



Audit and Risk Management Committee

Date: TUESDAY, 23 JULY 2013

Time: 11.00am

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

Members:

| | |
|--|------------------------------------|
| Jeremy Mayhew (Chairman) | Hilary Daniels (External Member) |
| Alderman Nick Anstee (Deputy Chairman) | Kenneth Ludlam (External Member) |
| Nigel Challis | Caroline Mawhood (External Member) |
| Revd Dr Martin Dudley | Ray Catt (Ex-Officio Member) |
| Deputy Robin Eve | Roger Chadwick (Ex-Officio Member) |
| Jamie Ingham Clark | Hugh Morris (Ex-Officio Member) |
| Oliver Lodge | |
| Alderman Ian Luder | |
| Jeremy Simons | |

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Lunch will be served in Guildhall Club at 1PM

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **DECLARATIONS BY MEMBERS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THIS AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 25 June 2013

For Decision
(Pages 1 - 10)
4. **OUTSTANDING ACTIONS OF THE COMMITTEE**
Report of the Town Clerk

For Information
(Pages 11 - 14)
5. **AUDITED 2012/13 CITY FUND AND PENSION FUND FINANCIAL STATEMENTS TOGETHER WITH DELOITTE'S REPORT THEREON**
Report of the Chamberlain

For Decision
(Pages 15 - 196)
6. **AUDITED 2012/13 BRIDGE HOUSE ESTATES AND SUNDRY TRUSTS FINANCIAL STATEMENTS TOGETHER WITH DELOITTE'S REPORT THEREON**
Report of the Chamberlain

For Decision
(Pages 197 - 320)
7. **COMMITTEE WORK PROGRAMME**
Report of the Town Clerk

For Decision
(Pages 321 - 324)
8. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
9. **ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT**
10. **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.

Part 2 - Non-Public Agenda

11. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the Non-Public minutes of the meeting held on 25 June 2013

For Decision
(Pages 325 - 328)

12. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
13. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

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AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 25 June 2013

Minutes of the meeting of the Audit and Risk Management Committee held at Committee Room - 2nd Floor West Wing, Guildhall on Tuesday, 25 June 2013 at 1.45pm

Present

Members:

Alderman Nick Anstee
Ray Catt (Ex-Officio Member)
Roger Chadwick (Ex-Officio Member)
Nigel Challis
Hilary Daniels (External Member)
Revd Dr Martin Dudley
Deputy Robin Eve
Jamie Ingham Clark
Oliver Lodge
Alderman Ian Luder (In the Chair)
Kenneth Ludlam (External Member)
Jeremy Mayhew
Jeremy Simons

In Attendance

Deputy Doug Barrow – Deputy Chairman of Policy and Resources Committee (*for item 10 - Strategic Risk 16 - Data Protection*)

Deputy John Barker – Chairman of Establishment Committee (for item 9 - Strategic Risk 9 - Health and Safety Risk)

Officers:

| | |
|---------------------|---|
| Susan Attard | - Deputy Town Clerk |
| Ade Adetosoye | - Director of Community and Children's Services |
| Peter Bennett | - City Surveyor |
| Sue Ireland | - Director of Open Spaces |
| Chris Pelham | - Community and Children's Services |
| Michael Cogher | - Comptroller and City Solicitor |
| Julie Mayer | - Town Clerk's |
| Neil Davies | - Town Clerk's |
| Caroline Al-Beyerty | - Chamberlain's |
| Suzanne Jones | - Chamberlain's |
| Paul Nagle | - Chamberlain's |
| Sabir Ali | - Chamberlain's |
| Chris Keesing | - Chamberlain's |
| Jenny Field | - Chamberlain's |
| Heather Bygrave | - Deloitte |
| Supt. Tony Cairey | - City of London Police |

1. **APOLOGIES**

Apologies were received from Caroline Mawhood and Hugh Morris.

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

There were no declarations.

3. **ORDER OF THE COURT OF COMMON COUNCIL - 25 APRIL 2013**

Members noted the following updates to the Committee's White Paper.

1. Since the Court of Common Council on 25 April 2013, Alderman Simon Walsh had resigned from the Audit and Risk Management Committee and Jamie Ingham-Clark had been appointed.
2. It was explicit that External Members do not have voting rights.
3. The quorum consists of 5 members (at least 3 elected by the Court and at least one external representative).
4. The appointment of an Independent Audit Panel (to make recommendations on the appointment of external auditors) had been added.
5. Risk Management included a reference to anti-fraud and anti-corruption arrangements.

RECEIVED

4. **ELECTION OF CHAIRMAN - IN ACCORDANCE WITH STANDING ORDER 29**

Being the only Member willing to serve, Jeremy Mayhew was elected as Chairman of the Audit and Risk Management Committee for 2013/14. On taking the Chair, Mr Mayhew thanked Members for their continued support.

5. **ELECTION OF DEPUTY CHAIRMAN - STANDING ORDER 30**

As both Mr Challis and Alderman Anstee had expressed a wish to serve as Deputy Chairman, a ballot was held and Alderman Anstee was elected as Deputy Chairman (by 5 votes to 4). Alderman Anstee was very pleased to take this position and commended the work of the Audit and Risk Management Committee.

6. **MINUTES**

The public minutes and non-public summary of the Audit and Risk Management Committee held on 5 March 2013 were approved as a correct record.

7. **OUTSTANDING ACTIONS OF THE COMMITTEE**

The Chairman took Members through items on the Outstanding Actions list. Most items would be discharged on this agenda; with the following exceptions:

Wider issues affecting exhibitions with valuable displays

The Deputy Town Clerk had arranged to meet with the Managing Director of the Barbican Centre to ensure training levels are adequate.

International Centre for Financial Regulation

No further update yet available.

Committee Effectiveness Review

One new Member had received an induction in Internal Audit and a further was in hand. Once both Members had been inducted in External Audit, this item could be removed

Length of Committee Reports and Agendas for the Audit and Risk Management Committee

The Deputy Town Clerk would continue to work with report authors.

8. STRATEGIC RISK 11 - POND EMBANKMENT FAILURE

Members received a joint report of the City Surveyor and the Director of Open Spaces which summarised the current position and outlined revisions to the project timetable.

The City Surveyor advised that the different needs of the local community were being met both at the top and bottom of the Heath. The public consultation would take place in the autumn; Members noted this had been extended to allow more time to work with the ponds project. The Director of Open Spaces advised that the London Borough of Camden would be writing to all residents (on 26 June 2013) advising them on safety measures in the event of an incident.

In response to questions, the City Surveyor advised that, based on the latest statistical calculation, the likelihood rating would remain the same. Members noted that, once the works were complete, the new spill ways and pipes would be able to cope with most eventualities and the dam would not break up or collapse due to 'overtopping'. The City Surveyor reminded Members that the risk is currently present, but only in very extreme circumstances. However, until the works are complete, very little could be done to mitigate the risk. In response to a question from the Chairman, the City Surveyor confirmed that the Panel Engineer was satisfied.

RESOLVED, that:

- 1. The adopted revised programme be noted.**
- 2. The likely need for additional professional fees (to cover the extended consultation period) be noted and would need to be approved by the Service Committee, Resource Allocation and the Projects sub Committees.**

9. STRATEGIC RISK 9 - HEALTH AND SAFETY RISK

Members noted that safety management processes had been reviewed and a revised policy developed and approved. The systems were the subject of a detailed report, which had been presented to the Audit and Risk Management Committee in September 2012.

The Director of HR presented the report and advised members that the Town Clerk now chairs the Officer Health and Safety Committee and the 'Top X' report is presented regularly to the Chief Officers' Group and the Establishment Committee. Members were further reassured that a recent incident had not resulted in prosecution of the City Corporation because robust procedures were in place. The Director advised that far more attention was being given to 'near misses'; with more being reported in the past 2 months than in the past 5 years. Members noted that the valuable data from analysing these incidents would be audited. The Director advised that officers' responsibilities for health and safety were written into their job descriptions and every Chief Officer was required to sign an annual Health and Safety Certificate.

In response to a question about contractors' liabilities, Members noted that information on health and safety procedures was required at the PQQ stage in the tender process.

The Chairman was satisfied with the progress made and, whilst recognising that process was important, asked if future reports could ensure a balance between processes, risks and outcomes.

RECEIVED

10. STRATEGIC RISK 16 - DATA PROTECTION

Members noted that any breach of the Data Protection Act of 1998 could expose the City Corporation to reputational, operational and financial consequences. Data Protection was a new Strategic Risk, being presented to the Audit and Risk Management Committee for the first time.

Members noted that, when the report was discussed at Summit Group, the Town Clerk asked for very serious cases to be reported to the Summit Group and that Summit Group should also receive an annual report on Data Protection. The Chamberlain had also agreed to review email protocols, following a discussion on the danger of just 'cc'-ing as opposed to 'bcc-ing'. Members noted that a session on Data Protection had been offered to all Members in July. The Chairman stressed the importance of training for all Members and officers and asked for a further update, via the 'Outstanding Actions' list, to the September or October Meeting.

RECEIVED

11. FOSTERING INSPECTION

This report advised on the outcome of the recent Ofsted Inspection of the City of London Fostering Services, held on 21-27 March 2013. Members were pleased to note that the overall effectiveness rating was 'good', with 'outstanding' for outcomes for Children. There had been 3 areas for further development, but these had been implemented or were being processed. The Chairman of the Community and Children's Services Committee was present and confirmed that he was very happy with the result. Finally, the Chairman congratulated the new Director of Community and Children's Services, Mr Ade Adetosoye, for being awarded an OBE for his work with children's services.

RECEIVED

12. SUMMARY OF INSPECTIONS BY HM INSPECTOR OF CONSTABULARIES

Members of the Audit and Risk Management Committee had requested an annual update on HMIC Inspections of the City of London Police. This report had also been considered by the Police Performance and Resource Management Sub Committee on 30 May 2013, which includes one of the Audit and Risk Management Committee's External Members (Mr Kenneth Ludlam). The sub committee had asked for an update report in September, to ensure all outstanding actions, due in May and June, had been completed. Mr Ludlam commended a useful report, which was also referred to in the Annual Governance Statement as an example of committees working jointly. In response to a question from the Chairman, Mr Ludlam agreed that the update report, due in September, should only be presented to the Audit and Risk Management Committee if there were issues of specific concern.

RECEIVED

13. RISK MANAGEMENT UPDATE REPORT, INCLUDING THE STRATEGIC RISK REGISTER

This report presented the Committee with an update on the Strategic Risk Register and the Independent Review of the City of London's risk management arrangements, which would commence during the Summer 2013. The Chairman said that various officer groups make recommendations to the Audit and Risk Management Committee, which then makes the decision. This was confirmed by the Town Clerk.

RESOLVED, that:

- 1. The changes to the strategic risks (in paragraph 3 and appendix 1 to the report) be noted.**
- 2. SR15: Barbican Art Gallery be closed, subject to confirmation about the Centre's training arrangements i.e.; security referred to in item 7 (Outstanding Actions list).**
- 3. The proposed scope of the work for the independent review be noted.**
- 4. The changes within the cyclical review of the strategic risks be noted (as set out in paragraph 10 of the report)**

14. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Members noted that the new Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013. The Standards are mandatory and will underpin the Internal Audit arrangements within the City of London Corporation. The Chairman particularly welcomed the underlying principle safeguarding the independence of the Chief Audit Executive, by ensuring that his/her remuneration or performance assessment is not unduly influenced by those subject to audit. However, Members generally agreed that the new standards had not sufficiently reinforced the role of an independent Audit Committee.

RESOLVED, that:

- 1. The introduction of the new Public Sector Internal Audit Standards be noted.**
- 2. Internal Audit functionality in reporting to a 'board' be noted, including those areas that are not typically seen as the responsibility of an Audit Committee in a Local Authority.**
- 3. To note the proposed arrangements for the Town Clerk and Chief Executive and Chairman of the Audit and Risk Management Committee to contribute feedback to the performance appraisal of the Head of Audit and Risk Management. (The Audit and Risk Management Committee would be consulted, through the Chairman of the Committee, on the appointment and removal of the Head of Audit and Risk Management).**
- 4. The work to be undertaken in the coming year to comply with the new standards be noted.**

15. INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP REPORT

This report provided an update on the implementation of audit recommendations since the last update to the Audit and Risk Management Committee on 5 March 2013.

Members were concerned that, whilst 39% of recommendations were implemented by the originally agreed date, 61% of amber priority recommendations were implemented after the originally agreed date; with 35% implemented more than 6 months after. The Head of Internal Audit and Risk Management advised Members that nearly all slippages had been agreed with Internal Audit, but offered a further analysis in future; this would include reasons, whether they were unilateral or specific to certain departments and the number of times that a slippage had been agreed. Members noted that the new audit automation software tracks recommendations more efficiently and there is an area in development which will generate automatic reminders to responsible officers.

Whilst accepting the above measures, the Chairman and Members agreed that, whilst timescales for implementation should be realistic, deadlines should only slip in extreme circumstances. In concluding, the Chairman felt that the current level of performance was unsatisfactory and offered continuing support to Internal Audit in enforcing a satisfactory standard. Members noted that the Chairman would email officers or call them to account at the Audit and Risk Management Committee, in the event of non-compliance; e.g. an outstanding action of longer than 6 months. In response to a further request from Members, the Deputy Town Clerk advised that the timely implementation of Internal Audit recommendations would be considered in Chief Officer Appraisals.

The Director of Community and Children's Services and the Chairman of the Service Committee asked Members to be mindful of some areas which might be beyond Chief Officers' control; i.e. dependence on external partners in commissioning contracts. The Chairman asked if the next report could include a provision for new risks created by outsourcing and commissioning.

RESOLVED, that:

- 1. The report be noted.**
- 2. The requirements for a clear improvement in ensuring originally agreed timescales for the implementation of recommendations be noted.**

16. INTERNAL AUDIT UPDATE REPORT

This report provided an update on internal audit activity since the last meeting of the Committee on 5 March 2013. Members were concerned that one audit review in Community and Children's Services (the Community Care Review) had resulted in a 'Red' limited assurance opinion. The new Director of Community and Children's Services was in attendance and the Head of Internal Audit and Risk Management was pleased to advise that substantial progress had been made in implementing the recommendations and there would be a full review in 2 months. The Chairman asked to be advised of any recommendations not implemented by the agreed dates.

Members noted that, whilst there is no longer a home care service, officers would take forward the learning on client accounts. The Head of Internal Audit and Risk Management advised that the Court of Protection Audit, requested by DCCS management, would be covered in the next audit update report; similar control issues had been identified by internal audit in this further review.

The Business Services Director further assured members that the newly implemented CLPS would prevent a recurrence of the 'rogue' purchase referred to on p180 of the report. The Head of Internal Audit and Risk Management confirmed his high level of confidence that the new arrangements will mitigate the risk of this re-occurring.

RECEIVED

17. HEAD OF INTERNAL AUDIT ANNUAL REPORT

The Head of Internal Audit had prepared an annual report and opinion for the financial year 2012/13 and his opinion stated that *'sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes'. Notwithstanding my overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures, which management has accepted and are documented in each audit report'*

Members noted that the Community and Children's Services had invited Internal Audit to their Departmental Management Team Meetings and encouraged the roll out of this model to other departments, when necessary.

RESOLVED, that:

- 1. The Head of Internal Audit's Report and Opinion for 2012/13 be noted.**
- 2. The conclusions of the review of internal audit effectiveness, assessed against the CIPFA Internal Audit Code of Practice and Statement on the Role of the Head of Internal Audit in Public Sector organisations, be noted.**

18. ANTI FRAUD AND CORRUPTION UPDATE REPORT

This report provided Members with a summary of the pro-active anti-fraud activity for the 2012/13 reporting year. The Business Services Director advised that there was a new temporary member of staff in the team and, as this was working very well, this arrangement had been extended for six months. Members noted that 3 further cases were progressing to prosecution.

RECEIVED

19. LOCAL AUDIT AND ACCOUNTABILITY BILL

This report informed Members of the provisions of the Local Audit and Accountability Bill currently before Parliament. The Bill will abolish the Audit Commission and requires local authorities to appoint their auditors. Members suggested that, given the City of London had been a pioneer in appointing an Independent Audit Panel, they might act as a pilot for the new arrangements in the Audit Commission's re-tendering exercise. The Financial Services Director is part of the Communities and Local Government Working Group and has been advising it on best practice; this was taken into account when re-drafting the Bill. The Remembrancer's representative advised that Baroness Hallam was taking the bill through Parliament, which currently had 1 week left in the First House, so there was limited opportunity in parliamentary proceedings to suggest new arrangements. Officers agreed to explore the suggestion.

RECEIVED

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

This report presented the annual update of the City Corporation's Governance and Internal Control Framework in the formats agreed by the Audit and Risk Management Committee in March 2013. Members welcomed the clear layout in two versions – one with the main changes highlighted and the other showing full track changes compared with the 2011/12 statement. Mr Ludlam asked if there could be a stronger link with Police governance and this, along with any further amendments or adjustments would be delegated to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee.

RESOLVED, that:

1. **The AGS set out in Appendixes 1 and 2, for signing by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive, be approved.**
2. **The AGS be published alongside the 2012/13 City Fund and Pension Funds Statement of Accounts.**
3. **The future developments in paragraph 63 of the AGS to improve the governance framework be noted.**
4. **Authority be delegated to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, to amend the AGS for any significant events or developments relating to the governance arrangements that occur, prior to the date on which the Statement of Accounts is signed by the Chamberlain.**

21. **AUDIT OF CITY FUND**

This report updated Members on the Audit Commission's intention to re-tender the Corporation's City Fund and Pension Fund Audit from 2015/16. Members were mindful of the risk of a different audit supplier being appointed to the City Fund for the final two years of the Audit framework. This process might result in a lack of continuity of audit supplier, given the City's intention to re-tender the audit of all funds for 2017/18.

RECEIVED

22. **COMMITTEE WORK PROGRAMME**

Members noted that the Audited 2012/13 City's Cash and City's Cash Trust Funds Financial Statements, together with Deloitte's report, would be presented to the Committee in October 2013, due to the change to GAAP accounting but, thereafter, would be presented in July annually.

RECEIVED

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

There were no questions

24. **ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT**

There were no items of urgent business

25. **EXCLUSION OF THE PUBLIC
RESOLVED, that:**

Under Section 100 (A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12 A of the Local Government Act.

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

The non-public minutes of the meeting held on 5 March 2013 were approved

At 3.30 pm members agreed to suspend standing orders to conclude the business on the agenda.

27. **NON AUDIT FEES**

Members received a report of the Chamberlain.

