services has increased to 68%**, the third highest in London.
27. A peer review of our SEND Service was undertaken in Spring 2024. The review found that 'there is a **clear vision and ambition for children and young people with SEND** and that professionals know children and young people well and place them at the centre of their thinking.'
28. There is a schedule of audits in Adult Social Care carried out by the Principal Social Worker. During the last year, audits have included mental capacity assessments, carers assessments and prevention.
29. An external organisation, Aidhour, carry out audits of Children's Social Care cases on a monthly basis (2 cases a month). These can be flexible if we want to look at a particular cohort of children and young people such as those who are disabled.
30. A new Pets Policy was consulted on and had over 1000 responses. It was approved by committee in November 2024.

Environment Department

31. The Environment Department worked with internal and external partners to fulfil its statutory duties and deliver excellent public services, adapting to the requirements of new and changing legislation and government demands. Several key strategies and policies were developed in the period, in

consultation with relevant stakeholders, which will deliver, or have already begun to deliver, positive outcomes for the environment, City residents, consumers, businesses and members of the public.

32. The next stage of the **extensive public engagement on the draft City Plan 2040** (the Regulation 20 consultation) was undertaken during 2024 and received 293 separate responses, amounting to 2,211 comments. All comments were taken into account in the preparation of the proposed submission draft City Plan 2040, which was submitted to the Secretary of State in August 2024. The City Plan 2040 is now subject to an independent examination in public, to be conducted by the Planning Inspectorate and - subject to an Inspector's report - will be formally adopted in 2025.
33. In July 2024, the [Transport Strategy \(2nd Edition\)](#) was published, reaffirming the City of London Corporation's commitment to making the City's streets **safer, more accessible and providing more space and priority to people walking and wheeling**.
34. The City of London Corporation's new [Air Quality Strategy 2025-2030](#) was published in December 2024 to fulfil its statutory obligations and to reach its **aim of meeting national air quality standards in all locations** within the next two to three years.
35. The publication and implementation of an [SME Strategy](#), launched in June 2024, is **aiding start-up businesses and SMEs to scale and grow**, helping to maintain London's position as the leading global financial and professional services centre.
36. Refreshed Licensing policies are supporting businesses, including SMEs, to thrive in the City, whilst maintaining a balanced approach for City residents.
37. A key action of the new [Circular Economy Framework](#), published in January 2025, is to improve circularity in construction: we are working with key building industry stakeholders across the Square Mile and have launched a technology platform intended to streamline and increase the reuse of construction materials. We achieved an ISO 20400 Sustainable Procurement score of 2.73 out of 5 (our first ever score), and we continue to focus on our target for the percentage of **household waste sent for reuse, recycling or composting** (26.87% in 2023/24).
38. Good progress was made against delivery of the City's Climate Action Strategy (see also paragraph 41) : the [Cool Streets and Greening Programme](#) saw an **increase in the number of trees planted** in the City and the area of **climate resilient public realm and open space enhanced**. The Square Mile Programme included the progression of a Heat Network Strategy for the Square Mile and the implementation of the Embodied Carbon Action Plan.



39. The [London Port Health Authority](#) successfully adapted its services to meet the requirements of the government's new Border Target Operating Model (BTOM), **ensuring public and animal health through effective controls of imported food and feed**. The Port Health Service will continue to respond accordingly to the government's stakeholder consultations on the delivery of the BTOM to ensure an effective border.
40. In August 2024 the City of London Corporation was again awarded the [Platinum RSPCA Pawprint award](#) for Licensing of Activities Involving Animals, recognising the **upholding of high standards in animal welfare through strong enforcement and compliance** in licensable activities. Heathrow Animal Reception Centre is the only live animal Border Control Post (BCP) in the UK which is designated for all species, and the only BCP in Europe that holds the IATA CEIV (Centre of Excellence for Independent Validators) Accreditation. This reflects the specialist nature and skills of the team.

Climate Action Strategy (see also paragraph 37)

41. The City of London Corporation's Climate Action Strategy was approved by Policy and Resources Committee in April 2019 with a target to be Net Zero in the City Corporation's operations by 2027. Following the successful completion of a £10M grant funded programme of works that saved 780tnCO₂ and over £1M in avoided energy costs (2021 prices) the Energy Team are now working on 50 projects across 19 sites, **predicted to save a further 2000tn CO₂ and £900k in avoided energy costs**. 13% of projects are completed, 12% are in delivery with the remaining 75% at varying stages of development, the majority of which are heating projects due to start over the summer 2025.



Cyclical Works Programme (CWP)

42. The Cyclical Works Programme (CWP) 2024/25 is a strategic initiative aimed at maintaining and enhancing the City of London Corporation's operational estate¹ while aligning with the broader goals of the Corporate Plan. The five year programme has commenced and is overseen by the Resource Allocation Sub-Committee, having approved funding to address the backlog and urgent repairs, including a dedicated programme

¹ The CWP does not extend to ring-fenced property assets (City of London Police estate, New Spitalfields, Billingsgate, City of London School, City of London School for Girls, City of London Junior School, Freeman's School) or the HRA.

management team. The first year of the programme overlapped with the previous CWP, but its projects, including some that contribute to the Climate Action Strategy, are progressing well, with several already completed and financial performance on track.