28. **UPDATE ON FRAUD INVESTIGATIONS**

Members received a report of the Chamberlain

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

There were no questions

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

Members received a update from the Standards Committee

31. **CASH HANDLING AND BANKING AUDIT - INTERIM REPORT**

Members received a report of the Chamberlain

The meeting ended at 4.45pm

Chairman

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AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

| Item | Action | Officer responsible | Progress updates/target |
|--|--|---|--|
| Risk Update (general) | Review the language within risk guidance to avoid using terms with negative connotations. | Suzanne Jones/ Sabir Ali | To be included in the work on the risk management improvement plan, this will come back to the Committee in December. |
| Internal Audit Update Report | <ol style="list-style-type: none"> 1. In respect of deferred audit reviews, it would be helpful to understand how far they had been deferred. 2. In respect of client feedback, it would be helpful to have a more detailed discussion on client feedback and understanding as to what is and should be measured. 3. The Head of Internal Audit and Risk Management advised that the Court of Protection Audit would be covered in the next report. <i>(added 25 June 2013)</i> | Paul Nagle/ Suzanne Jones | <ol style="list-style-type: none"> 1. The September Audit update report will identify to when audit reviews have been deferred, as a result of audit plan changes in the first quarter of 2013/14. 2. The Business Support Director agreed to include a 'deep dive' review of customer satisfaction, as part of a future Agenda. A separate report is planned for the September 2013 meeting. Initial commentary is provided in Head of Internal Audit Annual Report and Opinion – paragraphs 26-28 on the agenda for 25 June 2013 |
| Internal Audit Recommendations follow-up report | <ol style="list-style-type: none"> a) Next report to include a provision for new risks created by outsourcing and commissioning. <i>(added 25 June 2013)</i> b) Deputy Town Clerk agreed that the timely implementation of Internal Audit recommendations would be included in Chief Officer appraisals. c) Improve performance in timely implementation of audit recommendations | <ol style="list-style-type: none"> a) Paul Nagle b) Susan Attard c) Paul Nagle | <ol style="list-style-type: none"> a) Will be included within September internal audit recommendations follow-up report. c) Further detailed analysis will be reported to September Committee. Report scheduled for 23rd September Chief Officer Group. |

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

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| Wider Issues affecting Exhibitions with Valuable Displays | <p>The Barbican Centre Art gallery are of the view that the action is specific to the Guildhall Art Gallery, where security staff and procedures are very different. Internal security at the Barbican Art gallery does not form part of the general site security contracted provision. It is carried out by Gallery staff, who have said that they would be interested in the external training provided by the Tate and will be attending a session in August.</p> | <p>Susan Attard</p> | <p>Susan Attard will meet with Nick Kenyon to ensure the arrangements are adequate <i>(added 25 June 2013)</i></p> |
| International Centre for Financial Regulation | <p>Chamberlain advised Members to await the outcome of the police report, before taking a view about risk assurance implications</p> | <p>Chris Bilsland</p> | <p>Further to the outcome of the police report, Members will be updated on risk assurance implications. At the time of despatching this agenda, the case had not been to Court</p> |
| Inductions for New Members | <p>1. Inductions for new Members had been held during April and the programme would be repeated in June/July.</p> | <p>P Nagle/C Al-Beyerty</p> | <p>One new Member had received an induction in Internal Audit and a further was in hand. Once both Members had been inducted in External Audit, this item could be removed. <i>(added 25 June 2013)</i></p> |
| Planning Governance | <p>A review of the Director of the Built Environment's new processes and procedures to be undertaken after their first year of operation, in the context of the governance concerns expressed by Alderman Anstee. It was agreed at ARM on 5 March that, in addition to being able to use 'external expertise', stakeholders should be included in the consultation.</p> | <p>Susan Attard (Review to be led by the Town Clerk)</p> | <p>Scheduled for October ARM Committee.</p> |
| Strategic Risk 16 – Data Protection | <p>The Chairman stressed the importance of training for all Members and officers and asked for a further update, via the 'Outstanding Actions' list, to the September or October Meeting. <i>(Added 25 June 2013)</i></p> | <p>Neil Davies</p> | <p>An email was sent to all Members on 1st July, encouraging Members to attend one of the Data Protection briefings on 15th/17th July. An update on the numbers attending will be given at the meeting on 23rd July.</p> <p>An email is also to be sent to all Access to Information Network (AIN) reps following the ARMC meeting on 25th June. Training for all officers processing personal data remains</p> |

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AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

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| | | | mandatory under the Employee Data Protection Policy. |
| Annual Governance Statement | An External Member asked if there could be a stronger link with Police governance and this, along with any further amendments or adjustments would be delegated to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee. <i>(Added 25 June 2013)</i> | Neil Davies | A revised version will be circulated before the next ARMC meeting to incorporate Mr Ludlam's point and any significant changes between 25th June and signing of the accounts. |
| Cash handling and Banking Audit | The Committee would receive a full update in September <i>(Added 25 June 2013)</i> | Paul Nagle | Internal audit work is on-going and a full report will be provided to the September Committee. |
| Local Audit and Accountability Bill | The Bill has just 1 week left in the First House, so there was limited opportunity in parliamentary proceedings to suggest new arrangements. Officers agreed to explore the suggestion | Caroline Al-Beyerty/Remembrancer | |
| General | There was a general agreement that the agenda packs for the Committee were rather lengthy. The Chairman suggested that cover reports be self-contained and asked the Chamberlain, Internal Audit and Town Clerk to consider more efficient ways of presenting information to Members. | All to note/action | On-going |

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| Committee(s): | Date(s): | Item no. |
|--|--------------|-----------------------------|
| Audit and Risk Management | 23 July 2013 | |
| Finance | 23 July 2013 | |
| Subject: City Fund and Pension Funds Financial Statements 2012/13 | | |
| Report of: The Chamberlain | | Public: For Decision |
| <p><u>Summary</u></p> <p>1. Attached to this report are the City Fund and Pension Funds Financial Statements for the year ended 31 March 2013.</p> <p>2. The key points are:</p> <ul style="list-style-type: none"> • A net surplus of £7.2m on the City Fund, a better than budget position of £6.5m. <i>(The £7.2m is shown in the Movement in Reserves Statement on page¹ 8 of the Financial Statements on the penultimate line of the first column of figures. The comparison to budget is set out in para 8 of this covering report)</i> • Usable City Fund reserves of £275.9m at 31 March 2013, an increase of £92.7m from a year earlier – this comprises an increase of £72.7m in capital reserves (to £93.7m) and an increase of £20.0m in revenue reserves (to £182.2m). <i>(The £275.9m is shown in the Balance Sheet on page 10 and analysed in more detail in the Movement in Reserves Statement on page 8).</i> The reserves are allocated for the funding of the capital programme over the medium term, including part of the City Fund’s £200m contribution to Crossrail, to the purchase of investment properties to provide a better return than interest on cash balances, or are earmarked for specific purposes such as for Police, Highways and the Housing Revenue Account. Consequently, it is not sustainable for the reserves to fund directly the potential annual revenue deficits being forecast for the City Fund over the medium term. • Total City Fund net assets of £1,127.4m, an increase of £63.2m since last year. <i>(See the Balance Sheet on page 10 and paras. 15 to 19 of the covering report)</i> <p>3. Deloitte commenced its audit on 10 June and intend to give unqualified opinions on the financial statements. Representatives of the auditors will be in attendance at the Audit and Risk Management Committee to present their management letters which are appended to this report.</p> | | |

Recommendations

4. The Audit and Risk Management Committee is requested to:-
 - consider the contents of Deloitte's management letters;
 - recommend approval of the City Fund and Pension Funds Financial Statements for the year ended 31 March 2013 to the Finance Committee; and
 - delegate to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, approval of any material changes to the financial statements required before the signing of the audit opinion by Deloitte which is expected to be by the end of August or early September.
5. The Finance Committee is requested to:-
 - consider the resolution from the Audit and Risk Management Committee and, if appropriate, approve the City Fund and Pension Funds Financial Statements for the year ended 31 March 2013; and
 - delegate to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee, approval of any material changes to the financial statements required before the signing of the audit opinion by Deloitte which is expected to be by the end of August or early September.

Main Report

Introduction

6. The City Fund and Pension Funds Financial Statements for 2012/13 are set out in Annex 1. Accordingly I have signed the statements to indicate that they present a true and fair view of the financial position at 31 March 2013.
7. The Accounts and Audit Regulations 2011 further require the approval and publication of the City Fund and Pension Funds Financial Statements for the year to 31 March 2013 to take place as soon as reasonably practicable, and in any event by 30 September 2013. Approval of each year's financial statements has been delegated by the Court of Common Council to the Finance Committee.

Revenue Position

8. As set out in the table below, the revenue account reveals an overall net surplus for 2012/13 of £7.2m to be added to the City Fund Unallocated Reserve. This compares with an anticipated transfer to reserves of £0.7m in the budget agreed by the Court of Common Council in March 2013; i.e. an overall favourable movement of £6.5m – 2.2% of the gross cost of services.

| | Budget | Actual | Variation (Better) Worse |
|---|---------------|---------------|-------------------------------------|
| | £m | £m | £m |
| Net expenditure on services | 153.0 | 147.6 | (5.4) |
| Major revenue works projects | 1.8 | 1.8 | 0.0 |
| Requirement before investment income from the City's Assets | 154.8 | 149.4 | (5.4) |
| Interest on balances | (6.4) | (7.3) | (0.9) |
| Estate rent income | (33.2) | (33.3) | (0.1) |
| City Fund Requirement | 115.2 | 108.8 | (6.4) |
| Financed by: | | | |
| Government formula grant | (93.5) | (93.5) | 0.0 |
| City offset | (10.3) | (10.3) | 0.0 |
| Council tax | (5.6) | (5.6) | 0.0 |
| NNDR premium | (6.5) | (6.6) | (0.1) |
| Total contribution to reserves | (0.7) | (7.2) | (6.5) |

9. The better than budget position of £6.4m on the line 'City Fund Requirement' can be analysed on a committee basis as follows:

| Committee | Budget | Actual | Variation (Better)/Worse | | |
|--|--------------|--------------|--------------------------|--------------|-------------------------------|
| | | | Total | Local Risk | Central Risk/Support Services |
| | £'m | £'m | £'m | £'m | £'m |
| Barbican Centre | 24.1 | 24.0 | (0.1) | (0.3) | 0.2 |
| Barbican Residential | 0.4 | 0.1 | (0.3) | (0.2) | (0.1) |
| Community and Children's Services | 10.6 | 10.0 | (0.6) | (0.6) | 0.0 |
| Culture, Heritage and Libraries ^a | 19.8 | 18.1 | (1.7) | (0.2) | (1.5) |
| Finance ^b | (8.6) | (10.3) | (1.7) | (0.1) | (1.6) |
| Licensing | 0.0 | 0.0 | 0.0 | (0.1) | 0.1 |
| Markets | (0.8) | (0.8) | 0.0 | 0.0 | 0.0 |
| Open Spaces | 1.6 | 1.6 | 0.0 | 0.0 | 0.0 |
| Planning and Transportation | 13.7 | 13.0 | (0.7) | (0.4) | (0.3) |
| Police - excluding transfers to/(from) reserves ^c | 64.8 | 61.2 | (3.6) | (3.6) | 0.0 |
| Police - transfers to/(from) reserves | (2.2) | 1.4 | 3.6 | 3.6 | 0.0 |
| Policy and Resources | 4.4 | 3.9 | (0.5) | (0.1) | (0.4) |
| Port Health and Environmental Services | 16.2 | 15.3 | (0.9) | (0.9) | 0.0 |
| Property Investment Board | (28.8) | (28.7) | 0.1 | 0.0 | 0.1 |
| Total City Fund Requirement | 115.2 | 108.8 | (6.4) | (2.9) | (3.5) |

- a. The central risk/support services variation of £1.5m on Culture Heritage and Libraries Committee is primarily due to the reversal of a previous impairment in respect of Guildhall Art Gallery.
- b. The reduced requirement of £1.6m on Finance Committee on central risk/support services is mainly attributable to £0.9m contingencies not required and an increase of £0.9m in interest on cash balances.
- c. Police and civilian officer vacancies exceeded those originally anticipated and expenditure on supplies and services was lower than budgeted - particularly professional fees, communications and computing. The £3.6m will benefit the earmarked Police Reserve.

10. More detailed analyses of the outturn compared to budget are currently being submitted to committees.

11. In accordance with the City's budget management arrangements, requests for the carry forward of City Fund resources totalling £2.1m are to be considered by the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee. The extent to which these carry forwards are agreed, will increase the call on the City Fund Unallocated Reserve in 2013/14. In addition, £0.8m of projects and works programmes have slipped and/or been rephased to 2013/14.

12. Even assuming full approval of the carry forward requests, the overall City Fund revenue balances show an improvement of some £3.6m (i.e. £6.5m less £2.1m and £0.8m) over the forecast for the two years 2012/13 and 2013/14 taken together. Any significant factors contributing to this improvement will be considered in the next annual update of the medium term financial forecast during the Page 18

Capital Position

13. The approved capital budget for 2012/13 totalled £31m. Actual capital expenditure during the year was £21.4m. This reduction of £9.6m compared to budget was mainly due to slippage and/or rephasing of expenditure on a number of schemes, primarily relating to investment properties and streetscene projects.
14. A separate report on the 2012/13 outturn in respect of capital and supplementary revenue projects is being prepared.

Balance Sheet

15. The Consolidated Balance Sheet indicates that the City Fund's total net assets increased by £63.2m (or 6%) to £1,127.4m from £1,064.2m a year earlier. The main reasons for this increase are set out below.

| | £m | £m |
|---|--------|-------------|
| Long Term Assets | | |
| Net unrealised gain on revaluation of investment properties | 51.3 | |
| Net unrealised gain on revaluation of other fixed assets | 20.7 | |
| Acquisitions | 19.2 | |
| Disposals | (59.8) | |
| Depreciation and impairment | (15.0) | |
| Reduction in long term investments | (12.7) | |
| Increase in long term debtors | (0.6) | |
| | | 3.1 |
| Increase in Police Pension liability | | (44.4) |
| Increase in short term investments | | 85.4 |
| Increase in capital grants and contributions received in advance | | (11.2) |
| Reduction in other net liabilities primarily relating to a creditor for national non domestic rates collected on an agency basis for the Government | | 30.3 |
| Increase in net assets | | 63.2 |

16. At 31 March 2013 usable reserves were £275.9m comprising revenue reserves of £182.2m (31/3/12 = £162.2m) and capital reserves of £93.7m (31/3/12 = £21.0m).
17. The £20.0m increase in usable revenue reserves relates to the £7.2m increase in the Unallocated Reserve, a £11.3m net transfer to earmarked reserves and an increase in the HRA reserve of £1.5m. The increase in capital reserves of £72.7m reflects the proceeds from disposals during the year partly offset by sums applied to the financing of capital expenditure.
18. The usable reserves are allocated for the funding of the capital programme over the medium term, including Page 19 of the City Fund's £200m

contribution to Crossrail, to the purchase of investment properties to provide a better return than interest on cash balances, or are earmarked for specific purposes such as for Police, Highways and the Housing Revenue Account. Consequently, it is not sustainable for the reserves to fund directly the ongoing Government grant cuts which, together with the continuing difficult economic climate, are placing significant financial pressure on the City Fund with potential annual revenue deficits being forecast over the medium term.

19. To address the potential deficits over the medium term, a service based activity review is being undertaken to identify further efficiencies where savings can be made with little impact on services, to re-examine the appropriate level of expenditure to fulfil statutory requirements, to prioritise services against the City's policy objectives, and to consider funding/income generation opportunities. In addition, targeted/selective budget reductions and efficiency programmes are continuing to be pursued including those relating to corporate wide procurement arrangements.

Crossrail

20. The City of London Corporation has agreed with Government that £200m will be provided from City Fund towards the costs of constructing Crossrail. The payment of this amount is dependent on the fulfilment of a number of conditions, primarily the completion of certain works in relation to Crossrail stations. Whilst it is anticipated that the conditions will be met, there is still some 3 years to go before the relevant works are due to be completed. A liability has not therefore been recognised in the financial statements pending fulfilment of the conditions. At this stage it is anticipated that the contribution will be made in 2016. The financing strategy for the contribution is based on the accumulation of annual rental income from specific investment properties and capital receipts from the sale of assets. As at 31 March 2013, financial forecasts indicate that sufficient funds will be available to meet the contribution in 2016.

Pension Liabilities

Police & Judges Pension Schemes

21. The City Fund's total net assets are £1,127.4m. This after allowing for a negative Pension Reserve of £606.8m (31/3/12 = £562.4m) relating primarily to the historic deficit in the unfunded (i.e. the scheme has no assets) Police Pension Scheme, a statutory scheme as specified by police regulations. The negative reserve arises from applying the requirements

of International Accounting Standard (IAS) 19. This accounting standard is complex, but is based on the principle that an organisation should recognise liabilities for pension benefits as they are earned, even if the payment of such benefits will be many years into the future. The estimated liability is calculated by independent actuaries, Barnett Waddingham.

22. Pension Fund liabilities are particularly sensitive to changes in the discount rate used for calculating the present day value of future payments from the fund - with a decrease in the rate resulting in higher liabilities and vice-versa. As at 31 March 2013 the discount rate is 0.1% lower than a year earlier. This change in the discount rate together with higher assumptions for inflation are the main reasons for the increase of £44.4m in the deficit.
23. The City of London Corporation in its capacity as Police Authority pays an employer's contribution of 24.2% of pensionable pay for all serving police officers into the Police Pension Fund Account. If there is insufficient money in the Pension Fund Account to meet all expenditure commitments in any particular year, the Home Office will fund the deficit. In practice therefore the significant balance sheet liability of £606.8m, relating to benefits earned but to be paid in the future, will be covered by future employee contributions and receipt of Home Office grant monies.

City Corporation Pension Scheme

24. City of London staff, excluding police officers, teachers and judges, are eligible to join the Local Government Pension Scheme – a statutory scheme administered in accordance with Government regulations. The estimated deficit on the City of London Pension Scheme is not included in the balance sheet. This exclusion arises because the Pension Fund is the responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three main funds. Thus the City Fund does not have an exclusive relationship with the City of London Pension Fund and the portion of the Pension Fund relating to City of London employee members engaged on City Fund activities is not separately identified. Consequently, in accordance with IAS19, the pension arrangements are treated as a defined contribution scheme in the City Fund accounts. This means that only the employer's contributions to the scheme are included in the accounts.
25. However, certain disclosures are required in the notes to the accounts to satisfy the requirements of IAS19 and these have been included. The estimated overall net liability of the City of London Pension Scheme (relating to the three funds – City Fund, excluding police officers, City's

Cash and Bridge House Estates) as determined by the actuaries for the purpose of IAS19 is £342m at 31 March 2013, a decrease of £9m in the net liability compared to last year.

26. As the City Corporation scheme is funded (i.e. it has assets) the value of the scheme's investments have to be taken into account. During 2012/13 the value of the scheme's investments increased and more than offset the factors mentioned in paragraph 22 which have increased liabilities.
27. The employer's pension contribution rate is considered and determined by the Finance Committee following each triennial valuation (updated by any subsequent interim valuations) and is a separate issue from the IAS19 calculations. The triennial valuation considers the period over which the pension deficit should be recovered through employer's contributions and the City Corporation is consulted on the assumptions used by the actuary for these valuations. A triennial valuation as at 31 March 2013 is currently being finalised. The changes to employee contributions and benefits due to be introduced next year should also help to reduce the deficit.

Audit Opinion and Letter

28. Deloitte intends to give unqualified opinions on the City Fund and Pension Funds Financial Statements subject to clarification of any residual points and to issue its 2012/13 management letters for the City Fund and Pension Fund as set out in Annexes 2 and 3 respectively. Representatives from Deloitte will be in attendance at the Audit and Risk Management Committee to present their reports and to clarify any points or issues.

Subsequent Adjustments to the Accounts

29. Deloitte is expecting to sign its audit opinion by the end of August or early September. Should any material adjustments to the financial statements be required before that position is reached, it is recommended that authority to approve such amendments should be delegated to the Town Clerk in consultation with the Chairmen and Deputy Chairmen of the Audit and Risk Management and Finance Committees.

Publication of the Statement of Accounts

30. As soon as reasonably possible after the conclusion of the audit, and in any event by 30 September 2013, the City is required to publish the 2012/13 City Fund and Pension Fund Financial Statements including the Audit Opinion on its website. Copies of the published statements will be placed in the Members' Reading Room and will be available from my office. The final management letters from Deloitte on its audit will be presented to the Court of Common Council for information.

Chris Bilsland
Chamberlain

Contact:

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

Annex 2: Deloitte's City Fund Management Letter

Annex 3: Deloitte's Pension Fund Management Letter

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THE CITY OF LONDON
STATEMENT OF ACCOUNTS FOR THE CITY FUND
AND THE PENSION FUNDS
YEAR ENDED 31 MARCH 2013



CITY OF LONDON

Statement of Accounts for the City Fund and the Pension Funds Year Ended 31 March 2013

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EXPLANATORY FOREWORD

Introduction

1. This document sets out the 2012/13 City Fund accounts which cover the City of London Corporation's activities as a local authority, police authority and port health authority, together with the accounts of the City of London Pension Fund and the Police Pension Fund. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The City also provides services and activities from City's Cash (an endowment fund) and from various charities including Bridge House Estates. These funds are accounted for and reported separately.
2. This document comprises the following statements and notes. The purpose of each statement is set out as part of that statement.
 - Movement in Reserves Statement
 - Comprehensive Income and Expenditure Statement
 - Balance Sheet
 - Cash Flow Statement
 - Notes to the accounts including Accounting Policies
 - Housing Revenue Account
 - Collection Fund
 - City of London Corporation Pension Fund
 - Police Pension Fund

Overall Financial Position on the City Fund

3. The following table is an extract from the financial statements and shows that after taking into account those items which the City of London, as a local authority, is required by statute and non-statutory proper practices to debit or credit to the City Fund, together with transfers to earmarked reserves which the City has decided to make, the movement on the Unallocated Reserve for 2012/13 was an increase of £7.2m compared to a £10.8m increase in 2011/12.

| | 2012/13 | 2011/12 |
|---|---------|---------|
| | £m | £m |
| Cost of Services | 148.4 | 161.8 |
| Other operating income | (21.4) | (3.7) |
| Financing and investment income | (71.3) | (32.8) |
| Taxation and non specific grant income | (124.2) | (134.4) |
| Surplus on the provision of services | (68.5) | (9.1) |
| Adjust for surplus on the HRA | 1.5 | 0.1 |
| Adjustments between accounting basis and funding basis under regulation | 48.5 | (8.6) |
| Transfers to Earmarked Reserves | 11.3 | 6.8 |
| Increase in City Fund Unallocated Reserve | (7.2) | (10.8) |

EXPLANATORY FOREWORD

- 4.
5. Usable reserves at 31 March 2013 are £275.9m an increase of £92.7m compared to 31 March 2012 and are split between revenue and capital as follows:

| | 2012/13 | 2011/12 |
|-------------------------|---------|---------|
| | £m | £m |
| Usable revenue reserves | 182.2 | 162.2 |
| Usable capital reserves | 93.7 | 21.0 |
| Total usable reserves | 275.9 | 183.2 |

6. The £72.7m increase in usable capital reserves is the result of proceeds from disposals during the year partly offset by sums applied to finance capital expenditure. The £20.0m increase in usable revenue reserves relates to the £7.2m increase in the Unallocated Reserve, a £11.3m net transfer to earmarked reserves and an increase in the HRA reserve of £1.5m.

Crossrail

7. The City of London Corporation has agreed with Government that £200m will be provided from City Fund towards the costs of constructing Crossrail. The payment of this amount is dependent on the fulfilment of a number of conditions, primarily the completion of certain works in relation to Crossrail stations. Whilst it is anticipated that the conditions will be met, there is still some 3 years to go before the relevant works are due to be completed. A liability has not therefore been recognised in the financial statements pending fulfilment of the conditions. At this stage it is anticipated that the contribution will be made in 2016. The financing strategy for the contribution is based on the accumulation of annual rental income from specific investment properties and capital receipts from the sale of assets. As at 31 March 2013, financial forecasts indicate that sufficient funds will be available to meet the contribution in 2016.

EXPLANATORY FOREWORD

2012/13 Revenue Outturn compared to Budget

8. Set out below is a summary comparing actual revenue expenditure for the year against budget.

| | Budget £m | Actual £m | Variation (Better) Worse £m |
|---|--------------|--------------|-----------------------------------|
| Net expenditure on services | 153.0 | 147.6 | (5.4) |
| Major revenue works projects | 1.8 | 1.8 | 0.0 |
| Requirement before investment income from the City's Assets | 154.8 | 149.4 | (5.4) |
| Interest on balances | (6.4) | (7.3) | (0.9) |
| Estate rent income | (33.2) | (33.3) | (0.1) |
| City Fund Requirement | 115.2 | 108.8 | (6.4) |
| Financed by: | | | |
| Government formula grant | (93.5) | (93.5) | 0.0 |
| City offset | (10.3) | (10.3) | 0.0 |
| Council tax | (5.6) | (5.6) | 0.0 |
| NNDR premium | (6.5) | (6.6) | (0.1) |
| Total contribution to reserves | (0.7) | (7.2) | (6.5) |

9. The £7.2m added to the Unallocated Reserve compares to the budget assumption that £0.7m would be added to the Reserve. This better than budget position of £6.5m is summarised in the City's management accounts as follows:

| | (Better)/ Worse than Budget £m |
|---|---|
| City Police | (3.5) |
| Unused contingencies | (1.6) |
| Expenditure on capital projects financed from revenue reserves | (1.4) |
| Housing Revenue Account | (1.0) |
| Interest earned on cash balances | (0.9) |
| Works programmes - slippage/rephasing | (0.8) |
| Reduced expenditure on central support services | (0.6) |
| Aggregate of small variations against budget on other services | (2.2) |
| Net increase in transfers to earmarked reserves as a result of the better than budget positions on a number of services | 5.5 |
| Total increase in transfer to the Unallocated Reserve | (6.5) |

EXPLANATORY FOREWORD

2012/13 Capital Outturn compared to Budget

10. The approved capital budget for 2012/13 totalled £31m. Actual expenditure financed from capital during the year was £21.4m, an underspend of £9.6m compared with the budget. This reduction was mainly due to slippage and/or rephrasing of expenditure on a number of schemes, primarily relating to investment properties and streetscene projects.
11. The actual capital expenditure included:
- £5m investment in the Barbican Arts Centre, including the creation of a new cinema in the former exhibition hall;
 - £6.5m on highways and streetscene improvement
 - £4.4m on redevelopment and refurbishment of investment properties; and
 - £3.5m on construction and refurbishment of Housing Revenue Account Properties.

City Fund Total Assets and Liabilities

12. As at 31 March 2013, the City Fund Balance Sheet indicates that total assets exceed total liabilities (i.e. net assets) by £1,127.4m an increase of £63.2m compared to the previous year. The net assets are represented by usable and unusable reserves of £275.9m and £851.5m respectively. The main reasons for the reduction in net assets are set out below:

| | £m | £m |
|---|--------|-------------|
| Long Term Assets | | |
| Net unrealised gain on revaluation of investment properties | 51.3 | |
| Net unrealised gain on revaluation of other fixed assets | 20.7 | |
| Acquisitions | 19.2 | |
| Disposals | (59.8) | |
| Depreciation and impairment | (15.0) | |
| Reduction in long term investments | (12.7) | |
| Increase in long term debtors | (0.6) | |
| | | 3.1 |
| Increase in Police Pension liability | | (44.4) |
| Increase in short term investments | | 85.4 |
| Increase in capital grants and contributions received in advance | | (11.2) |
| Reduction in other net liabilities primarily relating to a creditor for national non domestic rates collected on an agency basis for the Government | | 30.3 |
| Increase in net assets | | 63.2 |

Capital Borrowing

13. The City has not had loan debt for many years as it has been able to finance its full capital spending from its own resources or external contributions and, in the light of the City's overall financial position, it is not intended that any borrowing will be required in 2013/14. However, the 'borrowing option' is kept under review.

Pension Liabilities

Police and Judges Pension Schemes

14. The 2012/13 Balance Sheet includes a pension liability of £606.8m (2011/12: £562.4m). The liability relates primarily to the historic deficit in the unfunded Police Pension Scheme which is a statutory scheme as specified by Police Regulations. The liability arises from applying the requirements of International Accounting Standard (IAS) 19: Employee Benefits. This accounting standard is complex, but is based on the principle that an organisation should recognise liabilities for pension benefits as they are earned, even if the payment of such benefits will be many years into the future. The increase of £44.4m in the deficit relates to the method required for calculating the present day value of future payments from the fund. Pension Fund liabilities are particularly sensitive to changes in the discount rate used in this calculation – with a decrease in the rate resulting in higher liabilities and vice versa. As at 31 March 2013 the discount rate is 0.1% lower than a year earlier. This decrease together with increases in inflation assumptions are the main reasons for the increase in the deficit.
15. The City of London Corporation in its capacity as Police Authority pays an employer's contribution of 24.2% of pensionable pay for all serving police officers into the Police Pension Fund Account. If there is insufficient money in the Pension Fund Account to meet all expenditure commitments in any particular year, the Home Office will fund the deficit. In practice therefore the significant balance sheet liability of £606.8m, relating to benefits earned but to be paid in the future, will be covered by future employee contributions and receipt of Home Office grant monies.

City of London Pension Scheme

16. The estimated net deficit on the (non-Police) City of London Pension Scheme is not included in the balance sheet. This exclusion arises because the Pension Fund is the responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three funds. Thus the City Fund does not have an exclusive relationship with the City of London Pension Fund and the portion of the Pension Fund relating to City of London employee members engaged on City Fund activities is not separately identifiable. Consequently, in accordance with IAS 19, the pension arrangements are treated as a defined contribution scheme in the City Fund accounts. This means that only the employer's contributions to the scheme are included in the accounts as they become payable. The net deficit on the City of London Pension Scheme at 31 March 2013 is £342m (2011/12: £351m). As the City of London Pension Scheme is funded (i.e. has assets) the value of the scheme's investments have to be taken into account when assessing the net deficit. In 2012/13 the value of the schemes investments increased and more than offset the factors mentioned in paragraph 14 which have increased liabilities.
17. The employer's pension contribution rate is considered and determined by the City of London Corporation's Finance Committee following each triennial valuation (updated by any subsequent interim valuations) and is a separate issue from the IAS19 calculations. The triennial valuation considers the period over which the pension deficit should be recovered through employer's contributions and the City Corporation is consulted on the assumptions used by the actuary for these valuations. A triennial valuation as at 31 March 2013 is currently being finalised. The changes to employee contributions and benefits due to be introduced next year should also help to reduce the deficit.

Impact of Economic Climate

EXPLANATORY FOREWORD

18. The continuing difficult economic climate has been exacerbated by the Local Government and Police Funding Settlements which have resulted in significant reductions in Government grants over the four year period of the Government's Comprehensive Spending Review – 2011/12 to 2014/15. Furthermore, the Government has recently signalled an additional 10% reduction in funding for Non-Police services from 2015/16. Low interest rates continue to depress interest earnings and maximising rental incomes from investment properties remains challenging although the latter has been and remains relatively resilient.
19. As a result of the reductions in Government funding, the City Fund financial forecast indicates potential annual revenue deficits over the medium term.
20. To address these potential deficits, a service based activity review is being undertaken to identify further efficiencies where savings can be made with little impact on services, to re-examine the appropriate level of expenditure to fulfil statutory requirements, to prioritise services against the City's policy objectives, and to consider funding/income generation opportunities. In addition, targeted/selective budget reductions and efficiency programmes are continuing to be pursued including those relating to corporate wide procurement arrangements. The utilisation of assets is being reviewed to determine whether investment returns can be improved at an acceptable level of risk.
21. Spending on capital and major revenue projects is limited to the highest corporate priorities with funding being maximised from external sources and from surplus operational properties, thus minimising requirements for the sale of income generating investment properties.
22. The City Police manages its budget on a ring-fenced basis and has its own savings plan including a new operating model proposed by the City First Change Programme.

Risk Management

23. The City of London has established a robust programme of risk management as a key element of its strategy to preserve its assets, enhance efficiency for service users and members of the public and protect its employees.
24. The Strategic Risk Management Group has a remit to ensure that risk management policies are applied, that there is an on-going review of risk management activity and that appropriate advice and support is provided to Members and officers.
25. The Strategic Risk Register codifies key strategic risks and assigns responsibility for taking action to mitigate each risk to a named Chief Officer.
26. A Governance Statement is reviewed and updated annually. The Governance Statement was considered by the Audit and Risk Management Committee in June 2013 and will be available at www.cityoflondon.gov.uk.

Statement of Responsibilities

27. Local Authorities are required to include in their statement of accounts a Statement of Responsibilities which sets out the respective responsibilities of the authority and relevant financial officer for the accounts. These respective responsibilities are given on page 7.

Website

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The City of London's Responsibilities

The City of London is required to:

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

The Chamberlain's Responsibilities

The Chamberlain is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 ("the Code").

In preparing this Statement of Accounts, the Chamberlain has:

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

The Chamberlain has also:

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

Chamberlain's Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the City Fund and the Pension Funds of the City of London at the reporting date and of its expenditure and income for the year ended 31 March 2013.

OB:sw

Chris Bilsland

Chamberlain of London

Date: 12 July 2013

CITY FUND MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the City, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus on the Provision of Services line shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the City Fund Balance for council tax setting and the Housing Revenue Account for dwellings rent setting purposes. The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory City Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves.

| | Notes | City Fund Balance | Earmarked City Fund Reserves | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | Total Usable Reserves | Unusable Reserves | Total Reserves |
|--|-------|----------------------|------------------------------------|-------------------------------|--------------------------------|--------------------------------|-----------------------------|-----------------------------|----------------------|-------------------|
| | | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Balance at 31 March 2011 | | (52.9) | (87.2) | (4.4) | (76.8) | (1.0) | (11.4) | (233.7) | (872.0) | (1,105.7) |
| Movement in reserves during 2011/12 | | | | | | | | | | |
| (Surplus) or deficit on provision of services | | (11.8) | 0.0 | 2.7 | 0.0 | 0.0 | 0.0 | (9.1) | 0.0 | (9.1) |
| Other Comprehensive Income and Expenditure | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 50.6 | 50.6 |
| Total Comprehensive Income and Expenditure | | (11.8) | 0.0 | 2.7 | 0.0 | 0.0 | 0.0 | (9.1) | 50.6 | 41.5 |
| Adjustments between accounting basis and funding basis under regulations | 6 | (5.8) | 0.0 | (2.8) | 58.6 | 0.0 | 9.6 | 59.6 | (59.6) | 0.0 |
| Net (increase) or decrease before transfers to earmarked reserves | | (17.6) | 0.0 | (0.1) | 58.6 | 0.0 | 9.6 | 50.5 | (9.0) | 41.5 |
| Transfers (to) or from earmarked reserves | 7 | 6.8 | (6.8) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| (Increase) or decrease in 2011/12 | | (10.8) | (6.8) | (0.1) | 58.6 | 0.0 | 9.6 | 50.5 | (9.0) | 41.5 |
| Balance at 31 March 2012 | | (63.7) | (94.0) | (4.5) | (18.2) | (1.0) | (1.8) | (183.2) | (881.0) | (1,064.2) |
| Movement in reserves during 2012/13 | | | | | | | | | | |
| (Surplus) or deficit on provision of services | | (62.5) | 0.0 | (6.0) | 0.0 | 0.0 | 0.0 | (68.5) | 0.0 | (68.5) |
| Other Comprehensive Income and Expenditure | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 5.3 | 5.3 |
| Total Comprehensive Income and Expenditure | | (62.5) | 0.0 | (6.0) | 0.0 | 0.0 | 0.0 | (68.5) | 5.3 | (63.2) |
| Adjustments between accounting basis and funding basis under regulations | 6 | 44.0 | 0.0 | 4.5 | (71.4) | (0.3) | (1.0) | (24.2) | 24.2 | 0.0 |
| Net (increase) or decrease before transfers to earmarked reserves | | (18.5) | 0.0 | (1.5) | (71.4) | (0.3) | (1.0) | (92.7) | 29.5 | (63.2) |
| Transfers (to) or from earmarked reserves | 7 | 11.3 | (11.3) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| (Increase) or decrease in 2012/13 | | (7.2) | (11.3) | (1.5) | (71.4) | (0.3) | (1.0) | (92.7) | 29.5 | (63.2) |
| Balance at 31 March 2013 | | (70.9) | (105.3) | (6.0) | (89.6) | (1.3) | (2.8) | (275.9) | (851.5) | (1,127.4) |

CITY FUND COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The City raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement

| | 2011/12 | | | Notes | 2012/13 | | |
|---|-------------------------|--------------------|-----------------------------------|-------|-------------------------|--------------------|-----------------------------------|
| | Gross Expenditure £m | Gross Income £m | Net Expenditure (Income) £m | | Gross Expenditure £m | Gross Income £m | Net Expenditure (Income) £m |
| | 97.8 | (35.6) | 62.2 | | 100.7 | (41.7) | 59.0 |
| Services | | | | | | | |
| Police Services | | | | | | | |
| Cultural and Related Services | | | | | | | |
| Barbican Centre | 40.2 | (15.1) | 25.1 | 8 | 46.1 | (21.9) | 24.2 |
| Other Cultural and Related Services | 26.1 | (3.0) | 23.1 | | 23.8 | (3.0) | 20.8 |
| Environmental and Regulatory Services | 23.5 | (14.6) | 8.9 | | 20.5 | (11.3) | 9.2 |
| Planning Services | 13.1 | (8.9) | 4.2 | | 12.3 | (7.7) | 4.6 |
| Highways and Transport Services | 33.1 | (19.4) | 13.7 | | 34.6 | (20.2) | 14.4 |
| Children's and Education Services | 8.9 | (5.1) | 3.8 | | 8.9 | (5.0) | 3.9 |
| Adult Social Care | 7.2 | (0.8) | 6.4 | | 5.8 | (0.5) | 5.3 |
| Housing Services | | | | | | | |
| Housing Revenue Account (HRA) | | | | | | | |
| Operations | 12.5 | (12.5) | 0.0 | | 11.8 | (13.5) | (1.7) |
| Revaluation gain on dwellings | (8.0) | 0.0 | (8.0) | 42 | (4.3) | 0.0 | (4.3) |
| Settlement payment to Government for HRA self-financing | 10.9 | 0.0 | 10.9 | 9 | 0.0 | 0.0 | 0.0 |
| Other Housing Services | 16.2 | (16.8) | (0.6) | | 18.8 | (18.3) | 0.5 |
| Central Services | | | | | | | |
| Court Services | 7.0 | (3.4) | 3.6 | | 9.0 | (5.2) | 3.8 |
| Corporate and Democratic Core | 8.7 | (2.6) | 6.1 | | 8.7 | (2.5) | 6.2 |
| Emergency Planning | 1.2 | (0.5) | 0.7 | | 1.2 | (0.5) | 0.7 |
| Local Tax Collection | 3.2 | (1.9) | 1.3 | | 3.3 | (1.9) | 1.4 |
| Elections | 0.3 | 0.0 | 0.3 | | 0.4 | 0.0 | 0.4 |
| Other Central Services | 0.1 | 0.0 | 0.1 | | 0.0 | 0.0 | 0.0 |
| Cost of Services | 302.0 | (140.2) | 161.8 | | 301.6 | (153.2) | 148.4 |
| Other Operating Income | | | (3.7) | 10 | | | (21.4) |
| Financing and Investment Income and Expenditure | | | (32.8) | 11 | | | (71.3) |
| Taxation and Non Specific Grant Income | | | (134.4) | 12 | | | (124.2) |
| Surplus on the Provision of Services | | | (9.1) | | | | (68.5) |
| Surplus on the Revaluation of Property, Plant and Equipment | | | (23.0) | 25A | | | (20.7) |
| Actuarial Losses on Pension Fund Liabilities | | | 73.6 | 47 | | | 26.0 |
| Other Comprehensive (Income) and Expenditure | | | 50.6 | | | | 5.3 |
| TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE | | | 41.5 | | | | (63.2) |

CITY FUND BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the City. The net assets (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves comprises those the City is not able to use to provide services. This includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts only become available if the assets are sold; and reserves holding timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations"

| 31 March 2011 | 31 March 2012 | | Notes | 31 March 2013 |
|------------------|------------------|--|-------|------------------|
| £m | £m | | | £m |
| 604.0 | 628.9 | Property, Plant and Equipment | 13 | 645.8 |
| 8.9 | 8.9 | Heritage Assets | 14 | 8.9 |
| 717.9 | 794.4 | Investment Property | 15 | 794.1 |
| 0.8 | 0.7 | Intangible Assets | 16 | 0.5 |
| 137.3 | 63.1 | Long Term Investments | 18 | 50.4 |
| 13.2 | 16.8 | Long Term Debtors | 20 | 16.2 |
| 1,482.1 | 1,512.8 | Long Term Assets | | 1,515.9 |
| 190.4 | 259.8 | Short Term Investments | 18 | 345.2 |
| 0.5 | 0.3 | Inventories | | 0.3 |
| 0.0 | 0.1 | Intangible Current Assets | 16 | 0.0 |
| 35.7 | 43.5 | Short Term Debtors | 21 | 45.0 |
| 10.7 | 12.5 | Cash and Cash Equivalents | 22 | 14.1 |
| 237.3 | 316.2 | Current Assets | | 404.6 |
| (91.7) | (148.6) | Short Term Creditors | 23 | (121.3) |
| (91.7) | (148.6) | Current Liabilities | | (121.3) |
| (470.7) | (562.4) | Pensions Liability | 45,46 | (606.8) |
| (51.3) | (53.3) | Capital Grants and Contributions Received in Advance | 39 | (64.5) |
| 0.0 | (0.5) | Other Long Term Liabilities | 41 | (0.5) |
| (522.0) | (616.2) | Long Term Liabilities | | (671.8) |
| 1,105.7 | 1,064.2 | NET ASSETS | | 1,127.4 |
| (233.7) | (183.2) | Usable Reserves | 24 | (275.9) |
| (872.0) | (881.0) | Unusable Reserves | 25 | (851.5) |
| (1,105.7) | (1,064.2) | TOTAL RESERVES | | (1,127.4) |

OBtsw

Chris Bilsland,
Chamberlain of London

Date: 12 July 2013

CITY FUND CASH FLOW STATEMENT

This statement shows the change in cash and cash equivalents during the year. It shows how the City generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which services are funded by way of taxation and grant income or from the recipients of services provided by the City. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the City's future service delivery.

| 2011/12 | | Notes | 2012/13 |
|---------------|---|-------|----------------------|
| £m | | | £m |
| (9.1) | Net surplus on the provision of services | | (68.5) |
| (21.6) | Adjustments for non-cash movements | | (52.3) |
| 10.4 | Adjustments for items that are investing and financing activities | | 82.1 |
| <u>(20.3)</u> | Net cash inflows from operating activities | 26 | <u>(38.7)</u> |
| 68.0 | Investing activities | 27 | 7.8 |
| <u>(49.5)</u> | Financing activities | 28 | <u>29.3</u> |
| (1.8) | Net increase in cash and cash equivalents | | (1.6) |
| (10.7) | Cash and cash equivalents at the beginning of the reporting period | 22 | <u>(12.5)</u> |
| <u>(12.5)</u> | Cash and cash equivalents at the end of the reporting period | 22 | <u>(14.1)</u> |

1. Accounting Policies

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

- **General**

The Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13: Based on International Financial Reporting Standards* (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

- **Accruals of Expenditure and Income**

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

- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the City Fund.
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be measured reliably and it is probable that economic benefits or service potential associated with the transaction will flow to the City Fund.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- **Cash and Cash Equivalents**

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

- **Contingent Assets**

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

- **Contingent Liabilities**

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

- **Provisions**

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

- **Employee Benefits**

Short-term employee benefits

Short term benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, wages and employment-related payments.