Head of Profession for Culture

43. In May 2024, the Court of Common Council confirmed that a Head of Profession for Culture would be appointed to progress the development of a new cultural strategy and be accountable to the Culture, Heritage & Libraries Committee. The development of a new Cultural Strategy is underway.
44. Culture has been in a transition year, stemming from the “Destination City – Independent Review 2024” the team have maintained a strong programme of existing and new projects. Some highlights include: Open House, Beerfest, educational and family focused activity, seasonal events, Sculpture in the City, City Festival of Music Innovation and Knowledge, Thames Day, promotion via our website and social media channels, programme and promotional partnerships (e.g. Visit London, Lift the City and Fabric) and grant-funded delivery (e.g. Reimagining Londinium and The Big Picture) and the Anne Desmet exhibition in the Art Gallery. The team continued to operate key assets, including the Guildhall Art Gallery (and City Corporation’s artwork across its estate including Mansion House and Old Bailey), the Amphitheatre, the Roman Bathhouse and the City Information Centre.
45. Highlights from [The London Archives](#) include a major programme to rename and rebrand the service, changing the name from London Metropolitan Archives to The London Archives (TLA) in August 2024, with a new brand and website. A new programme was launched for London’s schools with an engaging set of primary and secondary sessions which aim to **connect more children across the capital with the archives and history in the care of the City Corporation**. These sessions were piloted in the new learning facilities, bringing over 1000 school children through the pilot sessions. An outdoor exhibition focussed on Victorian photography and engaged 37,000 visitors at Aldgate Square and St Paul’s Churchyard, working with Destination City and Surveyors to contribute to a vibrant, thriving destination. Amongst other acquisitions, an agreement was reached with the Institute of Race Relations to add their archive to the collections.

Barbican Arts Centre

46. The Barbican Centre is a Multi-Arts, Learning and Conference Centre in the heart of the City of London. The Barbican is London’s Creative Catalyst for Arts, Curiosity and Enterprise. The Barbican Centre is governed by the Barbican Centre Board, a committee of the City of London Corporation. Two sub-Committees, the Risk and Finance Committee and the People, Culture and Inclusion Committee report into the Barbican Centre Board. The Barbican CEO is part of the Executive Leadership Board of the City of London Corporation. In 2024, an Interim CEO was seconded from City Bridge Foundation, the charity of which the City of London Corporation is the sole corporate trustee, after the departure of the previous CEO in July 2024. Recruitment for the permanent CEO began in March 2025 and the successful candidate will be appointed in July 2025.
47. The Barbican operates on a mixed funding model. The City of London Corporation, as founder and principal funder, funds 40% of activities from its City Fund. 60% of annual income is raised through audience revenue, enterprise, commercial income and raised income. The Barbican is supported

by [the Barbican Centre Trust Limited](#). Trustees are dedicated to raising funds to support the Barbican's world-class arts and creative learning programmes. In December 2024, the Court of Common Council approved a £191M funding package (representing 80% of Phase 1 costs) to support the Barbican Renewal Programme, a five-year project of works to secure the future of the internationally renowned, grade-II listed site. The Barbican Centre has committed to a £40M Capital Campaign to raise the remaining 20% of Phase 1 costs. A Project Board has been established, co-chaired by the Barbican Centre CEO and City Surveyor, which meets monthly. The process of establishing the member level governance structure is underway, for approval at committees in May 2025. The Centre has committed to producing a 10-year business plan commencing April 2026.

48. The Barbican continues to deliver on its [Strategic Framework 2024-2029](#), which corresponds to the City of London Corporation's Corporate Plan 2024-2029, delivering on our Shared Goals and Purpose as London's Creative Catalyst. For 2024-2025, Audience Numbers are over 1.3M visitors to the Centre. In 2024/25 we worked with 52 primary, secondary and SEND schools and provided opportunities for over 1,800 children and young people to participate in and experience creative activities including access to performances, events, exhibitions, screenings and careers. The Barbican welcomed over 33,000 people across its Public and Communities programmes, including talks, workshops, gigs and exhibitions. A highlight of last year's programme was Our Street which welcomed 20,000 visitors to the Barbican in August 2024, most of whom visited in intergenerational family groups.
49. Over the past six months, the Barbican has further strengthened its Health and Safety team, including the appointment of a Head of Health, Safety and Wellbeing and a Fire Safety Manager, with recruitment underway for a Health and Safety Manager. The team has actively engaged with colleagues across the Centre to develop a comprehensive understanding of the organisation's risk profile and key health and safety challenges, laying the groundwork for a forthcoming improvement plan. Additionally, critical fire safety works have commenced across the site to enhance fire life safety systems, including upgrades to fire doors and compartmentation, with improvements to emergency lighting and signage to follow.

Enablers

Financial Management

50. The proper administration of the City's financial affairs and ensuring financial sustainability is fundamental to the City of London Corporation's service delivery. The Chamberlain is the Chief Finance Officer in accordance with section 151 of the Local Government Act 1972 and has overall responsibility for this. CIPFA's 2010 Statement on the Role of the Chief Financial Officer in Local Government defines the key responsibilities of this role and sets out how the requirements of legislation and professional standards should be met. The Chamberlain also fulfils the role of Treasurer of the Police Authority.
51. The City Corporation culture is to maximise returns from its resources and seek value for money. It assesses the scope for improvements in efficiency/value for money by a variety of means, including improvement priorities set by the Policy & Resources Committee through the annual resource allocation process. The [Projects and Procurement Sub-Committee](#) meets monthly to ensure that projects align with corporate objectives and strategy and provide value for money. The [Capital Buildings Board](#) provides oversight for the major programmes, meeting every two months,

supported by a monthly Chamberlain's Projects Assurance Board. The Efficiency and Performance Working Group examines and scrutinises both the Corporation-wide and individual departmental plans to ensure the drive for value for money and oversee performance in alignment with departmental business plans.

52. The City Fund Medium Term Financial Plan is approved each year by the Court of Common Council and sets the revenue and capital budgets for a five-year period. Over recent years the levels of high inflation have placed **significant pressures on both revenue and capital budgets** as costs of previously included programmes have increased. Uncertainty around local government finance beyond the next year, in particular, the specific implications of the planned business rate reset in 2026/27, are key estimates required to be reviewed each year as part of the planning process. Programme Sapphire implementation (adoption of our new ERP system) is in progress, **modernising and improving our financial and human resources systems and processes**. Capability building within Chamberlain's and Financial Services Division, and across the wider organisation, is continuing through its Finance, Improvement, and Transformation (FIT) strategy, which is due to be launched in 2025/26. In advance of this, training models for finance professionals, budget managers and project managers has been implemented to help address knowledge gaps. In 2024-25 sign off of the 2023/24 annual accounts for both City of London Corporation Funds by the external auditors was achieved in line with statutory deadlines.

Procurement

53. The City Corporation's procurement activity is governed by the [Procurement Code](#), reviewed by the Commercial Service on a six-monthly basis, Procurement activity is organised into categories of spend each supported by a named Commercial Lead from within the Commercial Service. Procurement decisions are taken by the relevant Category Board according to spend. City Corporation **ensured its readiness for the Procurement Act 2023** which came into force in February 2025 and will take further action in summer 2025 to extend its established good practice beyond the Act's requirements.

Spend	Less than £100K	£100K to £2M	£2M to £4M	£4M and above
Deciding authority	delegated to Chief Officers with compliance and good governance facilitated through the Procurement Authorisation Report (PAR).	The relevant Category Board	Projects and Procurement sub-Committee	Projects and Procurement sub-Committee Plus Finance Committee (for Procurement Strategy) Court of Common Council (for Contract Award (contracts of £20M and above))

54. The Commercial Contract Management toolkit sets out the City Corporation's approach to the management of its contracts and provides practical guidance on responsible and sustainable procurement to officers across the City Corporation. Through its [Responsible Procurement Policy](#) the City Corporation seeks to use its spending power to the benefit the community and wider stakeholders. The City Corporation defines responsible procurement as having three main pillars: **social value, environmental sustainability and ethical sourcing**. Social Value means protecting and enhancing the health and wellbeing of local people and the local environment, reducing inequalities, providing skills and employment opportunities, promoting the local economy and building resilience through diverse supply chains. Environmental sustainability means reducing negative environmental impacts by working towards net zero and supporting environmental protection and improvement including animal welfare. Ethical

Sourcing means ensuring that human rights and employment rights. Since 2023-24 all procurements (new tenders, extensions and frameworks) must have a minimum 15% Responsible Procurement weighting, split across six commitments.

- a. Take Climate Action and minimise environmental impacts of procurement on our operations and throughout our supply chain
- b. Encourage and facilitate Supplier Diversity (Diverse Owned Enterprises and SMEs) through direct contracts, partnerships and active monitoring
- c. Embed equity, diversity and inclusion throughout the contract process and work with suppliers who have proven to take active steps within their own organisations, supply chain and industry
- d. Protect human rights in our supply chain by working with suppliers who undertake due diligence to guard against modern slavery and other human rights abuses
- e. Facilitate meaningful work-related opportunities, which are actively targeted to enable social mobility and inclusion
- f. Achieve meaningful social value outcomes according to organisational and stakeholder priorities through internal collaboration, community input and supplier engagement

55. Responsible Procurement Impact reports were published in June 2024 (covering 2023-24) and December 2024 (2024-25 mid-year report) noting achievements in the period. Information on the City of London Corporation's responsible supply chain commitments, as well as its [Responsible Investment Policy](#), Statement of Ethical Policy, [Modern Slavery Statement](#), Equality Objectives, corporate anti-fraud and corruption strategy and various environmental strategies and policies, is also provided in a UN Global Compact and Sustainable Development Goals Communication on Engagement every two years. The City of London Corporation is a signatory to the UN Global Compact and Sustainable Development Goals (SDGs) and published a [Communication on Engagement](#) in December 2024.

Programmes and Projects

56. City of London Corporation's Programme and Projects management has been strengthened by the implementation of portfolio management model providing **greater assurance across the City Corporation's programme and project management landscape**. Implementation was structured into two phases, with delivery of phase 1 taking place from November 2024 to April 2025 and phase 2 over summer 2025. The principles for the new project procedure are

- a. Create governance proportionate to the size and complexity of the project
- b. Gateways at the right points to enable impactful strategic interventions
- c. Better quality reporting which provides the right data & analysis to inform decisions
- d. Enhance strategic value from the outset as well as upon the realisation of benefits and outcomes
- e. Bring focus upon the overall budget for a project or programme rather than progression to the next gateway
- f. Better understand and manage the full extent of the risk of a project or programme
- g. Learn from the experience of past projects and align to industry standards

57. Phase 1 laid the foundations for better portfolio governance, with the launch of a unified project management tool (Cora) to manage projects across the City of London Corporation and create a 'single source of truth' by updating project data. Phase 2 will launch and embed the new project governance, procedure, & training, supporting the transition to the portfolio approach