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

Retirement benefit costs

Pension Costs – City of London Staff

With the exception of serving police officers and teachers, City of London staff are eligible to contribute to the City of London Pension Fund, which is a funded defined benefits scheme.

For the purposes of IAS 19, the City of London Pension Scheme is accounted for as a defined contribution scheme. This recognises that the City Fund does not have an exclusive relationship with the City of London Pension Fund and that the Scheme's assets and liabilities cannot be identified to each of the City of London's funds. Consequently, pension costs are accounted for on the basis of contributions payable and no liability for future payments of benefits is recognised in the balance sheet.

Charges are made to revenue for pension costs based on the recommendations of the Fund's actuary so as to spread the full cost of retirement benefits to be met by the Fund over the estimated average service lives of the City of London's staff. Contributions are apportioned to the City Fund on the basis of time spent by each employee on City Fund activities in the year.

Pension Costs – Police Officers and Judges

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

The estimated liability on the Police Pension Scheme is determined by independent actuaries using the projected unit method and in accordance with IAS19. The net cost of service includes the current service cost rather than payments to pensioners, and net operating expenditure includes a pension interest cost. However, the charge required to be made against the Council Tax is based on the amount payable for the year, so the IAS19 costs are reversed out within the Movement in Reserves Statement through an appropriation to the

negative pension reserve. In the Balance Sheet the negative pension reserve is matched by a pension liability. Actuarial gains and losses are taken to the Pension Reserve.

The payment of pensions to former judges is the responsibility of the Treasury with the City of London reimbursing the Treasury for the City's share of the liability. The City of London's estimated liability has been determined by independent actuaries in accordance with IAS19. The accounting treatment for the estimated liability is similar to that outlined above for the Police Pension Scheme.

Pension Costs - Teachers

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

- **Events After the Reporting Period**

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

Adjusting Events

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

Non-adjusting Events

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

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

- **Financial Instruments**

Financial Assets

Financial assets are recognised when the City becomes party to a financial instrument contract (any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another) or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value. This is defined as the amount for which an asset could be exchanged or a liability settled, assuming the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Financial assets are classified into the following categories: held to maturity investments; available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to surplus/deficit on de-recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are recognised on the Balance Sheet when the City becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the City assesses whether any financial assets are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset. The impairment of receivables is based on the age and type of each debt with the percentages applied reflecting an assessment of the recoverability. The loss is recognised in expenditure and the carrying amount of the asset is reduced through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial Liabilities

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

They are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

- **Interest Income**

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

- **Government Grants and Other Contributions**

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

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

Revenue

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

Capital

Where a capital grant or contribution has been received but conditions remain outstanding at the balance sheet date, the grant or contribution is recognised as part of Capital Grants Receipts in Advance. Once the conditions have been met, the grant or contribution will be transferred from Capital Grants Receipts in Advance and recognised as income in the Comprehensive Income and Expenditure Statement.

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

Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account within the usable reserves section of the balance sheet reflecting its status as a capital resource available to finance expenditure. This transfer is reported in the Movement in Reserves Statement. When, at a future date, the expenditure to be financed from the grant or contribution is incurred, the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

- **Heritage Assets**

The adoption of Financial Reporting Standard 30: Heritage Assets by the Code requires the separate disclosure of such assets on the face of the Balance Sheet. Heritage assets are those assets intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. The Code provides that where the cost or value of heritage assets cannot be obtained at a cost which is commensurate with the benefits to the users of the financial statements, such assets will not be recognised in the Balance Sheet. The City does not consider the expense of obtaining information on cost or values to be justified and therefore recognises on the balance sheet only those heritage assets for which information on costs is readily available. The carrying value of heritage assets currently held in the Balance Sheet at historic cost relates almost exclusively to one asset – the capital's only Roman Amphitheatre. The amphitheatre was discovered in Guildhall Yard during an archaeological dig taking place in preparation for a building project. For those heritage assets which are recognised the City considers that they will have indeterminate lives and high residual values; hence the City does not consider it appropriate to charge depreciation for these assets.

The City Fund's heritage asset holdings have not changed, with no acquisitions, donations or disposals, in recent history.

- **Intangible Assets**

Intangible assets are non-monetary assets without physical substance but are controlled by the City as a result of a past event. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the City and where the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held can be determined by reference to an active market. In practice, none meet this condition and all are held at amortised cost.

Long Term Intangible Assets

Intangible long term assets comprise computer software licences, which are capitalised at cost. They are not revalued and are amortised over their useful lives.

Amortisation is provided for on all intangible long term assets, calculated by allocation of the Balance Sheet value of the asset, less any residual value, to the periods expected to benefit from its use on a straight line basis. Amortisation charges in respect of the value of intangible assets at the start of the year are charged to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Current Intangible Assets

Intangible current assets, which are represented by unused landfill allowances, are valued at the weighted average value at which allowances have traded during the year.

- **Inventories**

Inventories (stock) are valued at the lower of average cost and net realisable value.

- **Investment Property**

Investment property, which is property held to earn rental income and/or for capital appreciation, is measured at fair value and is not subject to depreciation. The definition is

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are initially measured at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at year end. The net income (or expenditure) from investment properties, after allowing for gains or losses in fair value during the period they arise, is credited (or debited) to 'Financing and Investment Income and Expenditure' below the 'Cost of Services' in the Comprehensive Income and Expenditure Statement. Under statutory arrangements, revaluation gains and losses are reversed out of the City Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

- **Landfill Allowances Scheme**

The fair value of the Landfill Allowance Trading Scheme allowances allocated by government without charge is treated as a government grant. The grant is initially recognised as deferred income in the Balance Sheet and subsequently recognised as income on a systematic basis over the compliance year for which the allowances were allocated. The fair value for initial recognition purposes is market value at the initial recognition date for allowances allocated by government and for purchased allowances it is cost.

As landfill is used a liability is incurred for the obligation to hold allowances equal to landfill usage. The liability is estimated based on the present market value at the Balance Sheet date of the number of landfill allowances used for the year.

Unused landfill allowances are recognised as intangible current assets at their existing carrying amount if it is equal to or below fair (market) value or written down to fair (market) value if the carrying amount is above fair (market) value.

- **Leases**

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

Finance Leases

City as Lessee

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

City as Lessor

Amounts due from lessees under finance leases are recorded in the Balance Sheet as a debtor at the amount of the net investment in the lease. The lease payments receivable are apportioned between repayment of the debtor and finance income. The finance income is credited to revenue and calculated so as to give a constant periodic rate of return from the net investment.

Operating Leases

City as Lessee

Rentals payable, net of benefits received or receivable (e.g. cash incentives for a lessee to sign a lease), are charged to revenue on a straight-line basis over the term of the lease, even if the payments are not made on such a basis, unless another systematic and rational basis is more representative of the benefits received.

City as Lessor

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

- **Non-Current Assets held for Sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The gain or loss arising from derecognition of an asset is the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from derecognition of an asset is included in Surplus or Deficit on the Provision of Services when the item is derecognised. However, legislation prescribes that the gain or loss is not a proper charge to the City Fund or Housing Revenue Account. As a result the General Fund or Housing Revenue Account is debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on disposal of the asset (net of any disposal costs), with the consequent entries being:

- an increase to the Capital Receipts Reserve of an amount equal to the disposal proceeds; and
- a charge to the Capital Adjustment Account of an amount equal to the carrying amount of the fixed asset disposal (less any balance transferred from the Donated Assets Account).

If the asset derecognised was carried at a re-valued amount the balance on the Revaluation Reserve in respect of the asset derecognised is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

- **Overheads**

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

- **Property, Plant and Equipment**

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

Recognition

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

Valuation

Property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset so that it is capable of operating in the manner intended. All assets are measured subsequently at fair value determined as follows:

- Properties regarded as operational - Open Market Value in Existing Use, or where this cannot be assessed because there was no market for the subject asset, the Depreciated Replacement Cost based on modern equivalent assets. In some cases, specialist properties have required specialist valuation assumptions or alternative use valuations have been carried out.
- Non-operational assets under construction – historic cost.
- Infrastructure, community and heritage assets - historic cost, net of depreciation, where appropriate.
- Vehicles, plant and equipment - cost, net of depreciation, as a proxy for current value.

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

Revaluations

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

Impairments

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

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

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

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

De-recognition

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

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

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

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

Depreciation

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

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

Components

Assets other than HRA Dwellings

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

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

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

HRA Dwellings

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

- **Reserves**

Specific amounts have been set aside as reserves for future policy purposes or to cover contingencies. Details of the City of London's earmarked reserves are set out in the Summary of Movement on Reserves in the notes to the financial statements. Certain reserves are required by the Code to manage the accounting process for tangible fixed assets and retirement benefits and do not represent usable resources. Details of these reserves are set out in the notes to the financial statements.

- **Revenue expenditure funded from capital under statute**

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

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

- **Value Added Tax**

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

- **Social Security Deductions**

The City of London accounts centrally for social security deductions as its registration also includes other activities that do not form part of the City Fund. Consequently, current assets and liabilities do not include social security deductions.

- **Carbon Reduction Commitment Scheme**

The City of London is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. It requires participants to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

2. Accounting Standards That Have Been Issued but Not Yet Adopted

The Code has introduced several changes in accounting policies which will be required from 1 April 2013, the changes are not considered to have a material or significant impact on the Statement of Accounts:

- IAS 1 Presentation of Financial Statements (June 2011 Amendments) – The changes require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of Services. This is a presentational issue which will not have any impact on any of the reported amounts in the Comprehensive Income and Expenditure Statement.
- Service Concession Arrangements, clarifications for the recognition criteria for assets under construction or intangible assets – there are no schemes that this could potentially affect.
- IAS 12 Income taxes (December 2010 Amendments) – It is not considered that this change will affect the Statement of Accounts.
- IFRS 7 Financial Instruments Disclosures–Offsetting Financial Assets and Liabilities (December 2011 Amendments) – The change in accounting policy is in relation to the offsetting of financial assets and liabilities. It is not considered that this change will affect the Statement of Accounts.
- There have been several changes in relation IAS 19 Employee Benefits (June 2011 Amendments). IAS19 is changing for accounting years starting on or after 1 January 2013. These changes will result in some labelling and narrative changes but there will be no material changes to the figures reported in the Comprehensive Income and Expenditure Statement.

3. Critical Judgements in Applying Accounting Policies

In applying accounting policies authorities may have to make certain judgements about complex transactions or those involving uncertainty about future events. Apart from those disclosed in the summary of significant accounting policies (note 1) and those involving estimations (see note 4), there are no critical judgements that management has made in the process of applying the City's accounting policies that will have a material effect on the amounts recognised in the financial statements.

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

complex manner. For example the actuary determines the appropriate discount rate at the end of each year after taking account of the yield from a high quality bond of appropriate duration, a 0.1% decrease in the discount rate assumption would result in an increase in the Police Pension liability of £13.4m. Other key assumptions for pension obligations are based in part on current market conditions and demographic data. Additional information on pension schemes is given in notes 43 to 47.

Property Valuations – The carrying values of property, plant and equipment and investment properties are primarily dependent on judgements of such variables as the state of the property market, location, asset lives, condition of the property, indices etc. Valuation is an inexact science with assessments provided by different surveyors rarely agreeing and with prices subsequently realised diverging from valuations. A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. For example a 1% reduction in the value of investment properties would result in a £7.9m debit to “Financing and Investment Income and Expenditure” in the Comprehensive Income and Expenditure Statement. Conversely, an increase in value would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and/or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

However, the risk of material adjustments is mitigated by using the experience and knowledge of professional chartered surveyors, both in-house staff and external firms. In addition, tests are undertaken to ensure that variations between the valuations of different surveyors, and between valuations and actual prices, are within reasonable tolerances. Additional information on property asset valuation is provided in note 13.

Arrears – At 31 March 2013, the City Fund had a balance for rents and sundry debtors of £25.5m. A review of the length of time past due and progress on recovery action suggested that an impairment allowance for doubtful debts of £3.7m was appropriate. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chamberlain on 12 July 2013. Events after the balance sheet date and up to 12 July 2013 have been considered in respect of material impact on the financial statements. Events taking place after this date are not reflected in the financial statements or notes.

6. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

City Fund Balance

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

Housing Revenue Account (HRA) Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Major Repairs Reserve

The City is required to maintain this reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at year end.

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

2012/13

| | Usable Reserves | | | | | Movement in Unusable Reserves £m |
|--|----------------------------|-------------------------------------|--------------------------------------|--------------------------------------|-----------------------------------|---|
| | City Fund Balance £m | Housing Revenue Account £m | Capital Receipts Reserve £m | Capital Grants Unapplied £m | Major Repairs Reserve £m | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | | | |
| Charges for depreciation and impairment of non-current assets | (18.3) | (2.3) | 0.0 | 0.0 | 0.0 | 20.6 |
| Revaluation gains on Property, Plant and Equipment | 1.5 | 4.3 | 0.0 | 0.0 | 0.0 | (5.8) |
| Movements in the fair value of Investment Properties | 51.3 | 0.0 | 0.0 | 0.0 | 0.0 | (51.3) |
| Amortisation of intangible assets | (0.2) | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 |
| Capital grants, contributions and donations applied | 7.4 | 0.0 | 0.0 | 0.0 | 0.0 | (7.4) |
| Revenue expenditure funded from capital under statute | (2.3) | 0.0 | 0.0 | 0.0 | 0.0 | 2.3 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (59.8) | 0.0 | 0.0 | 0.0 | 0.0 | 59.8 |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | | | |
| Income from finance lease | (0.5) | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 |
| Capital expenditure charged against the City Fund and HRA balances | 1.8 | 0.0 | 0.0 | 0.0 | 0.0 | (1.8) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 1.0 | 0.0 | 0.0 | (1.0) | 0.0 | 0.0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0.0 | 0.0 | 0.0 | 0.7 | 0.0 | (0.7) |
| Sub-total | (18.1) | 2.0 | 0.0 | (0.3) | 0.0 | 16.4 |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

2012/13

| | Usable Reserves | | | | | |
|---|-----------------|------------|---------------|--------------|--------------|-------------|
| | City Fund | Housing | Capital | Capital | Major | Movement |
| | Balance | Revenue | Receipts | Grants | Repairs | in Unusable |
| £m | Account | Reserve | Unapplied | Reserve | Reserves | £m |
| Brought forward | (18.1) | 2.0 | 0.0 | (0.3) | 0.0 | 16.4 |
| Adjustments primarily involving the Capital Receipts Reserve | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 82.1 | 0.0 | (82.1) | 0.0 | 0.0 | 0.0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0.0 | 0.0 | 10.3 | 0.0 | 0.0 | (10.3) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals | (0.3) | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (0.2) | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 |
| Adjustments primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | 0.0 | 2.3 | 0.0 | 0.0 | (2.3) | 0.0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0.0 | 0.0 | 0.0 | 0.0 | 1.3 | (1.3) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (18.4) | 0.0 | 0.0 | 0.0 | 0.0 | 18.4 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | (0.1) |
| Adjustments primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (1.0) | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| Other Adjustments | (0.2) | 0.2 | (0.1) | 0.0 | 0.0 | 0.1 |
| Total Adjustments | 44.0 | 4.5 | (71.4) | (0.3) | (1.0) | 24.2 |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

2011/12

| | Usable Reserves | | | | | Movement in Unusable Reserves £m |
|--|----------------------------|-------------------------------------|--------------------------------------|--------------------------------------|-----------------------------------|---|
| | City Fund Balance £m | Housing Revenue Account £m | Capital Receipts Reserve £m | Capital Grants Unapplied £m | Major Repairs Reserve £m | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | | | |
| Charges for depreciation and impairment of non-current assets | (18.3) | (2.1) | 0.0 | 0.0 | 0.0 | 20.4 |
| Revaluation gains/losses on Property, Plant and Equipment | (1.4) | 8.0 | 0.0 | 0.0 | 0.0 | (6.6) |
| Movements in the fair value of Investment Properties | 18.2 | 0.0 | 0.0 | 0.0 | 0.0 | (18.2) |
| Amortisation of intangible assets | (0.2) | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 |
| Capital grants, contributions and donations applied | 9.2 | 0.0 | 0.0 | 0.0 | 0.0 | (9.2) |
| Revenue expenditure funded from capital under statute | (0.8) | (10.9) | 0.0 | 0.0 | 0.0 | 11.7 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (137.7) | 0.0 | 0.0 | 0.0 | 0.0 | 137.7 |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | | | |
| Income from finance lease | (0.5) | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 |
| Capital expenditure charged against the City Fund and HRA balances | 0.9 | 0.0 | 0.0 | 0.0 | 0.0 | (0.9) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 0.9 | 0.0 | 0.0 | (0.9) | 0.0 | 0.0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0.0 | 0.0 | 0.0 | 0.9 | 0.0 | (0.9) |
| Sub-total | (129.7) | (5.0) | 0.0 | 0.0 | 0.0 | 134.7 |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

2011/12

| | Usable Reserves | | | | | Movement in Unusable Reserves £m |
|---|----------------------------|-------------------------------------|--------------------------------------|--------------------------------------|-----------------------------------|---|
| | City Fund Balance £m | Housing Revenue Account £m | Capital Receipts Reserve £m | Capital Grants Unapplied £m | Major Repairs Reserve £m | |
| | | | | | | |
| Brought forward | (129.7) | (5.0) | 0.0 | 0.0 | 0.0 | 134.7 |
| Adjustments primarily involving the Capital Receipts Reserve | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 141.9 | 0.0 | (141.9) | 0.0 | 0.0 | 0.0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0.0 | 0.0 | 200.4 | 0.0 | 0.0 | (200.4) |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (0.1) | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Adjustments primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | 0.0 | 2.0 | 0.0 | 0.0 | (2.0) | 0.0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0.0 | 0.0 | 0.0 | 0.0 | 11.6 | (11.6) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (18.1) | 0.0 | 0.0 | 0.0 | 0.0 | 18.1 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Adjustments primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | (0.5) |
| Other Adjustments | (0.2) | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Adjustments | (5.8) | (2.8) | 58.6 | 0.0 | 9.6 | (59.6) |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

7. Transfers (to)/from Earmarked Reserves

This note sets out the amounts set aside from the City Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet City Fund expenditure in 2012/13.

| | Notes | Balance at 31 March 2011 £m | Transfers Out 2011/12 £m | Transfers In 2011/12 £m | Balance at 31 March 2012 £m | Transfers Out 2012/13 £m | Transfers In 2012/13 £m | Balance at 31 March 2013 £m |
|------------------------------|--------|--------------------------------------|-----------------------------------|----------------------------------|--------------------------------------|-----------------------------------|----------------------------------|--------------------------------------|
| Resilience Reserve | (i) | (46.4) | 0.0 | 0.0 | (46.4) | 0.0 | 0.0 | (46.4) |
| Highway Improvements | (ii) | (13.4) | 3.5 | (4.6) | (14.5) | 4.2 | (4.2) | (14.5) |
| Police Future Expenditure | (iii) | (14.2) | 0.4 | 0.0 | (13.8) | 0.0 | (1.5) | (15.3) |
| Crime Reduction Initiatives | (iv) | 0.0 | 0.0 | (1.6) | (1.6) | 0.1 | 0.0 | (1.5) |
| Crossrail | (v) | (7.2) | 0.0 | (4.1) | (11.3) | 0.0 | (6.2) | (17.5) |
| Judges Pensions | (vi) | (1.4) | 0.0 | (0.2) | (1.6) | 0.0 | 0.0 | (1.6) |
| Service Projects | (vii) | (3.7) | 0.7 | (0.7) | (3.7) | 0.9 | (0.1) | (2.9) |
| Renewals and Repairs | (viii) | (0.5) | 0.0 | 0.0 | (0.5) | 0.0 | 0.0 | (0.5) |
| Landfill Allowances | (ix) | (0.3) | 0.0 | 0.0 | (0.3) | 0.0 | 0.0 | (0.3) |
| School's Reserve | (x) | (0.1) | 0.0 | (0.2) | (0.3) | 0.0 | 0.0 | (0.3) |
| VAT reserve | (xi) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (4.2) | (4.2) |
| Asset Realisation Costs Fund | (xii) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (0.3) | (0.3) |
| Total | | (87.2) | 4.6 | (11.4) | (94.0) | 5.2 | (16.5) | (105.3) |

- (i) Resilience Reserve - To meet costs which may arise from damage by terrorism or other cause to uninsured infrastructure assets such as highways, and expenses which may be incurred in order to assist businesses and others to resume their normal operation.
- (ii) Highway Improvements - Created from on-street car parking surpluses to finance future highways related expenditure and projects as provided by section 55 of the Road Traffic Regulation Act 1984, as amended by the Road Traffic Act 1991.
- (iii) Police Future Expenditure - Revenue expenditure for the City Police service is cash limited. Underspendings against this limit may be carried forward as a reserve to the following financial year and overspendings are required to be met from this reserve. The City Police have £15.3m set aside to finance general revenue expenditure in subsequent years.
- (iv) During 2011/12, the City Police received a substantial cash forfeiture award of £1.6m. Under the guidelines of the scheme, the funds must be ring fenced for "crime reduction initiatives".
- (v) Crossrail - Funds set aside to contribute towards the City's £200m commitment towards the Crossrail project, currently anticipated in 2016.
- (vi) Judges Pensions - Sums set aside to assist with the City of London's share of liabilities.
- (vii) Service Projects - A number of reserves for service specific projects and activities have been aggregated under this generic heading.
- (viii) Renewals and Repairs - These reserves comprise:
 - 6-8 Bonhill Street – Sums obtained on the surrender of the headlease and set aside to fund cyclical maintenance and repair works to the property and void costs.
 - New Spitalfields Market Building Defects - Sums obtained from the developer of the new building to fund repairs to the Market, particularly the concrete slab.
- (ix) Landfill Allowances – Income arising from the sale of Landfill Allowances is being set aside to fund the future purchase of Landfill Allowances and to meet increases in the cost of waste disposal due to changes in the method of disposal in order to achieve landfill targets.
- (x) School's Reserve - The cumulative balance from the local management budget delegated to the Sir John Cass's Foundation Primary School.
- (xi) VAT Reserve - Should the City Corporation no longer be able to recover VAT incurred on exempt services as a result of exceeding the 5% partial exemption threshold, this reserve will be the first call for meeting the associated costs.
- (xii) Asset Realisation Costs Fund - Provided to fund those costs associated with the sale of assets that cannot be offset against the sale proceeds.

8. Arts Council England

The Barbican Centre's income for 2012/13 includes a grant of £0.6m from Arts Council England. (2011/12 £0.3m)

9. Self-Financing Payment

On 1 April 2012 the Government abolished the HRA subsidy system. As part of the abolition, the City was required to make a one-off capital payment of £10.92m to Government – effectively a commutation of the annual sums that the City would have been required to make to Government under the old arrangements. This one-off payment in 2011/12 was funded from the Major Repairs Reserve.

10. Other Operating Income and Expenditure

| | 2012/13 Net Expenditure/ (Income) £m | 2011/12 Net Expenditure/ (Income) £m |
|---|--|--|
| Net Gain on Disposal of Fixed Assets | (22.0) | (4.2) |
| Inner and Middle Temple Precepts | 0.3 | 0.3 |
| Local levies | 0.1 | 0.1 |
| Payment to Government Housing Capital Receipts Pool | 0.2 | 0.1 |
| Total | (21.4) | (3.7) |

11. Financing and Investment Income and Expenditure

| | 2012/13 Net Expenditure/ (Income) £m | 2011/12 Net Expenditure/ (Income) £m |
|--|--|--|
| Investment Properties | | |
| Operational | (32.3) | (30.3) |
| Gain on revaluation | (51.3) | (18.2) |
| Interest receivable and similar income | (10.4) | (9.3) |
| Pension Interest Cost | 25.4 | 25.7 |
| Contribution from Trading Services | (2.7) | (0.7) |
| Total | (71.3) | (32.8) |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

12. Taxation and Non-Specific Grant Income

| | 2012/13 | 2011/12 |
|---|----------------|----------------|
| | Income | Income |
| | £m | £m |
| Council Tax | (5.7) | (5.6) |
| National Non Domestic Rates Distribution | (62.0) | (52.5) |
| City Non Domestic Rates Premium | (6.6) | (6.8) |
| City Offset | (10.3) | (10.2) |
| Non Ringfenced Government Revenue Grants | (33.5) | (49.9) |
| Capital Grants, Contributions and Donations | (6.1) | (9.4) |
| Total | (124.2) | (134.4) |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

13. Property, Plant and Equipment

| Movements on Balances 2012/13 | Council Dwellings | Other Land & Buildings | Leasehold Improvements | Vehicles, Plant and Equipment | Infra-structure | Community Assets | Assets Under Construction | Total |
|--|-------------------|------------------------|------------------------|-------------------------------|-----------------|------------------|---------------------------|---------------|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Cost or valuation | | | | | | | | |
| at 1 April 2012 | 179.7 | 363.4 | 57.6 | 28.0 | 47.8 | 0.6 | 2.5 | 679.6 |
| Additions | 1.3 | 6.1 | 0.0 | 1.9 | 4.4 | 0.0 | 1.1 | 14.8 |
| Transfers | 0.8 | 2.2 | 0.0 | (0.6) | 0.0 | 0.0 | (2.4) | 0.0 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 5.3 | 10.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 16.1 |
| Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services | 2.3 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3.3 |
| Derecognition - disposals | (3.8) | 0.0 | 0.0 | (0.1) | 0.0 | 0.0 | 0.0 | (3.9) |
| at 31 March 2013 | 185.6 | 383.5 | 57.6 | 29.2 | 52.2 | 0.6 | 1.2 | 709.9 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| at 1 April 2012 | 0.0 | (6.4) | (8.1) | (18.4) | (17.8) | 0.0 | 0.0 | (50.7) |
| Depreciation Charge | (2.0) | (8.5) | (2.4) | (3.0) | (4.6) | 0.0 | 0.0 | (20.5) |
| Depreciation written out to the Revaluation Reserve | 0.2 | 4.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.5 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 1.8 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.6 |
| Impairment (losses)/reversals recognised in the Revaluation Reserve | | | | | | | | 0.0 |
| Impairment losses recognised in the Surplus/Deficit on the Provision of Services | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (0.1) |
| Derecognition - disposals | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 |
| Other movements in depreciation and impairment | 0.0 | (0.1) | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| at 31 March 2013 | (0.1) | (9.9) | (10.5) | (21.2) | (22.4) | 0.0 | 0.0 | (64.1) |
| Net Book Value | | | | | | | | |
| at 31 March 2012 | 179.7 | 357.0 | 49.5 | 9.6 | 30.0 | 0.6 | 2.5 | 628.9 |
| at 31 March 2013 | 185.5 | 373.6 | 47.1 | 8.0 | 29.8 | 0.6 | 1.2 | 645.8 |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Movements on Balances Comparative for 2011/2012

| | Council Dwellings £m | Other Land and Buildings £m | Leasehold Improvements £m | Vehicles, Plant and Equipment £m | Infra- structure £m | Community Assets £m | Assets Under Construction £m | Total £m |
|--|----------------------------|-----------------------------------|---------------------------------|--|---------------------------|---------------------------|------------------------------------|---------------|
| Cost or valuation | | | | | | | | |
| at 1 April 2011 | 166.2 | 348.9 | 59.2 | 28.8 | 41.0 | 0.6 | 0.8 | 645.5 |
| Additions | 1.4 | 6.9 | (1.6) | 2.2 | 6.8 | 0.0 | 2.0 | 17.7 |
| Transfers | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | (0.3) | 0.0 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 5.4 | 10.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 15.5 |
| Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services | 7.4 | (2.7) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.7 |
| Derecognition - disposals | (0.8) | 0.0 | 0.0 | (3.0) | 0.0 | 0.0 | 0.0 | (3.8) |
| at 31 March 2012 | 179.7 | 363.4 | 57.6 | 28.0 | 47.8 | 0.6 | 2.5 | 679.6 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| at 1 April 2011 | 0.0 | (5.8) | (5.6) | (16.7) | (13.4) | 0.0 | 0.0 | (41.5) |
| Depreciation Charge | (1.9) | (7.7) | (2.5) | (3.5) | (4.4) | 0.0 | 0.0 | (20.0) |
| Depreciation written out to the Revaluation Reserve | 0.0 | 7.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 7.5 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 1.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.9 |
| Impairment losses recognised in the Surplus/Deficit on the Provision of Services | 0.0 | (0.4) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (0.4) |
| Derecognition - disposals | 0.0 | 0.0 | 0.0 | 1.8 | 0.0 | 0.0 | 0.0 | 1.8 |
| at 31 March 2012 | 0.0 | (6.4) | (8.1) | (18.4) | (17.8) | 0.0 | 0.0 | (50.7) |
| Net Book Value | | | | | | | | |
| at 31 March 2011 | 166.2 | 343.1 | 53.6 | 12.1 | 27.6 | 0.6 | 0.8 | 604.0 |
| at 31 March 2012 | 179.7 | 357.0 | 49.5 | 9.6 | 30.0 | 0.6 | 2.5 | 628.9 |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Depreciation

The following useful lives and depreciation rates have generally been used in the calculation of depreciation

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

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

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

Capital Commitments

The City of London Corporation has agreed with Government that £200m will be provided from City Fund towards the costs of constructing Crossrail. The payment of this amount is dependent on the fulfilment of a number of conditions, primarily the completion of certain works in relation to Crossrail stations. Whilst it is anticipated that the conditions will be met, there is still some 3 years to go before the relevant works are due to be completed. A liability has not therefore been recognised in the financial statements pending fulfilment of the conditions. At this stage it is anticipated that the contribution will be made in 2016. The financing strategy for the contribution is based on the accumulation of annual rental income from specific investment properties and capital receipts from the sale of assets. As at 31 March 2013, financial forecasts indicate that sufficient funds will be available to meet the contribution in 2016.

In addition, the following capital commitments were outstanding at 31 March 2013

- £3.2m relating to the installation of a new flying system in the Barbican Centre, which should be completed in 2013/14.
- £8.8m in respect of the City's 25% contribution to the cost of a new investment property joint venture development. After completion, in 2014, capital receipts in excess of costs are anticipated from the sale of a long leasehold interest in the property.

Revaluations

Properties regarded as operational have been valued at their Open Market Value in Existing Use, or where this could not be assessed because there was no market for the subject asset, the Depreciated Replacement Cost. In some cases, specialist properties have required specialist valuation assumptions or alternative use valuations have been carried out.

Properties regarded as non-operational have been valued on the basis of Market Value.

Vehicles, plant and equipment are shown at depreciated cost, as a proxy for value.

Community assets in existence at 1 April 1994 are each shown at a notional £1 to which subsequent additions have been added at cost.

Infrastructure in existence at 1 April 1994 was valued at nil since there was no loan debt outstanding on this category of asset. Subsequent outlay has been added at cost.

The following have been revalued at 31 March 2013 in accordance with the Rolling Five Year Programme of Revaluation or to reflect material changes in value:

- Barbican Estate residential properties and car bays
- Housing Dwellings (including guest flats)
- Properties at the City of London Cemetery and Crematorium
- Guildhall Art Gallery, Library storage areas and the City Marketing Suite (Guildhall East Wing)
- Animal Reception Centre, Heathrow
- Barbican Centre, including the Barbican lending library
- Artizan Street Community Centre Building
- Barbican Hostel
- Calcutta House

The City is not aware of any material change in value of any other assets and therefore the valuations have not been updated. The current asset values used in the accounts for the Barbican Centre, Central Criminal Court, Walbrook Wharf (depot and offices), Golden Lane Recreation Centre, Woodredon and Warlies Park, Cemetery and Crematorium, Police Stations and Section House, Animal Reception Centre and most of the investment properties are based on assessments by external valuers. The firms of chartered surveyors who have prepared valuations for the City of London are BNP Paribas Real Estate, Jones Lang Lasalle Ltd, Montagu Evans, Allsop LLP, Gerald Eve and Bidwells.

All other asset values have been prepared by the City of London Corporation's City Surveyor who is a Chartered Surveyor.

14. Heritage Assets

The carrying value of heritage assets currently held in the Balance Sheet at historic cost is £8.9m (2011/12 £8.9m) which relates almost exclusively to one asset – the capital’s only Roman Amphitheatre. The amphitheatre was discovered in Guildhall Yard during an archaeological dig taking place in preparation for a building project. In 2002, the doors to the amphitheatre opened for the first time in nearly 2,000 years.

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

Further information on the Roman Amphitheatre and the London Metropolitan Archives, including opening times and details of the collections held by the LMA, can be found on the City’s website (www.cityoflondon.gov.uk).

15. Investment Properties

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

| | 2012/13 | 2011/12 |
|---|---------------|---------------|
| | £m | £m |
| Income from investment properties | (44.5) | (42.6) |
| Operating expenses arising from investment property | 12.2 | 12.3 |
| Net gain | (32.3) | (30.3) |

There are no restrictions on the City’s ability to realise the value inherent in its investment property or on the City’s right to the remittance of income and the proceeds of disposal. The City has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

| | 2012/13 | 2011/12 |
|---------------------------------------|--------------|--------------|
| | £m | £m |
| Balance at start of the year | 794.4 | 717.9 |
| Additions: | | |
| Purchases | 0.0 | 192.9 |
| Construction | 2.5 | 0.0 |
| Subsequent expenditure | 1.9 | 1.1 |
| Disposals | (56.0) | (135.7) |
| Revaluations: | | |
| Net gains from fair value adjustments | 51.3 | 18.2 |
| Balance at end of the year | 794.1 | 794.4 |

16. Intangible Assets

Long Term Intangible Assets

Intangible long term assets comprise computer software licences, which are capitalised at cost. They are not revalued and are amortised over their useful life.

Amortisation is provided on all intangible long term assets, calculated by allocation of the Balance Sheet value of the asset, less any residual value, to the periods expected to benefit from its use on a straight line basis over the following indicative periods.

Computer software 3 – 7 years

Amortisation charges in respect of the value of intangible assets at the start of the year are charged to service revenue accounts.

The movement on Intangible Asset balances during the year is as follows:

| | 2012/13 | 2011/12 |
|--------------------------------------|------------|------------|
| | £m | £m |
| Balance at start of year: | | |
| Gross carrying amounts | 1.3 | 1.2 |
| Accumulated amortisation | (0.6) | (0.4) |
| Net carrying amount at start of year | 0.7 | 0.8 |
| Additions | 0.0 | 0.1 |
| Amortisation for the period | (0.2) | (0.2) |
| Net carrying amount at end of year | 0.5 | 0.7 |
| Comprising | | |
| Gross carrying amounts | 1.3 | 1.3 |
| Accumulated amortisation | (0.8) | (0.6) |
| Balance at end of the year | 0.5 | 0.7 |

Current Intangible Assets

Intangible current assets, which comprise unused landfill allowances, are valued at the weighted average value at which allowances have traded during the year. As at 31 March 2013 the value of landfill allowances held was nil (31 March 2012: £0.1m).

17. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown, in the table below, together with the resources that have been used to finance it. The City has a negative capital financing requirement, i.e. it has no underlying need to borrow to finance capital expenditure and no plans to borrow to finance future expenditure. To the extent that capital expenditure is not financed immediately through capital receipts, grants and contributions or direct financing from revenue balances the capital financing requirement will change although it will remain negative. As set out in note 0 the supply of a number of vehicles by the contractor providing the City's cleansing services has been classified as a finance lease. The substance of the transaction is considered to be the same as if the City had purchased the vehicles and financed this by taking out a loan. The vehicles are therefore included as an asset and a liability is recognised for the same amount.

| | 2012/13 | 2011/12 |
|---|--------------|--------------|
| | £m | £m |
| Opening Capital Financing Requirement | (1.6) | (2.1) |
| Capital Investment | | |
| Property, Plant and Equipment | 14.8 | 17.7 |
| Investment Properties | 4.4 | 194.0 |
| Intangible Assets | 0.0 | 0.1 |
| Revenue Expenditure Funded from Capital Under Statute | 2.3 | 11.7 |
| Sources of Finance | | |
| Capital Receipts | (10.3) | (200.4) |
| Capital grants, contributions and donations | (8.1) | (10.1) |
| Direct revenue contributions | (3.1) | (12.5) |
| Closing Capital Financing Requirement | (1.6) | (1.6) |
| | | |
| Explanation of movement in year | | |
| Assets acquired under finance leases | 0.0 | 0.5 |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

18. Financial Instruments

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

Categories of Financial Instruments

The financial instruments disclosed in the Balance Sheet are made up of the following categories:

| | Long Term | | Current | |
|---|---------------|---------------|---------------|---------------|
| | 31 March 2013 | 31 March 2012 | 31 March 2013 | 31 March 2012 |
| | £m | £m | £m | £m |
| Investments | | | | |
| Loans and receivables | 50.4 | 63.1 | 345.2 | 259.8 |
| Total Investments | 50.4 | 63.1 | 345.2 | 259.8 |
| Debtors | | | | |
| Loans and receivables | 12.0 | 12.6 | 23.1 | 24.3 |
| Total Debtors | 12.0 | 12.6 | 23.1 | 24.3 |
| Creditors | | | | |
| Financial liabilities at amortised cost | 0.0 | 0.0 | (40.7) | (38.0) |
| Total Creditors | 0.0 | 0.0 | (40.7) | (38.0) |
| Long Term Liabilities | | | | |
| Finance Leases | (0.5) | (0.5) | 0.0 | 0.0 |
| Total Long Term Liabilities | (0.5) | (0.5) | 0.0 | 0.0 |

Investments

The City's investments comprise cash that is not required for day to day purposes invested in deposits of varying fixed lengths and fixed interest rates in the London money markets.