Transformation

58. The City of London Corporation has embarked on an ambitious Transformation programme as part of its Corporate Plan, People Strategy and DIDAT Strategy towards achieving a Fantastic Five Years. This programme is vital to averting impending risks such as financial unsustainability, stalled productivity, widening technological gaps, and sub-optimal systems and processes. The Transformation programme, as enabler of the Fantastic Five Years, will be guided by four cross-cutting themes, all of which emphasise our aim of harnessing our unique position in the square mile and beyond. Goal statements and related outcomes have been defined for each pillar:
- a. **Organisational Excellence:** We are set up to achieve great things quickly, effectively and efficiently: operationally, organisationally, and in terms of governance. A culture of continuous improvement and innovation drives this Transformation. Through deep listening - and agile response - to both residents and businesses we develop our services in line with the needs of the City.
 - b. **Entrepreneurial Spirit:** Thinking beyond income generation to facilitate innovative, sustainable financial growth – as well as savvy resource management, ensuring long-term financial sustainability for the future of the City Corporation. A future where the City Corporation adds value to citizens, workers and businesses. By aligning our activities to the priorities of City businesses, we unlock new funding opportunities.
 - c. **Future First:** The City Corporation is at the forefront of innovative technology providing seamless services for both residents and businesses. We anticipate the evolving needs of a modern, connected city, using technology to foster equity and sustainable growth. Digital engagement with our community and businesses takes priority - and has potential for income generation.
 - d. **Innovative Collaboration:** We become more than the sum of our parts through innovative collaboration. By breaking down silos and fostering teamwork between officers and members we amplify impact across all departments and institutions. We develop strong multi-way partnerships with businesses – from financial and professional services and beyond - to amplify culture and service delivery, and vice versa.
59. Programme boards have been set up for each Transformation pillar, each with a Chief Officer sponsor and deputy Chief Officer as SRO, and the overarching Transformation board will be launched in April 2025.
60. The City of London Corporation is in the process of going to market for a Strategic Partner for Transformation who will be tasked with:
- a. Acceleration of delivery of the Transformation portfolio
 - b. Leading the people side of Transformational change, in concert with the Values and Behaviours programme, which is led by HR colleagues
 - c. Developing Ratifying and/or identifying £10m of income generation and savings opportunities to be built into the 26/27 budget
 - d. Running a Transformation Academy
61. In preparation for this, a Transformation Maturity assessment was conducted, based on the [Local Government Association Transformation Maturity Matrix](#). A Survey was sent to 35 senior officers and responses have been collated identifying that the City Corporation is in between levels one and two of the matrix across ten Transformation capabilities (our assessment included HR and data as additional maturity metrics).

HR and People

62. In April 2024 the City of London Corporation published its first [People Strategy](#) and has committed to reporting progress to the Corporate Services Committee twice yearly. The first [progress report covering April-September 2024](#) was presented in January 2025. The second progress report will go to Corporate Services Committee in June 2025. The People Strategy contains five themes:

My Contribution, My Reward	Includes Ambition 25 and a Benefits Review and Refresh. Ambition 25 programme has been established to address the long overdue need to review the CoLC pay and grading framework and job evaluation process as part of the wider People Strategy 2024-29. To manage the governance a Chief Officer steering board commenced during 2024/25, and meets weekly to address all challenges and areas of governance that a programme of this size and scale brings. The Officer Steering Board reports regularly to Corporate Services Committee for further steers and guidance.
My Wellbeing, My Belonging	Involves procurement of a supplier to undertake a programme of work to create new values and behaviours in 2025/26 as well as collaborative projects with the Health & Safety team and the Equality, Equity, Diversity and Inclusion (EEDI) team. Wellbeing and belonging have been fore fronted through initiatives such as the largest ever Celebrating our People Awards (COPA), a series of wellbeing lunch and learns, and a revitalised volunteer programme.
Inclusive Leadership	Action included the delivery of an all-staff survey, analysis of results, and monitoring and delivery of outcomes from across the entire organisation. Progress will be reported in the June 2025 People Strategy report. A pilot 360 assessment was undertaken for our Senior Leadership Team and a new organisation-wide leadership forum to contribute to an increase in distributed leadership was introduced, to report to ELB, entitled Future Ambition 18 Leadership Exchange. Manager training programmes have been refreshed. New member induction and training has been created, working with Member Services, for spring 2025 launch.
My Talent, My Development	Has concentrated on a refresh of induction and mandatory training including Health and Safety, EEDI, and Cyber Security with an increased concentration on e-learning.
Brilliant Basics	Has included initial work to create a manager level data reporting dashboard and undertake back-office data improvements and data cleansing to inform the replacement of our People System through a larger enterprise resource planning solution, entitled Programme Sapphire in collaboration with Finance. The development of workforce planning approaches has begun, including a significant undertaking to revamp our approach to our temporary labour agency workforce with a more efficient and cost-effective service. Prioritised policy updates have taken place in line with central government changes. A review of the Employee Handbook and the creation of a robust review process for all policies is underway. Recruitment to key HR and People roles during 2024/25 (and ongoing) has strengthened the corporate HR and People function to enable and assure the successful delivery of the People Strategy themes and support transformation across the City of London Corporation.

Digital Data and Technology Strategy

63. In September 2024 the Court of Common Council approved the [Digital, Data and Technology \(DDaT\) Strategy](#). Implementation of Digital, Data and Technology (DDaT) Strategy focused on 5 key strategic outcomes of Brilliant Basics, technology convergence where possible, becoming data driven to improve decisions, transforming services through responsible use of Automation and AI and developing Digital skills and sharing expertise. Since implementation, the new strategy has achieved some excellent progress against the strategic outcomes:
- a. A single device approach to devices – for the first time a single brand of device will be used across the whole organisation. This has led to significant savings through a joint purchasing agreement and allows device expertise to be shared across all IT Teams.
 - b. Microsoft Copilot (Generative AI) – the City of London Corporation has taken its first steps in the use of Generative AI through Microsoft Copilot for M365. There are 240 licenced staff with representation across all departments who are using Copilot to deliver significant time savings through personal productivity gains. In March 2025, Copilot was used for 16,568 prompts with an estimated 921 'Copilot assisted hours'. 2025/26 will see an increasing focus on Copilot Agents or 'Chat Bots' to deliver time savings and efficiencies.
 - c. Corporate Data Platform – Microsoft Fabric has been implemented as the Corporate Data Platform, providing a single repository for corporate data which can be utilised and shared across the City of London Corporation, subject to appropriate access and permissions. Significant benefit has been demonstrated in the area of Planning, and the wider Environment Department, in automating the collection of data and utilising Microsoft PowerBI to produce real time Reports and Dashboards. Work has commenced on utilising the Corporate Data Platform to collate internal and external data sources insights for Destination City, where previously the City Corporation may have relied on third party support.
 - d. In-housed IT Services – 2024/25 has been the first full year since the insourcing of IT Services from the previous Managed Service Provider. The Digital, Information and Technology Service (DITS) has continued to focus on Brilliant Basics, delivering significant improvements against the services' key performance indicators and demonstrating that an in-house service could both save money and deliver a better service.
 - e. Future Network Programme – this year DITS have initiated the programme to provide a new IT Network for the City of London Corporation, moving towards a cloud based, Wi-Fi first solution for all 120+ sites. The Programme is currently out to market for a new Network Provider, with a view to starting the roll out of the new network in early 2026.
 - f. Data Lighthouse Project – there is a recognised gap in the City of London Corporation for a corporate Customer Relationship Management solution. This project has commenced to deliver Microsoft Customer Insights as the corporate CRM platform, which will eventually be made available to all departments to create a single view of all customer interactions. The first two services are due to go live on the platform in early 2025/26.

Corporate Performance, Audit and Risk

64. The City Corporation looks to various performance measures as indicators of good governance. In 2024-25 these were:

Governance Performance Measures	2024-25 Outcomes
Internal Audit Work	24 Internal Audit reviews were completed (final reports issued). The majority resulted in Moderate and Limited Assurance opinions. 102 recommendations were raised, which is lower compared with previous years ² .
Fraud identification: proven fraudulent activities carried out by members of staff	3 incidents in 2024/25.
Outcomes of investigations carried out by Monitoring Officer or Independent Panel	In the period April 2024 –April 2025, 2 complaints were considered by the Panel of Independent Persons under the Code of Conduct. (Compares with 3 complaints investigated in 2023-24).
s151 formal issues raised	None in 2024-25
Local Government & Social Care Ombudsman referrals (where upheld)	Compliance with recommendations – 100% (no upheld referrals in 2023-24 (latest available))
Meeting statutory deadlines/targets as per Electoral Commission Performance Standards	City wide elections were carried out in March 2025 to the national standard. The annual canvass (the statutory audit of the Ward List & the Electoral register) was delivered to relevant legislation.
Freedom of Information and Environmental Information Regulations	Jan to Dec 2024: 1,311 FOIs and 7 EIRs were received. 1,236 (93.77%) requests were responded to within the statutory Compliance deadline. The Information Commissioners Office target is 90%.
Departments/Institutions that report business plan performance measures to Committees	2024-25 Performance: 6 Departments and Institutions ³ reported business plan performance measures to service Committees.
Appraisals % completed	2024 (latest available): 80% appraisals completed (City Corporation overall average)(80% in 2023)
Staff attendance at City Corporation induction	2024-25: 598 staff attended the New Starter induction events held in the period.
Staff turnover rate	12.09% in 2023-24 (latest available) (13.99% in 2022-23)
Staff survey participation and engagement	2024 (latest available) participation rate: 74% (51% in 2022) engagement score 63% (52% in 2022)
Non-exempt invoices paid without a corresponding purchase order (PO)	2024-25 Performance: Compliant invoices 97% and non-complaint invoices 3% (2023-24 performance: 96% compliant and 4% non-compliant)
Health & Safety Systems Maturity	Target: 65% Proactive Safety Maturity score across all City of London Corporation Departments and Institutions. Baseline (2024) score was 51%. March 2025 score was 57%.

² 124 recommendations were raised in FY2023-24. 73 recommendations were raised in FY2022-23. 168 recommendations were raised in FY2021-22

³ Environment Department, Department of Community and Children's Services, City Surveyor's, Chamberlain's, Innovation and Growth, Barbican Arts Centre, City of London Police,