Income, Expense, Gains and Losses

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

| | 2012/13 | 2011/12 |
|--|------------------|------------------|
| | Financial Assets | Financial Assets |
| | Loans and | Loans and |
| | Receivables | Receivables |
| | £m | £m |
| Impairment gains/(losses) | 0.2 | (1.3) |
| Total Gains in Surplus or Deficit on the Provision of Services | 0.2 | (1.3) |
| Interest Income | (10.4) | (9.3) |
| Total Income in Surplus or Deficit on the Provision of Services | (10.4) | (9.3) |
| Net gain for year | (10.2) | (10.6) |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Fair Value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long term debtors are carried in the Balance Sheet at amortised cost. The fair value of trade and other receivables is taken to be the invoiced or billed amount. Short term debtors and creditors are carried at cost as this is a fair approximation of their value. The City's investments in the London money markets are predominately fixed rate and fixed length deposits. The carrying amount of the investments is assumed to be a reasonable approximation of fair value taking into account the period to maturity.

| | 31 March 2013 | | 31 March 2012 | |
|-----------------------|-----------------|------------|-----------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £m | £m | £m | £m |
| Loans and receivables | 395.6 | 395.6 | 322.9 | 322.9 |

19. **Nature and Extent of Risks arising from Financial Instruments**

The City Of London Corporation's activities expose it to a variety of financial risks:

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the City's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of Long term A, Short term F1 Viability bbb, Support 3. The City Corporation also invests in Money Market Funds, which are subject to a minimum credit rating of AAA. The lending list is reviewed on a regular basis using advice from credit rating agencies and in-house judgements based partially on credit default swap rates.

The money markets continued to be volatile in 2012/13 and the creditworthiness of the counterparties on the City Corporation's lending list was carefully monitored. Security of the investments was paramount but with liquidity and yield also being considerations. By the end of the year the City effectively only had five potential borrowers in the form of banks and building societies and it was necessary to maintain high levels of individual maximum lending limits to accommodate lending requirements. The lending limit attributable to HSBC, Barclays and Royal Bank of Scotland Group Banks was maintained at maximum lending limits of £100m each, and the government supported

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Lloyds TSB Bank was fixed at £150m, this organisation being the City's banker. The lending limit for the Nationwide Building Society was maintained at £120m. The maximum duration for such loans was fixed at three years. The list also contains four foreign banks with individual limits of £25m, National Australia Bank, Australia and New Zealand Banking Group, NV Bank Nederlandse Gemeenten and Svenska Handelsbanken. However, these institutions do not normally operate in the City Corporation's marketplace. The lending list also includes six top rated Money Market Funds; CCLA, Prime Rate Liquidity Fund, Deutsche Liquid Assets Fund, Ignis Asset Management Liquidity Funds, Invesco and Payden Sterling Reserve Fund, which effectively offer daily liquidity for deposits.

The City's maximum exposure to credit risk in relation to its investments in banks and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. No credit limits were exceeded during the reporting period and the City does not expect any losses from non-performance by any counterparty in relation to outstanding deposits.

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

| | Amount as at 31 March 2013 | Amount as at 31 March 2012 |
|------------------------|---------------------------------------|---------------------------------------|
| | £m | £m |
| Less than three months | 10.1 | 11.4 |
| Three to six months | 1.2 | 1.3 |
| Six months to one year | 0.5 | 1.4 |
| More than one year | 0.7 | 1.2 |
| Total | 12.5 | 15.3 |

Liquidity risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. At present, the City has no borrowing exposure and has no plans to borrow to finance future capital expenditure. All trade creditors and other payables are due to be paid in less than one year.

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Market risk

Interest rate risk

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

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall

The reduced interest rates for 2012/13 continue to have a severe adverse impact on the income earnings of the City Fund and HRA, which is anticipated to continue in 2013/14, although longer term deals are entered into wherever possible to earn higher rates when available.

Changes in interest receivable on variable rate investments are posted to the Surplus or Deficit on the Provision of Services and affect the City Fund balance. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. According to this assessment strategy, if interest rates had been 1% higher with all other variables held constant, the financial effect at 31 March on investments with variable rates would be:

| | 2012/13 | 2011/12 |
|---|------------|------------|
| | £m | £m |
| Increase in interest receivable on investments held at variable rates | | |
| City Fund | 1.4 | 0.6 |
| HRA | 0.0 | 0.0 |
| Total | 1.4 | 0.6 |

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

Price risk

The authority does not invest in equity shares within the City Fund.

Foreign exchange risk

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

20. Long Term Debtors

| | 31 March 2013 | 31 March 2012 |
|--|---------------|---------------|
| | £m | £m |
| Loans to Museum of London (repayable by 2032) | 2.6 | 2.7 |
| Museum of London - Net Investment in Finance Lease | 9.0 | 9.5 |
| Prepayment in respect of affordable housing units | 4.2 | 4.2 |
| Museum in Docklands Loan | 0.3 | 0.3 |
| Service Charge Loans | 0.1 | 0.1 |
| | 16.2 | 16.8 |

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

| | 31 March 2013 | | 31 March 2012 |
|---|---------------|-------------|---------------|
| | £m | £m | £m |
| Central Government Bodies | | 12.8 | 10.3 |
| Rents | 7.7 | | 9.6 |
| less impairment allowance for bad and doubtful debts | (0.8) | | (1.3) |
| | | 6.9 | 8.3 |
| Sundry | 17.8 | | 16.9 |
| less impairment allowance for bad and doubtful debts | (2.9) | | (2.2) |
| | | 14.9 | 14.7 |
| Net Investment in Finance Lease | | 0.6 | 0.6 |
| Season Ticket and Loans to Employees | | 0.7 | 0.7 |
| Prepayments | | 9.1 | 8.9 |
| | | 45.0 | 43.5 |

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

22. Cash and Cash Equivalents

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

| | 31 March 2013 | 31 March 2012 |
|--------------|---------------|---------------|
| | £m | £m |
| Cash at bank | 14.1 | 12.5 |
| | 14.1 | 12.5 |

23. Creditors and Receipts in Advance

| | 31 March 2013 | 31 March 2012 |
|----------------------------------|----------------------|----------------------|
| | £m | £m |
| Central Government Bodies | (52.9) | (84.2) |
| Greater London Authority | (4.2) | (2.8) |
| Deposits | (6.8) | (6.7) |
| Sundry | (33.9) | (31.3) |
| Receipts in advance | (22.3) | (22.5) |
| Spitalfields Market Tenants Fund | (1.2) | (1.1) |
| | (121.3) | (148.6) |

The Code specifies that, except where information is not material, creditors should be analysed between the following categories; central government bodies, other local authorities, NHS bodies, public corporations and trading funds, and bodies external to general government (i.e. all other bodies). Within the creditors for central government bodies, £50.1m relates to national non-domestic rates (2011/12: £80.8m) collected by the City on an agency basis. The City also acts as an agent on behalf of the Greater London Authority by collecting sums due under the Community Infrastructure Levy (CIL), Business Rate Supplement (BRS) and Section 106 agreements (planning obligations). Sums collected, but not yet paid over, by the City as an agent for these bodies are included as creditors.

24. Usable Reserves

Movements in the City's usable reserves are detailed in the Movement in Reserves Statement on page 8 and Notes 6 and 7. As at 31 March 2013 some £61m (2012: £11.3m) has been set aside in usable reserves (£43.5m in capital and £17.5m in revenue) towards the City's £200m commitment towards Crossrail.

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

25. Unusable Reserves

| | Note | 31 March 2013 | 31 March 2012 |
|------------------------------------|------|----------------|----------------|
| | | £m | £m |
| Revaluation Reserve | A | (99.0) | (80.4) |
| Capital Adjustment Account | B | (1,361.9) | (1,364.7) |
| Pensions Reserve | C | 606.8 | 562.4 |
| Collection Fund Adjustment Account | D | (0.6) | (0.5) |
| Accumulated Absences Account | E | 3.2 | 2.2 |
| Total Unusable Reserves | | (851.5) | (881.0) |

A. Revaluation Reserve

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

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

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

| | 2012/13 | | 2011/12 |
|--|---------|---------------|---------------|
| | £m | £m | £m |
| Balance at 1 April | | (80.4) | (58.5) |
| Upward revaluation of assets | (22.3) | | (24.0) |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 1.6 | | 1.0 |
| Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | (20.7) | (23.0) |
| Difference between fair value depreciation and historical cost depreciation | 1.4 | | 1.0 |
| Accumulated losses on assets sold or scrapped | 0.7 | | 0.1 |
| Amount written off to the Capital Adjustment Account | | 2.1 | 1.1 |
| Balance at 31 March | | (99.0) | (80.4) |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

B. Capital Adjustment Account

The Capital Adjustment Account includes entries for the financing of capital expenditure and other capital transactions. The account contains the amount of capital expenditure financed from revenue, capital receipts and other sources. It is reduced by the amounts provided for depreciation and for the write-down of revenue expenditure funded from capital under statute and adjustments for disposals of fixed assets.

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

| | 2012/13 | 2011/12 |
|--|-------------|-------------------------|
| | £m | £m |
| Balance at 1 April | | (1,364.7) |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | (1,286.3) |
| Charges for depreciation and impairment of non-current assets | 20.6 | 20.4 |
| Revaluation gains on Property, Plant and Equipment | (5.8) | (6.6) |
| Amortisation of intangible assets | 0.2 | 0.2 |
| Revenue expenditure funded from capital under statute | 2.3 | 11.7 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account | 59.8 | 137.7 |
| | <u>77.1</u> | <u>163.4</u> |
| Adjusting amounts written out of the Revaluation Reserve | (2.1) | (1.1) |
| Net written out amount of the cost of non-current assets consumed in the year | | 75.0 |
| Capital financing applied in the year: | | 162.3 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (10.3) | (200.4) |
| Use of the Major Repairs Reserve to finance new capital expenditure | (1.3) | (11.6) |
| Capital grants, contributions and donations credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (7.4) | (9.2) |
| Application of grants to capital financing from the Capital Grants Unapplied Account | (0.7) | (0.9) |
| Capital expenditure charged against the City Fund and HRA balances | (1.8) | (0.9) |
| | | <u>(21.5)</u> |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | (18.2) |
| Museum of London finance lease and loan principle | | 0.6 |
| Balance at 31 March | | <u>(1,361.9)</u> |
| | | <u>(1,364.7)</u> |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

C. Pension Reserve

The negative pension reserve matches the estimated liability on the Police and Judges Pension Schemes as determined by independent actuaries using the projected unit method and in accordance with IAS19 (see notes 45 and 46).

| | 2012/13 | 2011/12 |
|--|--------------|--------------|
| | £m | £m |
| Balance at 1 April | 562.4 | 470.7 |
| Actuarial (gains) or losses on pension assets and liabilities | 26.0 | 73.6 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 38.9 | 36.2 |
| Employer's pension contributions less direct payments to pensioners payable in the year | (20.5) | (18.1) |
| Balance at 31 March | 606.8 | 562.4 |

D. Collection Fund Adjustment Account

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

| | 2012/13 | 2011/12 |
|--|--------------|--------------|
| | £m | £m |
| Balance at 1 April | (0.5) | (0.6) |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (0.1) | 0.1 |
| Balance at 31 March | (0.6) | (0.5) |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

E. Accumulated Absences Account

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

| | 2012/13 | | 2011/12 |
|---|---------|------------|------------|
| | £m | £m | £m |
| Balance at 1 April | | 2.2 | 2.7 |
| Settlement or cancellation of accrual made at the end of the preceding year | (2.2) | | (2.7) |
| Amounts accrued at the end of the current year | 3.2 | | 2.2 |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements | | 1.0 | (0.5) |
| Balance at 31 March | | 3.2 | 2.2 |

26. **Cash Flow Statement – Interest Received**

The cash flows from operating activities include the following item:

| | 2012/13 | 2011/12 |
|-------------------|---------|---------|
| | £m | £m |
| Interest received | (10.4) | (9.3) |

27. **Cash Flow Statement – Investing Activities**

| | 2012/13 | 2011/12 |
|--|------------|-------------|
| | £m | £m |
| Purchase of property, plant and equipment, investment property and intangible assets | 20.4 | 86.4 |
| Movement in short-term and long-term investments | 72.6 | (4.8) |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (82.1) | (10.4) |
| Income from finance lease | (0.5) | (0.5) |
| Other receipts from investing activities | (2.6) | (2.7) |
| Net cash outflows from investing activities | 7.8 | 68.0 |

28. **Cash Flow Statement – Financing Activities**

| | 2012/13 | 2011/12 |
|--|-------------|---------------|
| | £m | £m |
| Difference between cash collected from NNDR taxpayers and the amount paid to the Government | 30.7 | (49.4) |
| Difference between cash collected from Business Rate Supplement taxpayers and the amount paid to the Greater London Authority | 2.4 | (0.1) |
| Difference between cash collected on behalf of the Mayor of London under the Community Infrastructure Levy and the amount paid to the Greater London Authority | (1.0) | 0.0 |
| Difference between cash collected on behalf of the Mayor of London under Crossrail planning obligations (Section 106 Agreements) and the amount paid to Transport for London | (2.8) | 0.0 |
| Net cash inflows from financing activities | 29.3 | (49.5) |

29. **Analyses used for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, in making decisions about resource allocation the City's Policy and Resources Committee considers expenditure analysed across Service Committees amongst other factors. These analyses are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- the cost of retirement benefits is based on cash flows (payments of employer's pensions contributions) rather than the current service cost of benefits accrued in the year
- notional interest charges, reflecting the cost to the City of having resources tied up in fixed assets that could otherwise have been invested or applied to the provision of another service, are included in costs reported to Service Committees but excluded from the Comprehensive Income and Expenditure Statement
- a number of other adjustments, such as the reversal of depreciation and impairment charges to the Capital Adjustment Account, capital expenditure funded from revenue and transfers to or from reserves, are included in budgets reported to Committees. These items are excluded from the Comprehensive Income and Expenditure Statement and included in the Movement in Reserves Statement.

The income and expenditure of the City's Committees are as follows:

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Committee Income and Expenditure 2012/13

| | Police | Barbican Centre | Community & Children's Services | Planning & Transportation | Port Health & Environmental Services | Other | Total |
|--|---------------|--------------------|---------------------------------------|------------------------------|--|----------------|----------------|
| | £m | £m | £m | £m | £m | £m | £m |
| Fees, charges & other service income | (2.4) | (19.7) | (15.6) | (18.0) | (10.9) | (75.2) | (141.8) |
| Interest & investment income | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | (10.5) | (10.4) |
| Government grants and contributions | (39.3) | (2.2) | (11.2) | (4.9) | (0.3) | (9.4) | (67.3) |
| Transfers from reserves | 0.0 | 0.0 | (0.8) | (1.8) | (0.1) | (3.1) | (5.8) |
| Reversal of capital charges | (2.9) | 0.0 | 2.0 | 0.0 | 0.0 | (16.8) | (17.7) |
| City funding for refcus ¹ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Income | (44.6) | (21.9) | (25.5) | (24.7) | (11.3) | (115.0) | (243.0) |
| Employee expenses | 84.0 | 13.7 | 7.4 | 8.4 | 9.3 | 21.6 | 144.4 |
| Other service expenses | 19.0 | 29.6 | 25.4 | 19.7 | 15.6 | 58.3 | 167.6 |
| Transfers to reserves | 1.4 | 0.0 | 3.9 | 4.1 | 0.0 | 11.2 | 20.6 |
| Capital Charges | | | | | | | |
| Depreciation, amortisation and impairment | 2.9 | 2.6 | (0.6) | 5.4 | 1.3 | 3.4 | 15.0 |
| Notional interest charges | 0.0 | 0.0 | 0.0 | 0.1 | 0.4 | 2.2 | 2.7 |
| Revenue contributions to capital expenditure | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.8 | 1.8 |
| | 107.3 | 45.9 | 36.1 | 37.7 | 26.6 | 98.5 | 352.1 |
| Net Expenditure/(Income) | 62.7 | 24.0 | 10.6 | 13.0 | 15.3 | (16.5) | 109.1 |

1. Revenue expenditure funded from capital under statute

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Committee Income and Expenditure 2011/12

| | Police | Barbican Centre | Community & Children's Services | Planning & Transportation | Port Health & Environmental Services | Other | Total |
|--|---------------|--------------------|---------------------------------------|------------------------------|--|----------------|----------------|
| | £m | £m | £m | £m | £m | £m | £m |
| Fees, charges & other service income | (4.2) | (14.2) | (15.5) | (19.4) | (12.4) | (72.6) | (138.3) |
| Interest & investment income | 0.0 | 0.0 | (0.3) | 0.0 | 0.0 | (9.0) | (9.3) |
| Government grants and contributions | (31.4) | (0.9) | (11.4) | (3.9) | (0.3) | (6.9) | (54.8) |
| Transfers from reserves | (0.4) | 0.0 | (0.8) | (1.9) | 0.0 | (2.0) | (5.1) |
| Reversal of capital charges | (4.4) | 0.0 | 5.8 | 0.0 | 0.0 | (18.0) | (16.6) |
| City funding for refcus ¹ | 0.0 | 0.0 | (10.9) | 0.0 | 0.0 | 0.0 | (10.9) |
| Total Income | (40.4) | (15.1) | (33.1) | (25.2) | (12.7) | (108.5) | (235.0) |
| Employee expenses | 71.7 | 13.1 | 7.6 | 8.6 | 9.2 | 22.1 | 132.3 |
| Other service expenses | 29.1 | 24.6 | 38.8 | 19.7 | 16.5 | 54.9 | 183.6 |
| Transfers to reserves | 1.6 | 0.0 | 2.6 | 4.5 | 0.0 | 5.2 | 13.9 |
| Capital Charges | | | | | | | |
| Depreciation, amortisation and impairment | 4.4 | 2.6 | (5.7) | 5.2 | 2.5 | 5.0 | 14.0 |
| Notional interest charges | 0.0 | 0.0 | 0.0 | 0.1 | 0.5 | 2.0 | 2.6 |
| Revenue contributions to capital expenditure | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 | 0.9 |
| | 106.8 | 40.3 | 43.3 | 38.1 | 28.7 | 90.1 | 347.3 |
| Net Expenditure/(Income) | 66.4 | 25.2 | 10.2 | 12.9 | 16.0 | (18.4) | 112.3 |