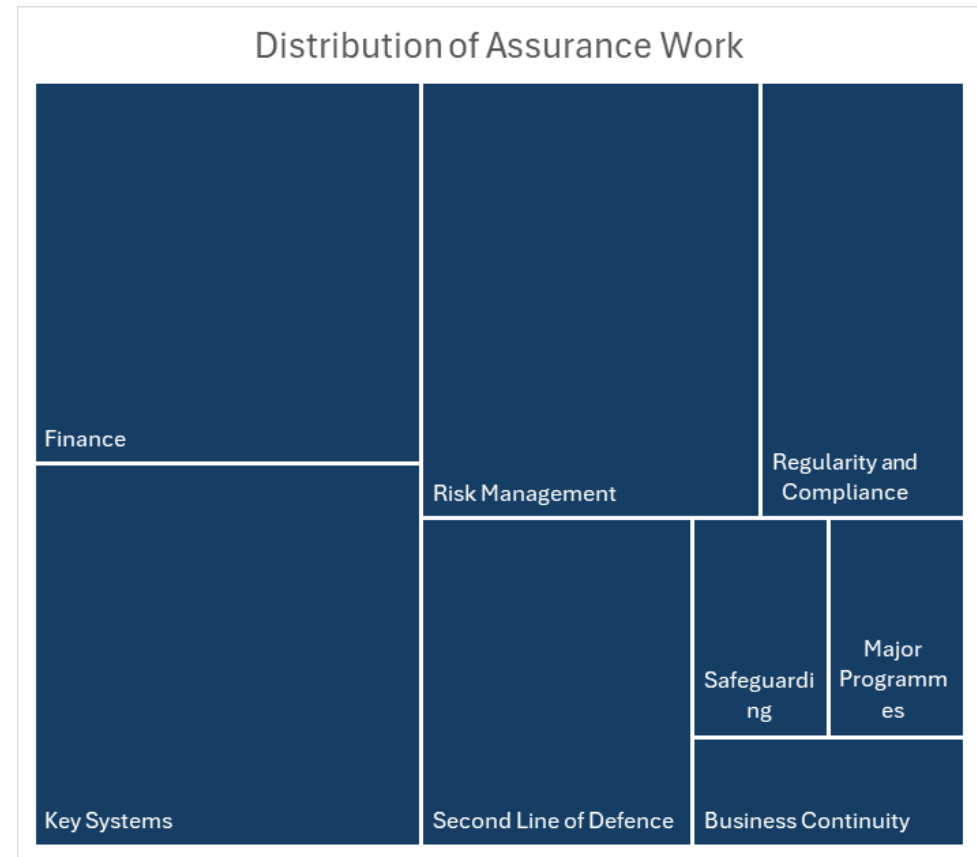
Role of the Monitoring Officer

65. The Comptroller and City Solicitor is the City of London Corporation's Monitoring Officer for the purposes of s.5 of the Local Government and Housing Act 1989 and its Data Protection Officer. The Comptroller and City Solicitor is responsible for providing all legal services required by the City of London Corporation, with the main areas of law covered including commercial property and land law, housing, litigation, employment law, contract law, planning, trusts, charity and company law. Working to the Comptroller and City Solicitor, the Information Governance Team provide advice in relation to data protection (DPA) and freedom of information matters (FOI) meeting the target set by the Information Commissioners Office, and the Electoral Services Team are responsible for City, Parliamentary and GLA elections and maintaining the City's Electoral Registers. City wide elections were successfully delivered in March 2025.

Role of Internal Audit

66. Internal Audit has provided **independent and objective assurance** across a range of City Corporation activities and services, not just limited to City Fund operations. The diagram opposite indicates the broad categorisation of assurance work within the Internal Audit programme of work.

67. For 2024-25 the Internal Audit work has continued to be driven by an ongoing assessment of risk and priorities. The agile and dynamic approach to Audit Planning, working to a rolling quarterly plan with a statement of intent for a further 6 months, has once again enabled better prioritisation of the limited resources available to Internal Audit. The Head of Internal Audit has worked with the full engagement and support of the Audit and Risk Management Committee, with updates provided to each Committee meeting. Assurance coverage has been focussed on operations assessed as higher risk. It is not unexpected that, as a result of targeting areas of highest risk, the profile of Internal Audit outcomes includes a high proportion of Moderate and Limited Assurance opinions, a larger programme of work would likely result in provision of a greater number of Substantial Assurance opinions, therefore providing a more balanced view of the overall effectiveness of the Internal Control Environment.



68. In response to concerns raised by the Head of Internal Audit, the level of resources available to Internal Audit were increased midway through 2024/25 by way of contingency funding and by substantive update through the budget setting process for 2025/26 and beyond. This resource uplift has bolstered both management and delivery capacity within the team which has enabled a reintroduction of a more traditional approach to Internal Audit planning and has lifted delivery capability from around 600 Audit Days to 1000 Audit Days per annum. The team has been fully staffed since January 2025.
69. In preparation for the introduction of the Global Internal Audit Standards a conformance gap analysis was undertaken which confirmed good alignment. The detailed outcomes from the assessment have informed the Internal Audit continuous improvement programme, one notable product being the creation of an Internal Audit Strategy.

Audit and Risk Management Committee

70. Risk management arrangements are reviewed annually by the [Audit and Risk Management Committee](#) which has a wide-ranging but focused brief that underpins the City of London Corporation's governance processes. The Audit and Risk Management Committee, and the [Nominations and Effectiveness Sub Committee](#), continued to play an important and integral part in **ensuring key risks were reviewed through regular risk updates and deep dives of corporate risks** on a rolling basis. Corporate risk deep dives are carried out by the Internal Audit Team to provide an additional level of assurance. In 2024-2025 recruitment of an independent member of the Nominations and Effectiveness Sub Committee was unsuccessful, and this exercise will be repeated during 2025-26.

Risk Management

71. The Chief Officer Risk Management Group (CORMG) continued to assess Corporate Risk through its well established processes and schedule of meetings and provided assurance to ELB on management of risks.
72. The Risk Management Strategy 2024-2029 was approved by Members in May 2024. During the first year of the Strategy, progress was made on delivering the brilliant basics of risk management, including reviewing and consolidating risk registers, through a continuation of a staff training programme and engagement with the Risk Management Forum (officer risk leads/co-ordinators), which continues to meet regularly. This has ensured **more regular and thorough updating of risks and better quality of risk data used in strategic decision-making**. A new Risk Management Policy was developed and agreed by the Audit & Risk Management Committee, the City Bridge Foundation Board and the City of London Police Authority Board in the third quarter of FY2024/25. Following last year's Risk Appetite Review a new Risk Appetite Statement was developed with input from Chief Officers, Heads of Profession and Members and forms the final piece of the organisation's Risk Management Framework. The draft statement will be presented to the Court of Common Council for agreement in the first quarter of FY2025/26, following additional Member engagement. The

anticipated implementation of this (to be supported by guidance) in FY2025/26 will help to inform a review of corporate risks against the delivery of Corporate Plan 2024-2029 outcomes.

73. An internal audit of the corporate application of the Risk Management Framework (based on departmental risk management audits conducted between July 2022 and June 2024) was completed in Q3. Some findings had already been addressed through BAU risk management activities during the audit period, with others captured as part of the action plan of the Risk Management Strategy 2024-2029.
74. The City Corporation contributed risk management expertise to Optimising Growth: The Evolving Role of the Chief Risk Officer research undertaken by Bayes Business School at City St George's, University of London. Commissioned by the Lord Mayor of the City of London, the research examined the evolving nature of the Chief Risk Officer (CRO) role within UK Financial Services firms.

Organisational Performance Management

75. The City of London Corporation has **identified performance measures to monitor the Corporate Plan 2024-2029 outcomes** and published a [preliminary report](#) on progress. Further progress reports will be published on the City Corporation website annually and will evolve over time as measures and processes improve. Regular performance reporting to the Executive Leadership Board is being established with scrutiny of Business Plans quarterly progress reports having been adopted into process during 2024-25. Business Planning transition to multi-year strategic and outcome focused plans (refreshed annually) steps up from July 2025, with the pilot departments having produced 3 to 5 year plans during the 2024-25 year. City of London Corporation Departments and Institutions report regularly to service Committees on the delivery of business plan performance metrics and the City of London Corporation also reports on the delivery of legal and statutory duties. The City of London Corporation also reports on the delivery of legal and statutory duties.