1. Revenue expenditure funded from capital under statute

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Reconciliation of Committee Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Committee income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| | 2012/13 | 2011/12 |
|---|--------------|--------------|
| | £m | £m |
| Net expenditure in the Committee Analysis | 109.1 | 112.3 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | (5.9) | (8.0) |
| Amounts included in the Analysis not included in the cost of services in the Comprehensive Income and Expenditure Statement | 45.2 | 57.5 |
| Cost of Services in the Comprehensive Income and Expenditure Statement | 148.4 | 161.8 |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Committee income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012/13

| | Committee Analysis £m | Amounts not reported for decision making £m | Amounts not included in Cost of Services £m | Cost of Services £m | Corporate Amounts £m | Total £m |
|--|-----------------------------|--|--|---------------------------|----------------------------|----------------|
| Fees, charges and other service income | (141.8) | 0.0 | 54.0 | (87.8) | (115.6) | (203.4) |
| Interest and investment income | (10.4) | 0.0 | 10.4 | 0.0 | (10.4) | (10.4) |
| City Offset | 0.0 | 0.0 | 0.0 | 0.0 | (10.3) | (10.3) |
| City Premium | 0.0 | 0.0 | 0.0 | 0.0 | (6.6) | (6.6) |
| Income from council tax | 0.0 | 0.0 | 0.0 | 0.0 | (5.7) | (5.7) |
| Government grants, contributions and donations | (67.3) | 0.0 | 1.9 | (65.4) | (101.6) | (167.0) |
| Transfers from reserves | (5.8) | 0.0 | 5.8 | 0.0 | 0.0 | 0.0 |
| Reversal of capital charges | (17.7) | 0.0 | 17.7 | 0.0 | 0.0 | 0.0 |
| City funding for refcus | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Income | (243.0) | 0.0 | 89.8 | (153.2) | (250.2) | (403.4) |
| Employee expenses | 144.4 | (5.9) | (1.4) | 137.1 | 1.4 | 138.5 |
| Other service expenses | 167.8 | 0.0 | (16.9) | 150.9 | 27.3 | 178.2 |
| Transfers to reserves | 20.6 | 0.0 | (20.6) | 0.0 | 0.0 | 0.0 |
| Depreciation, amortisation and impairment | 15.0 | 0.0 | (0.6) | 14.4 | 0.6 | 15.0 |
| Notional interest charges | 2.7 | 0.0 | (2.7) | 0.0 | 0.0 | 0.0 |
| Revenue contributions to capital expenditure | 1.8 | 0.0 | (1.8) | 0.0 | 0.0 | 0.0 |
| Interest Payments | 0.0 | 0.0 | 0.0 | 0.0 | 25.4 | 25.4 |
| Precepts & Levies | (0.4) | 0.0 | (0.4) | (0.8) | 0.4 | (0.4) |
| Payments to the Government's housing capital receipts pool | 0.2 | 0.0 | (0.2) | 0.0 | 0.2 | 0.2 |
| Gain or Loss on Disposal of Fixed Assets | 0.0 | 0.0 | 0.0 | 0.0 | (22.0) | (22.0) |
| Total Expenditure | 352.1 | (5.9) | (44.6) | 301.6 | 33.3 | 334.9 |
| Surplus or deficit on the provision of services | 109.1 | (5.9) | 45.2 | 148.4 | (216.9) | (68.5) |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

2011/12

| | Committee Analysis £m | Amounts not reported for decision making £m | Amounts not included in Cost of Services £m | Cost of Services £m | Corporate Amounts £m | Total £m |
|--|-----------------------------|--|--|---------------------------|----------------------------|----------------|
| Fees, charges and other service income | (138.3) | 0.0 | 51.0 | (87.3) | (83.0) | (170.3) |
| Interest and investment income | (9.3) | 0.0 | 9.3 | 0.0 | (9.3) | (9.3) |
| City Offset | 0.0 | 0.0 | 0.0 | 0.0 | (10.2) | (10.2) |
| City Premium | 0.0 | 0.0 | 0.0 | 0.0 | (6.8) | (6.8) |
| Income from council tax | 0.0 | 0.0 | 0.0 | 0.0 | (5.6) | (5.6) |
| Government grants and contributions | (54.8) | 0.0 | 1.9 | (52.9) | (111.8) | (164.7) |
| Transfers from reserves | (5.1) | 0.0 | 5.1 | 0.0 | 0.0 | 0.0 |
| Reversal of capital charges | (16.6) | 0.0 | 16.6 | 0.0 | 0.0 | 0.0 |
| City funding for refcus | (10.9) | 0.0 | 10.9 | 0.0 | 0.0 | 0.0 |
| Total Income | (235.0) | 0.0 | 94.8 | (140.2) | (226.7) | (366.9) |
| Employee expenses | 132.3 | (8.0) | (1.6) | 122.7 | 1.9 | 124.6 |
| Other service expenses | 183.1 | 0.0 | (17.3) | 165.8 | 31.4 | 197.2 |
| Transfers to reserves | 13.9 | 0.0 | (13.9) | 0.0 | 0.0 | 0.0 |
| Depreciation, amortisation and impairment | 14.0 | 0.0 | (0.5) | 13.5 | 0.5 | 14.0 |
| Notional interest charges | 2.6 | 0.0 | (2.6) | 0.0 | 0.0 | 0.0 |
| Revenue contributions to capital expenditure | 0.9 | 0.0 | (0.9) | 0.0 | 0.0 | 0.0 |
| Interest Payments | 0.0 | 0.0 | 0.0 | 0.0 | 25.7 | 25.7 |
| Precepts & Levies | 0.4 | 0.0 | (0.4) | 0.0 | 0.4 | 0.4 |
| Payments to the Government's housing capital receipts pool | 0.1 | 0.0 | (0.1) | 0.0 | 0.1 | 0.1 |
| Gain or Loss on Disposal of Fixed Assets | 0.0 | 0.0 | 0.0 | 0.0 | (4.2) | (4.2) |
| Total Expenditure | 347.3 | (8.0) | (37.3) | 302.0 | 55.8 | 357.8 |
| Surplus or deficit on the provision of services | 112.3 | (8.0) | 57.5 | 161.8 | (170.9) | (9.1) |

30. Trading Operations

| | 2012/13 | 2011/12 |
|--|---------------------|---------------------|
| | £m | £m |
| Spitalfields Market | | |
| Turnover | (8.8) | (5.6) |
| Expenditure | 6.1 | 5.0 |
| Surplus | <u>(2.7)</u> | <u>(0.6)</u> |
| Vehicle Maintenance | | |
| Turnover | 0.0 | (0.6) |
| Expenditure | 0.0 | 0.5 |
| Surplus | <u>0.0</u> | <u>(0.1)</u> |
| Net surplus on trading operations | <u>(2.7)</u> | <u>(0.7)</u> |

Spitalfields Market is a horticultural market serving wholesalers, retailers and caterers from London and a wide area in the Home Counties. The net surplus for 2012/13 includes a one-off VAT refund of £2.9m.

The Vehicle Maintenance Direct Service Organisation was dissolved with effect from 30 September 2011.

31. Agency Services

The City of London carries out certain work on an agency basis for which it is fully reimbursed. The design, maintenance and improvement of sewers are undertaken on behalf of Thames Water Utilities (T.W.U.). During 2012/13 £0.0m was incurred on behalf of T.W.U. (2011/12: £0.1m). Revenue and capital work costing £1.4m (2011/12: £0.8m) and £0.7m (2011/12: £2.2m) respectively was undertaken on behalf of Transport for London. These sums were fully reimbursed.

32. Members' Allowances

Members do not receive any remuneration from the City of London for undertaking their duties.

33. Remuneration of Senior Employees

Tables 1 to 3 set out the information required in accordance with Regulation 7 of the Accounts and Audit (England) Regulations 2011 for 2012/13 and 2011/12 respectively.

The number of officers whose remuneration, excluding employer's pension contributions, were £50,000 or more grouped in rising bands of £5,000 is set out in Table 1. Officers have been classified between those employees charged wholly to the City Fund, including Police officers, and those employees charged partly to the City Fund and partly to other funds of the City Corporation. The numbers include those officers required to be separately disclosed and set out in Tables 2 and 3.

Table 1 – Remuneration in bands

| Salary Range £ | Wholly charged to City Fund | | | | Partially Charged to City Fund | |
|-------------------|-----------------------------|---------|---------|---------|--------------------------------------|---------|
| | 2012/13 | 2011/12 | 2012/13 | 2011/12 | 2012/13 | 2011/12 |
| | Police Officers | | Other | | | |
| 50 - 54,999 | 142 | 138 | 64 | 46 | 62 | 50 |
| 55 - 59,999 | 66 | 66 | 31 | 23 | 44 | 57 |
| 60 - 64,999 | 58 | 61 | 18 | 12 | 28 | 24 |
| 65 - 69,999 | 26 | 20 | 9 | 8 | 21 | 20 |
| 70 - 74,999 | 6 | 3 | 3 | 2 | 7 | 11 |
| 75 - 79,999 | 0 | 1 | 1 | 1 | 6 | 5 |
| 80 - 84,999 | 3 | 5 | 4 | 6 | 1 | 2 |
| 85 - 89,999 | 3 | 3 | 2 | 1 | 3 | 3 |
| 90 - 94,999 | 2 | 3 | 2 | 3 | 7 | 7 |
| 95 - 99,999 | 2 | 2 | 0 | 1 | 3 | 2 |
| 100 - 104,999 | 0 | 0 | 4 | 1 | 1 | 2 |
| 105 - 109,999 | 1 | 0 | 2 | 1 | 3 | 0 |
| 110 - 114,999 | 0 | 1 | 0 | 1 | 1 | 1 |
| 115 - 119,999 | 0 | 0 | 0 | 0 | 2 | 2 |
| 120 - 124,999 | 0 | 0 | 0 | 0 | 2 | 0 |
| 125 - 129,999 | 1 | 0 | 1 | 3 | 1 | 2 |
| 130 - 134,999 | 0 | 0 | 1 | 0 | 1 | 0 |
| 140 - 144,999 | 0 | 0 | 1 | 0 | 1 | 2 |
| 145 - 149,999 | 0 | 0 | 0 | 0 | 0 | 1 |
| 150 - 154,999 | 0 | 1 | 0 | 0 | 0 | 0 |
| 170 - 174,999 | 0 | 1 | 0 | 0 | 0 | 0 |
| 175 - 179,999 | 1 | 0 | 0 | 0 | 1 | 0 |
| 180 - 184,999 | 0 | 0 | 0 | 1 | 0 | 1 |
| 185 - 189,999 | 0 | 0 | 1 | 0 | 0 | 0 |
| 220 - 224,999 | 0 | 0 | 0 | 0 | 1 | 1 |

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Table 2 - 2012/13 remuneration for those senior employees and relevant police officers required to be disclosed individually

| Post Title | Name | Notes | Proportion charged to Local or Police Authority Activities where less than 100% % | Salary (including fees & allowances) £000 | Bonus £000 | Expenses £000 | Benefits in Kind £000 | Other Payments (Police Officers only) £000 | Total Remuneration excluding pension contributions 2012/13 £000 | Pension Contributions £000 | Total Remuneration including Pension Contributions 2012/13 £000 |
|---|--------------|-------|---|---|------------|---------------|-----------------------|--|---|----------------------------|---|
| Salary is £150,000 or more a year | | | | | | | | | | | |
| Town Clerk and Chief Executive (started 10/9/2012) | J. Barradell | | 60% | 67 | 0 | 0 | 0 | 0 | 67 | 12 | 79 |
| Town Clerk and Chief Executive (left 16/9/2012) | C. Duffield | i | 60% | 63 | 0 | 0 | 0 | 0 | 63 | 0 | 63 |
| Chamberlain | C. Bilsland | i | 65% | 113 | 3 | 0 | 0 | 0 | 116 | 0 | 116 |
| Police Commissioner | A. Leppard | | | 164 | 0 | 1 | 0 | 11 | 176 | 39 | 215 |
| Managing Director Barbican Centre | N. Kenyon | | | 178 | 9 | 0 | 0 | 0 | 187 | 33 | 220 |
| Salary is between £50,000 and £150,000 | | | | | | | | | | | |
| Director of Built Environment | - | | | 139 | 5 | 0 | 0 | 0 | 144 | 25 | 169 |
| Director of Community & Children's Services (left 6/1/2013) | - | | | 96 | 6 | 0 | 0 | 0 | 102 | 18 | 120 |
| Director of Culture, Heritage and Libraries | - | i | 65% | 66 | 0 | 0 | 0 | 0 | 66 | 12 | 78 |
| City Planning Officer | - | | | 127 | 4 | 0 | 0 | 0 | 131 | 0 | 131 |
| Director of Markets and Consumer Protection | - | i | 65% | 64 | 3 | 0 | 0 | 0 | 67 | 12 | 79 |
| Director of Open Spaces | - | i | 25% | 23 | 1 | 0 | 4 | 0 | 28 | 5 | 33 |
| Deputy Town Clerk | - | i | 60% | 72 | 0 | 0 | 0 | 0 | 72 | 13 | 85 |
| Comptroller & City Solicitor | - | i | 60% | 78 | 0 | 0 | 0 | 0 | 78 | 14 | 92 |
| City Surveyor | - | i | 30% | 41 | 1 | 0 | 0 | 0 | 42 | 0 | 42 |
| | | | | 1,291 | 32 | 1 | 4 | 11 | 1,339 | 183 | 1,522 |

Table 3 - 2011/12 remuneration for those senior employees and relevant police officers required to be disclosed individually

| Post Title | Name | Notes | Proportion | Salary | | Bonus | Expenses | Benefits | Other | Total | Pension | Total |
|---|-------------|-------|------------|--------------|-----------|----------|----------|----------|----------|--------------|---------------|--------------|
| | | | charged to | Local or | Police | | | | | Authority | | Police |
| | | | than 100% | (including | fees & | | | | | excluding | Contributions | including |
| | | | % | allowances) | £000 | £000 | £000 | in Kind | Officers | 2011/12 | £000 | 2011/12 |
| | | | | | | | | £000 | only) | £000 | | £000 |
| Salary is £150,000 or more a year | | | | | | | | | | | | |
| Town Clerk and Chief Executive | C. Duffield | i | 60% | 135 | 0 | 0 | 0 | 0 | 0 | 135 | 0 | 135 |
| Chamberlain | C. Bilsland | i | 65% | 113 | 5 | 0 | 0 | 0 | 0 | 118 | 0 | 118 |
| Police Commissioner | A. Leppard | | | 164 | 0 | 0 | 0 | 0 | 9 | 173 | 39 | 212 |
| Managing Director Barbican Centre | N. Kenyon | | | 178 | 5 | 0 | 0 | 0 | 0 | 183 | 32 | 215 |
| Salary is between £50,000 and £150,000 | | | | | | | | | | | | |
| Director of Built Environment | - | | | 138 | 6 | 0 | 0 | 0 | 0 | 144 | 25 | 169 |
| Director of Community & Children's Services | - | | | 123 | 4 | 0 | 0 | 0 | 0 | 127 | 22 | 149 |
| Director of Culture, Heritage and Libraries | - | i | 65% | 65 | 0 | 0 | 0 | 0 | 0 | 65 | 11 | 76 |
| City Planning Officer | - | | | 127 | 0 | 0 | 0 | 0 | 0 | 127 | 22 | 149 |
| Director of Markets and Consumer Protection | - | i | 65% | 62 | 2 | 0 | 0 | 0 | 0 | 64 | 11 | 75 |
| Director of Open Spaces | - | i | 25% | 23 | 0 | 0 | 0 | 0 | 0 | 23 | 5 | 28 |
| Deputy Town Clerk | - | i | 60% | 72 | 0 | 0 | 0 | 0 | 0 | 72 | 12 | 84 |
| Comptroller & City Solicitor | - | i | 60% | 85 | 4 | 0 | 0 | 0 | 0 | 89 | 16 | 105 |
| City Surveyor | - | i | 30% | 41 | 1 | 0 | 0 | 0 | 0 | 42 | 7 | 49 |
| | | | | 1,326 | 27 | 0 | 0 | 0 | 9 | 1,362 | 202 | 1,564 |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Notes to Senior Officers and Relevant Police Officers Remuneration Disclosures

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

| | 2012/13 | 2011/12 |
|---|------------|------------|
| | Annualised | Annualised |
| | Salary | Salary |
| | £000 | £000 |
| Town Clerk and Chief Executive | 217 | 225 |
| Chamberlain | 174 | 174 |
| Director of Culture, Heritage & Libraries | 102 | 100 |
| Director of Markets & Consumer Protection | 98 | 95 |
| Director of Open Spaces | 92 | 92 |
| Deputy Town Clerk | 120 | 120 |
| Comptroller & City Solicitor | 130 | 142 |
| City Surveyor | 137 | 137 |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

34. Exit Packages

| Exit Package Cost Band £ | Number of Compulsory Redundancies | | Number of Other Departures Agreed | | Total Number of Exit Packages by Cost Band | | Total Cost of Exit Packages in Each Band | |
|------------------------------------|--------------------------------------|--------------------|--------------------------------------|--------------------|---|--------------------|---|-----------------|
| | 2012/13 FTE No. | 2011/12 FTE No. | 2012/13 FTE No. | 2011/12 FTE No. | 2012/13 FTE No. | 2011/12 FTE No. | 2012/13 £000 | 2011/12 £000 |
| £0 - £20,000 | 5.6 | 28.8 | 5.4 | 14.6 | 11.0 | 43.4 | 113 | 367 |
| £20,001 - £40,000 | 0.0 | 3.7 | 2.0 | 4.6 | 2.0 | 8.3 | 47 | 224 |
| £40,001 - £60,000 | 0.0 | 4.2 | 1.0 | 4.0 | 1.0 | 8.2 | 41 | 419 |
| £60,001 - £80,000 | 0.0 | 1.0 | 0.0 | 0.7 | 0.0 | 1.7 | 0 | 106 |
| £80,001 - £100,000 | 1.0 | 0.0 | 0.0 | 3.0 | 1.0 | 3.0 | 100 | 259 |
| £100,001 - £150,000 | 0.0 | 0.0 | 0.0 | 0.7 | 0.0 | 0.7 | 0 | 76 |
| Total | 6.6 | 37.7 | 8.4 | 27.5 | 15.0 | 65.2 | 301 | 1,451 |

35. Audit and Inspection Fees

The following costs have been incurred in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the City's external auditors, Deloitte LLP.

| | 2012/13 | 2011/12 |
|---|-------------------|-------------------|
| | £m | £m |
| External audit services carried out by the appointed auditor under the Audit Commission's Code of Audit Practice in accordance with section 5 of the Audit Commission Act 1998. | 0.10 | 0.17 |
| Certification of grant claims and returns by the appointed auditor under section 28 of the Audit Commission Act 1998. | 0.02 | 0.05 |
| Fees payable in respect of other services provided during the year | 0.05 | 0.09 |
| | <hr/> 0.17 | <hr/> 0.31 |

The fees for other services payable in both 2011/12 and 2012/13 related to property advisory services. Audit Fees of £0.02m (2011/12 £0.03m) in respect of the City of London Pension Fund are not included in the above table and have been met by the Pension Fund.

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

36. Dedicated Schools Grant

In 2012/13, the City of London received a specific grant from the Department for Education, the Dedicated Schools Grant (DSG), of £2.33m (2011/12: £2.37m). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of education services provided on an authority wide basis and for the Individual School Budget for maintained schools.

Details of the deployment of DSG receivable for 2012/13 are as follows:

| | Schools Budget Funded by Dedicated Schools Grant | | |
|--|---|---|---------------|
| | Central Expenditure | Individual School Budget | Total |
| | £m | £m | £m |
| Final DSG for 2012/13 before Academy recoupment | | | (2.33) |
| Academy Figure recouped for 2012/13 | | | 0.00 |
| Total DSG after Academy recoupment for 2012/13 | | | (2.33) |
| Brought forward from 2011/12 | | | (0.48) |
| Carry forward to 2013/14 agreed in advance | | | 0.00 |
| Agreed initial budgeted distribution in 2012/13 | (1.16) | (1.65) | (2.81) |
| In year adjustments | 0.00 | 0.00 | 0.00 |
| Final budgeted distribution in 2012/13 | (1.16) | (1.65) | (2.81) |
| Less actual central expenditure | 0.48 | | 0.48 |
| Less actual ISB deployed to schools | | 1.65 | 1.65 |
| Local authority contribution for 2012/13 | 0.00 | 0.00 | 0.00 |
| Carry forward to 2013/14 | (0.68) | 0.00 | (0.68) |

37. Non Distributed Costs

There were no non-distributed costs in 2012/13 or 2011/12.

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

The following grants, contributions and donations have been credited to the Comprehensive Income and Expenditure Statement. Prior year comparators have been restated to include non-government revenue grants and contributions.