Where our governance needs to improve

76. Each year, the City of London Corporation proposes taking actions in important areas of governance as an ongoing part of demonstrating delivering high standards of good governance. In 2025-26 we will focus on the following





Area	Action List	Targets / Milestones	Lead (Chief Officer)
Governance	Agree the future arrangements for the election of the Policy Chairman. Ready the City of London Corporation for a Local Authority Peer Review	Report to the Court of Common Council in the next Civic Year with options for the election of the Lead Member on Policy matters for the City of London Corporation (known as the Policy Chairman). Collect evidence to support the Review Team and provide support during the Peer Review Period (2025/26)	Deputy Town Clerk
EEDI	EEDI Review Phase 2	Phase 1 EEDI Review report recommendations to be considered and where accepted, implemented in Phase 2 of the EEDI Review (2025/26).	Chief Strategy Officer
Finance	Project Sapphire	Phase 2 implementation (2025/26)	Chamberlain
Organisational Performance	Embed multi-year business planning across City of London Corporation Departments	Include all departments and Institutions in corporate business planning process, set multi-year business plan guidance (Jul 2025), approved by Executive Leadership Board (Dec 2025) and Committees (Mar 2026)	Chief Strategy Officer
People & HR	People Strategy Delivery	While significant progress was made across all People Strategy themes in 2024/25, the sheer breadth and depth of work across multiple projects with individual governance groups has led to some challenges in managing the ambition originally forecast for year one of the People Strategy. This work will continue into 2025/26, and continue to be reported to the Corporate Services Committee.	Chief People Officer
Transformation	Transformation Programme Phase 2	Onboard a Transformation Programme Partner (Summer 2025) Develop and deliver Transformation Framework with the Transformation Programme Partner (2025/26)	Chamberlain
Health & Safety	Health & Safety Action Plan (People Strategy)	Achieve target of 65% Proactive Safety Maturity score across all CoL Departments (2025/26)	Deputy Town Clerk

How we improved our governance arrangements in 2024-25

77. In the 2023-24 Annual Governance Statement the City Corporation proposed taking action in the areas of Health and Safety, Financial Management, HR and People, Transformation, Procurement, EEDI and Risk Management. Actions aimed to improve compliance and capability across the City Corporation, resulting in a positive impact in respect of its governance arrangements. A summary of progress during 2024/25 is shown below:

Action Identified	Progress achieved	Outcome
Health & Safety Progress the Health and Safety Action Plan, delivering strategic improvements and governance, compliance and risk mitigation , and system enhancements and Digital Transformation. Actions demonstrate that significant progress was met in strengthening H&S governance, compliance, and digital capabilities while addressing key risks.	Strategic Improvements & Governance: Initiated a Strategic Workplan for Health & Safety (H&S) in Jan 2024 aligned to the People Strategy establishing safety as a Golden Thread of the Corporate Plan. Approved a new reviewed Health & Safety Policy in April 2024. Established the new Strategic Health & Safety Board in Oct 2024. Delivered IIRSM accredited ELB H&S Governance Training to 76% of the Executive Leadership Board. Strengthened governance by repositioning the corporate H&S team as a second line of defence, aligning with other key structural changes. Compliance & Risk Mitigation: Conducted a full safety assurance review across 33 high-risk departments (Aug 2024) with a Corporate Compliance Aggregate score of 51%, as at March 57%, indicating a systemic approach to safety culture where the foundations have been laid. Basic systems and processes are in place, and you are practicing most aspects consistently Target is 65%., Proactive. Presented to Corporate Services Committee. System Enhancements & Digital Transformation: Refreshed Incident Reporting System launched in Jan 2025. New Risk Assessment System launched in 2025. New Safety Management Framework (SMF) developed and approved. Currently rolling out. New Every Day Safety Managers course piloted (and will roll out Summer 2025.)	
Finance Progress Project Sapphire to improve finance and HR systems. Progress automation of invoice payments. Continue to deliver effective financial management through capital and revenue reporting through to publication of the statement of accounts	Programme Sapphire approved and first phase implementation underway in HR L&D system. Next phases of Programme Sapphire in hand with Adopt not Adapt approach enabling improved financial processes and expansion of the City London Corporation's financial transformation programme. Sign off of historic sets of accounts and 2023/24 drafts for both Funds was achieved in line with statutory deadlines. Internal reporting for budget monitoring revised and improved. Court of Common Council approved actions to support a balanced 2025/26 budget and Medium Term Financial Plan for City Fund.	Ongoing
People & HR Progress the Ambition 25 project to ensure the City of London Corporation can recruit and retain high quality colleagues and enable a transparent,	Ambition 25 has been developed to address the long overdue review the CoLC pay and grading framework and job evaluation process. This along with the wider objectives of the My Contribution, My Reward workstream of our People Strategy will ensure we begin to address concerns that our employees raise regarding transparent, fair and clear job grading and evaluation methodology moving forward. Steady progress has been reported	Ongoing

<p>fair and understandable reward framework for all CoLC employees.</p> <p>Implement People Strategy 2024-2029 actions for year 2024/25, including development of City Corporation values.</p> <p>Establish a learning focused offering for senior leaders to work collectively and collaboratively, e.g. in action sets, to enable continuous professional development.</p> <p>Review the mandatory training offer for staff and implement changes.</p>	<p>in private session to the Chair & Deputy Chair of the Corporate Services Committee for this important work. People Strategy progress across all five themes was reported to Corporate Services Committee (CSC) in January 2025 for the first six months of the People Strategy. The next report is due in June 2025 to report on the first full year in full. Creation of overarching values for City Corporation was agreed by CSC to be a programme of work that should go out for full public tender. A complex procurement began Jan 2025 and will finish June 2025, after which the programme of work can begin. The Future Ambition 18 Group was established with a senior responsible officer supporting the group in January 2025. The primary objective is to create a robust platform for leadership development that facilitates autonomous leadership on strategic challenges, sharing best practices, and promoting collaboration among leaders across departments. Scope may evolve over time to accommodate changing organisational needs and priorities.</p> <p>The mandatory training offer was updated to reflect changes in legislation and technology, and reduced around 3 ½ hours, with concise and focused modules that are more engaging and interactive. Available to all new starters from September 2024, it will be rolled out to all staff to recomplete from 1st April 2025 with Programme Sapphire implementation.</p>	
<p>Transformation</p> <p>Focus on increasing value of our operations in support of mitigation of medium-term financial situation through radical decision making in the short term and transformation delivery in the medium to long term.</p> <p>Ensure Transformation enablers are in place, securing the Brilliant Basics.</p> <p>Development and delivery (alongside a strategic delivery partner) of a Transformation framework</p>	<p>Income Generation working group set up to drive silo-busting and accelerate delivery of income generation opportunities identified by Human Engine in their 2024 review. Initial assessment by senior officers of the City Corporation's Transformation Readiness was conducted in February 2025, based on the LGA Transformation Maturity Matrix. The maturity level between one and two (of a maximum five) indicated a need for significant operational and cultural change to ready City Corporation for large-scale Transformation. Development and delivery of a Transformation Framework and accompanying business model will be taken forward in Phase 2 of the Transformation, which is due to commence in 2026/27. Before this, the City Corporation is engaging a Strategic Partner for Transformation to deliver the following in 2025/26:</p> <ol style="list-style-type: none"> Acceleration of delivery of the Transformation portfolio Leading the people side of Transformational change, in concert with the Values and Behaviours programme, which is led by HR colleagues Developing Ratifying and/or identifying £10m of income generation and savings opportunities to be built into the 26/27 budget Running a Transformation Academy 	Ongoing

Governance Greater base-level knowledge about governance and decision-making across the organisation.	The Committee Report Template was improved to better equip Committee Members with the key information to make informed decisions. Continuous improvement action delivered to improve understanding of governance and reduce incidences of late papers and decisions taken outside of committee. Regular training offered to Members on City Corporation Governance processes and how to influence decision-making. Comprehensive Induction Training Schedule offered to all Members (new and returning) following the March 2025 City-wide elections. An introduction to Corporate Governance is now issued at New Starter Induction events. The Standing Orders were successfully reviewed, with all changes adopted to take effect in the next civic year.	
Procurement Review of COL strategic procurement policy and practice	Action was taken to ensure organisational preparedness for the implementation of the new Procurement Act, including commissioning an independent review of strategic procurement, undertaking a readiness assessment, and developing and agreeing a strategic procurement improvement plan.	
Police/Police Authority Board Annual refresh of the 2022-25 Policing Plan Annual City Police report for 2023/24 Continue trialling governance reform to Professional Standards & Integrity Committee	City of London Policing Plan 2025-2028 published. City of London Police Annual Report 2023/24 published. Delivery of Serious Violence Duty Strategy 2024 is in progress. First City of London Police and City of London Corporation joint Victims Strategy published in February 2025. Equality, Diversity and Inclusion Strategy 2024-2027 published. Ongoing action has been delivered on Policing Standards and Integrity governance reform.	
Equity, Equality, Diversity & Inclusion Publication of progress on corporate Equality Objectives Improve corporate outcomes on social mobility - participation in social mobility employer index Stabilise and strengthen Corporate EEDI infrastructure	58 th place ranking in the Social Mobility Employer Index achieved. Social Mobility Action Plan in development. Independent EEDI Review commissioned, informed by officer and Member workshops developing the scope and Terms of Reference. EEDI Review phase one reported to EDI Sub Committee. Progress on Equalities Objectives report covering 2024/25 is planned in summer 2025 (one year on from their publication in March 2024). 2024 Equality Information Report was published in February 2025. Recruitment is underway to strengthen the corporate EEDI structure.	Ongoing
Risk Management Support an agile and effective risk management process, create an effective risk management culture and enable informed decision making and appetite for risk	Risk Management Strategy 2024-2029 was promulgated across the City Corporation, and year 1 actions delivered to align risk management with strategic processes. Risk Management Policy was developed, with a focus on risk application, roles and responsibilities; process; and governance and reporting. In 2025-26, further actions will include: Identification and delivery of Risk Management Strategy year 2 actions. Continued socialisation of Risk Management Policy, strengthen the understanding of expectations and responsibilities. Approval and socialisation of new Risk Appetite Statement, embedding it into service committee and Chief Officer decision-making and in the review and assessment of top-level risks by Chief Officers (May 2025 onwards), and review of corporate risks against the outcomes of the Corporate Plan 2024-2029 to ensure strategic alignment (July 2025 onwards).	

A forward look on governance

78. The City of London Corporation is aware demand for services is increasing, for example in social care provision, SEND demand and responding to Homelessness. Escalating financial pressures and increasing demand pressures on our workforce and partners, could potentially impact on the resilience and effectiveness of our governance. It will be important that the City Corporation continues its focus on developing increased capability and understanding of Risk to enable risk informed, effective governance, delivering transformation and systems improvements, and continues its strategic, targeted programme of audit work to provide assurance of the City of London Corporation's internal control system. Areas of focus in 2025-26 are likely to include safeguarding, safety management, regularity and compliance, finance, major programmes, second line of defence, systems, risk management, and asset management.

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