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

| | 2012/13 | 2011/12 |
|---|----------------|----------------|
| | £m | £m |
| Credited to Taxation and Non Specific Grant Income | | |
| <u>Revenue Grants</u> | | |
| National Non Domestic Rates Distribution | (62.0) | (52.5) |
| City Offset | (10.3) | (10.2) |
| Revenue Support Grant | (1.2) | (16.2) |
| Police Grant | (30.2) | (31.6) |
| Local Services Support Grant | (0.5) | (0.6) |
| Early Intervention Grant | (1.1) | (1.1) |
| Council Tax Freeze Grant | (0.1) | (0.1) |
| New Homes Bonus | (0.3) | (0.3) |
| <u>Capital Grants and contributions</u> | | |
| Home Office | (1.1) | (1.1) |
| Communities and Local Government | 0.0 | (0.3) |
| Transport for London | (0.7) | (2.2) |
| Section 106/278 Contributions | (4.4) | (5.4) |
| Other capital grants and contributions | 0.1 | (0.4) |
| Total | (111.8) | (122.0) |
| Credited to Services | | |
| <u>Revenue Grants (Government)</u> | | |
| Home Office | | |
| Counter Terrorism | (8.6) | (8.2) |
| Police Pensions | (12.3) | (9.5) |
| National Fraud Intelligence Bureau | (2.5) | (2.3) |
| Neighbourhood Policy Fund | (1.6) | (1.2) |
| National Cyber Security Programme | (1.6) | (0.1) |
| National Lead Force for Fraud | (1.5) | (1.7) |
| Regional Capability on Economic Crime | (1.0) | 0.0 |
| South East Lead Force | (1.1) | (1.1) |
| Other | (1.2) | (1.3) |
| Department for Work and Pensions | | |
| Housing and Council Tax Benefit | (6.0) | (6.0) |
| HM Courts and Tribunals Service | (4.8) | (2.9) |
| Department for Education | | |
| Dedicated Schools Grant | (2.1) | (2.2) |
| Other | (0.1) | (0.2) |
| Department for Communities and Local Government | | |
| Cost of Collection Allowance | (1.7) | (1.6) |
| Other | (0.1) | 0.0 |
| Transport for London | (2.9) | (3.0) |
| Other revenue grants (Government) | (3.4) | (2.0) |
| <u>Non Government revenue grants and contributions</u> | | |
| S106/S278 contributions | (1.7) | (1.3) |
| UK Payments Administration Ltd | (2.3) | (2.3) |
| Association of British Insurers | (2.4) | 0.0 |
| Other | (3.9) | (4.6) |
| <u>Capital Grants and contributions (funding revenue expenditure under statute)</u> | | |
| Section 106 contributions | (2.1) | (1.1) |
| Other | (0.2) | 0.4 |
| Total | (65.1) | (52.2) |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

39. Grants and Contributions Received in Advance

A number of grants and contributions have yet to be recognised as income as they have conditions attached to them which if they are not met will require the monies to be returned to the provider. The balances at the year-end are as follows:

Long Term

| | 2012/13 | 2011/12 |
|---|-------------|-------------|
| | £m | £m |
| Capital Grants and Contributions Receipts in Advance | | |
| S106/S278 Capital Contributions | 64.3 | 53.1 |
| Other | 0.2 | 0.2 |
| Total | 64.5 | 53.3 |

Short Term

Revenue Grants Receipts in Advance

| | | |
|--|------------|------------|
| Department for Education | 0.7 | 0.5 |
| Skills Funding Agency | 0.4 | 0.5 |
| Home Office | 1.3 | 0.3 |
| Department for Environment, Food and Rural Affairs | 0.2 | 0.0 |
| Other | 0.1 | 0.1 |
| Total | 2.7 | 1.4 |

40. Related Party Transactions

The code of practice on local authority accounting requires the City of London to disclose information on material "related party transactions" in accordance with IAS24.

Standing Orders

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

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

If a matter for decision relating to the City of London Corporation's Housing or Barbican Residential Estates is under consideration by the Court, or any Committee thereof, which relates to land in which a Member has a beneficial interest he:

- (a) must declare the existence and nature of his interest;
- (b) may speak but not vote thereon"

Disclosure

Members are required to disclose their interests and these can be viewed online at www.cityoflondon.gov.uk.

Members and Chief Officers have been requested to disclose related party transactions of £10,000 or more in 2012/13 including instances where their close family has made transactions with the City of London.

During 2012/13 the following transactions were disclosed;

- One Member declared an interest in a not for profit organisation that both provided services to the City and received services from the City. Payments to and receipts from this organisation were £2,681,000 and £156,000 respectively.
- Grants totalling £715,000 were received from a charity in which one Member declared an interest. The same charity was paid £55,000 by the City for the provision of services.
- One Member disclosed an interest in another public sector organisation. Payments to and receipts from this organisation for services were £1,086,000 and £904,000 respectively.
- Interests were declared in private companies providing services to the City by two Members. There were two companies and payments totalled £1,407,000.
- Two Members and one Chief Officer disclosed interests in not for profit organisations to whom the City made payments for services. There were four organisations and total payments were £505,000.
- Two Members declared interests in not for profit organisations to whom the City provided services. There were two organisations and total receipts were £34,000.
- Leases with the City were disclosed by two Members. There were two leases and the Members were the lessees. The total receipts by the City were £25,000.

During 2011/12 one Member and one Chief Officer declared interests in not for profit organisations from whom the City received services. There were three organisations and the value of services commissioned was £0.5m. Three Members declared interests in organisations to whom the City supplied services or premises. There were three organisations (two not for profit and one private company) and the income receivable was £0.1m. One Member declared the receipt by the City of a £0.2m grant from a Trust for whom the Member is a Trustee.

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

Related Party Transactions with the Museum of London

The Museum of London is financed by the City of London and the Greater London Authority with the latter being the major funder and is subject to common control by central government. The City of London's contribution in 2012/13 was £5.2m (2011/12: £5.4m). Half of the appointments to the Board are made by the City of London. However, the City of London does not exercise control of the Museum.

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

There were no significant transactions between the City Fund and the other main funds of the City Corporation during 2012/13.

During 2011/12 acquisitions of investment properties were made which had implications for each the three main funds of the City Corporation – City Fund, City's Cash and Bridge House Estates. This involved the restructuring of each fund's interests in the properties to maximise value to the City of London as a whole. City Fund made payments to and received income from Bridge House Estates of £11.1m and £5.3m respectively and made payments to City's Cash of £2.5m. To ensure the integrity of each of the funds, the transactions were measured at fair value by the City Surveyor on the basis of external advice from firms of chartered surveyors.

A payment of £4m was also made by City Fund to Bridge House Estates in relation to the purchase of 43 affordable homes. Similarly, the transaction was measured at fair value by the City Surveyor on the basis of external advice from a firm of chartered surveyors.

Related Party Transactions Disclosed Elsewhere in the Accounts

Central government has significant influence over the general operations of the City Fund. It is responsible for providing the statutory framework within which the City Fund operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the City Fund has with other parties (e.g. council tax bills, housing benefits). Grants from government departments are shown in Note 38.

Disclosures are made in respect of other public bodies which are subject to common control by central government in other parts of the accounts as follows:

Precepts from other Authorities

Pension Fund

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

41. Leases

Finance Leases

City as Lessee

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

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

| | 31 March 2013 | 31 March 2012 |
|-------------------------------|---------------|---------------|
| | £m | £m |
| Property, Plant and Equipment | | |
| Other Land and Buildings | 4.3 | 4.4 |
| Vehicles, Plant and Equipment | 0.4 | 0.5 |
| Investment Properties | 1.8 | 1.9 |
| | <u>6.5</u> | <u>6.8</u> |

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

For the vehicles acquired under a finance lease the City will make payments over the term of the contract to meet the costs of the long term liability and the finance costs payable.

The lease is carried under other long term liabilities on the balance sheet:

| | 31 March 2013 | 31 March 2012 |
|-----------------------|---------------|---------------|
| | £m | £m |
| Long Term Liabilities | 0.5 | 0.5 |

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

City as Lessor

A long term lease was granted to the Museum of London in 1979 for its premises at London Wall. The lease has a remaining term of 58 years. The lease includes provision for the City Corporation to recover its capital costs incurred on the construction of the building by way of a loan to the Museum. The substance of this loan arrangement is effectively a finance lease.

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

| | 31 March 2013 | 31 March 2012 |
|--|---------------|---------------|
| | £m | £m |
| Finance lease debtor (net present value of minimum lease payments) | | |
| current | 0.5 | 0.5 |
| non-current | 9.1 | 9.6 |
| Unearned finance income | 3.6 | 3.9 |
| Gross investment in the lease | 13.2 | 14.0 |

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

| | Gross Investment in Lease | | Minimum Lease Payments | |
|---|---------------------------|---------------|------------------------|---------------|
| | 31 March 2013 | 31 March 2012 | 31 March 2013 | 31 March 2012 |
| | £m | £m | £m | £m |
| Not later than one year | 0.8 | 0.8 | 0.5 | 0.5 |
| Later than one year and not later than five years | 3.4 | 3.4 | 2.3 | 2.2 |
| Later than five years | 8.9 | 9.8 | 6.7 | 7.4 |
| | 13.1 | 14.0 | 9.5 | 10.1 |

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Operating Leases

City as Lessee

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

| | 31 March 2013 | 31 March 2012 |
|---|----------------------|----------------------|
| | £m | £m |
| Not later than one year | 1.5 | 1.5 |
| Later than one year and not later than five years | 4.4 | 5.2 |
| Later than five years | 14.2 | 14.9 |
| | 20.1 | 21.6 |

The expenditure charged to the provision of services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £1.5m (2011/12: £1.5m).

City as Lessor

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

| | 31 March 2013 | 31 March 2012 |
|---|----------------------|----------------------|
| | £m | £m |
| Not later than one year | 41 | 37 |
| Later than one year and not later than five years | 125 | 128 |
| Later than five years | 2,101 | 1,986 |
| | 2,267 | 2,151 |

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

42. Impairment Losses and Reversals

Losses on revaluation amount to £3.7m in 2012/13 (2011/12: £4.7m), of which £1.6m (2011/12: £1.0m) has been offset against the balances on the revaluation reserve and the remainder of £2.1m (2011/12: £3.7m) has been reflected in the Comprehensive Income and Expenditure Statement. The majority of these losses reflect market related movements. Some £0.1m relates to an impairment of a new HRA dwelling. The costs of conversion of an unused communal facility exceeded the social housing value and this has been charged to the HRA in the Comprehensive Income and Expenditure Statement. In addition, reversals of previous impairment losses amounting to £7.9m (2011/12: £10.0m) have been credited to the Comprehensive Income and Expenditure Statement, mainly in respect of dwellings. Impairment losses and reversals have been charged or credited to the following lines in the Comprehensive Income and Expenditure Account:

| | 2012/13 | | 2011/12 | |
|---------------------------------------|--------------|-----------------|--------------|-----------------|
| | Losses £m | Reversals £m | Losses £m | Reversals £m |
| Police Services | 0.0 | 0.0 | 1.7 | 0.0 |
| Cultural and Related Services | | | | |
| Other Cultural and Related Services | 0.0 | (1.3) | 0.4 | 0.0 |
| Environmental and Regulatory Services | 0.0 | (0.5) | 1.0 | 0.0 |
| Housing Services | | | | |
| Housing Revenue Account | 1.8 | (6.1) | 0.6 | (8.6) |
| Other Housing Services | 0.3 | 0.0 | 0.0 | (1.4) |
| | <u>2.1</u> | <u>(7.9)</u> | <u>3.7</u> | <u>(10.0)</u> |

43. City of London Pension Scheme

The City of London operates a funded defined benefit pension scheme for its staff employed on activities relating to its three funds (City Fund, City's Cash and Bridge House Estates). The Pension Fund is the responsibility of the City of London as a whole, which is one employer, and not the responsibility of any of its three funds. The City Fund does not have an exclusive relationship with the City of London Pension Fund and the portion of the Pension Fund that relates to City of London employee members engaged on City Fund activities is not separately identifiable. Consequently, the pension arrangements are treated as a defined contribution scheme in the City Fund accounts. This means that the surplus or deficit on the Pension Fund is not included in the City Fund Balance Sheet.

The 2012/13 employer's contribution to the scheme for staff engaged on City Fund activities was £10.9m out of a total of £17.6m for all three funds (2011/12: £10.9m out of £17.6m). There are no outstanding or pre-paid contributions at the balance sheet date.

Disclosures in relation to City of London Corporation's share of the overall scheme which satisfy the requirements of a defined benefit pension scheme are given below for information. The information is not used to determine the employer's pension contribution rate. This is calculated at the triennial valuation and updated by any subsequent interim valuations.

Assets and Liabilities in Relation to Retirement Benefits

a. Reconciliation of present value of the scheme liabilities

| | 31 March 2013 | 31 March 2012 |
|---------------------------|----------------------|----------------------|
| | £m | £m |
| 1 April | (905.6) | (756.0) |
| Current service cost | | |
| employer's share | (23.3) | (17.3) |
| employees share | (7.4) | (6.8) |
| Interest cost | (41.1) | (41.4) |
| Actuarial loss | (43.0) | (114.0) |
| Losses on curtailments | (0.2) | (1.3) |
| Benefits paid | 30.7 | 30.7 |
| Unfunded pension payments | 0.6 | 0.5 |
| 31 March | (989.3) | (905.6) |

b. Reconciliation of fair value of the scheme assets

| | 31 March 2013 | 31 March 2012 |
|--------------------------------------|----------------------|----------------------|
| | £m | £m |
| 1 April | 555.0 | 568.4 |
| Expected rate of return | 35.9 | 43.0 |
| Actuarial gains and (losses) | 61.1 | (50.4) |
| Employer contributions | 18.8 | 18.5 |
| Contributions by scheme participants | 7.4 | 6.8 |
| Benefits paid | (31.3) | (31.3) |
| 31 March | 646.9 | 555.0 |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

The expected return on scheme assets is based on the long-term future expected investment return for each asset class at the beginning of the period (i.e. as at 1 April 2012 for the year to 31 March 2013). The return on gilts and other bonds are assumed to be the gilt yield and the corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities is then assumed to be a margin above gilt yields.

The actual return on scheme assets in the year was +17.4% (2011/12: -1.3%), which represents an outperformance of +3.4% against the WM All Funds (ex-property) Pensions Universe.

Scheme History

| | 2012/13 | 2011/12 | 2010/11 | 2009/10 | 2008/09 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m |
| Present value of liabilities | (989.3) | (905.6) | (756.0) | (969.2) | (619.9) |
| Fair value of assets | 646.9 | 555.0 | 568.4 | 533.3 | 382.7 |
| Deficit in the scheme | (342.4) | (350.6) | (187.6) | (435.9) | (237.2) |

For consistency, the assets are shown at bid price (estimated where necessary) for the periods prior to March 2009.

Statutory arrangements for funding the deficit in the scheme mean that the financial position of the City remains sound. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total employer contributions expected to be made to the scheme for the City of London Corporation across all its funds in the year to 31 March 2014 are £18.0m.

Basis for Estimating Assets and Liabilities

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham) using the projected unit method, based upon the latest full valuation of the scheme as at 31 March 2010 and updated to the balance sheet date. The main assumptions used in the calculations are set out below.

| | 2012/13 | 2011/12 |
|--|-------------|-------------|
| Long-term expected rate of return on assets in the scheme: | | |
| Equity Investments | 7.4% | 8.5% |
| Gilts | 3.3% | 4.4% |
| Cash | 3.0% | 5.5% |
| Bonds | 4.6% | 3.0% |
| Total | 6.5% | 7.6% |
| Mortality assumptions: | | |
| Life expectancy in years from age 65 | | |
| Retiring today | | |
| Men | 19.2 | 19.0 |
| Women | 23.2 | 23.1 |
| Retiring in 20 years | | |
| Men | 21.1 | 21.0 |
| Women | 25.1 | 25.0 |
| Price Increases | 2.6% | 2.5% |
| Salary Increases | 4.8% | 4.7% |
| Pension Increases | 2.6% | 2.5% |
| Discount Rate | 4.5% | 4.6% |
| Take-up of option to convert annual pension into retirement lump sum | 50.0% | 50.0% |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

| | 31 March 2013 | 31 March 2012 |
|--------------------|---------------|---------------|
| | % | % |
| Equity Investments | 79 | 78 |
| Gilts | 16 | 17 |
| Cash | 1 | 4 |
| Bonds | 4 | 1 |
| | 100 | 100 |

History of Experience Gains and Losses

| | 2012/13 | 2011/12 | 2010/11 | 2009/10 | 2008/09 |
|--|---------|---------|---------|---------|---------|
| | % | % | % | % | % |
| Experience gains/(losses) on assets | 9.4 | (9.1) | (1.3) | 22.4 | (23.6) |
| Experience gains/(losses) on liabilities | 0.0 | 0.0 | 4.7 | 0.4 | 0.0 |

44. The Teachers' Pension Scheme

The Teachers' Pension Scheme is administered by the Teachers Pensions Agency on behalf of the Department for Education (DfE) as a multi-employer defined benefit scheme. As it is not possible to identify the assets and liabilities at individual employer level, the pension arrangements are treated as a defined contribution scheme in the City of London's accounts.

In 2012/13 the City of London's contribution to the Teachers' Pension Scheme was £0.1m and the employer's contribution rate set by the DfE was 14.1% (2011/12: £0.1m and 14.1%).

In addition, the City of London is responsible for all pension payments relating to added years that it has awarded, together with the related increases. In 2012/13 these amounted to £0.01m representing 2% of pensionable pay (2011/12: £0.01m and 2%).

45. The Police Pension Scheme

There are two Police Pension Schemes - the 1987 Scheme and the 2006 Scheme. Except where otherwise stated, the "Police Pension Scheme" is used generically to cover both schemes. The Police Pension Scheme is defined benefit and unfunded. It is administered by the City of London in accordance with Home Office regulations and is not a multi-employer scheme. The Scheme is funded on a pay as you go basis, with the employer contributing a percentage of police pay into the Pension Fund and the Home Office meeting the balance. At the year end the Police Pension Fund Account is balanced to nil by either receiving a contribution from the City Fund equal to the amount by which the amounts payable from the Pension Fund for the year exceed the amounts receivable or, by paying to the City Fund the amount by which sums receivable by the Fund for the year exceed the amounts payable. Where the City Fund makes a transfer in to the Pension Fund, the Home Office will pay an equivalent top-up grant to the City. Where a transfer is made out of the Pension Fund, the City must pay the amount to the Home Office.

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

As the scheme is unfunded, it has no assets. The main assumptions used in calculating liabilities are the same as set out in note 43 above for the City of London Pension Scheme except for mortality rates which are as follows:

31 March 2013 31 March 2012

Mortality assumptions:

Life expectancy in years from age 65

Retiring today

| | | |
|-------|------|------|
| Men | 21.6 | 21.5 |
| Women | 24.2 | 24.1 |

Retiring in 20 years

| | | |
|-------|------|------|
| Men | 23.5 | 23.4 |
| Women | 26.0 | 25.9 |

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

Reconciliation of present value of the scheme liabilities

| | 31 March 2013 | | 31 March 2012 | |
|--------------------------------------|---------------|----------------|---------------|----------------|
| | 2006 | 1987 | 2006 | 1987 |
| | Scheme | Scheme | Scheme | Scheme |
| | £m | £m | £m | £m |
| 1 April | (7.6) | (553.5) | (3.6) | (465.9) |
| Current service cost | (1.0) | (12.5) | (0.6) | (10.0) |
| Interest cost | (0.4) | (25.0) | (0.2) | (25.4) |
| Actuarial (losses)/gains | (0.9) | (24.8) | (2.0) | (71.6) |
| Benefits paid | 0.0 | 24.3 | (0.7) | 22.5 |
| Contributions by scheme participants | (0.6) | (3.2) | (0.5) | (3.1) |
| 31 March | (10.5) | (594.7) | (7.6) | (553.5) |

Scheme History

| | 2012/13 | 2011/12 | 2010/11 | 2009/10 | 2008/09 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m |
| Present value of liabilities | | | | | |
| 2006 Scheme | (10.5) | (7.6) | (3.6) | (2.7) | (0.7) |
| 1987 Scheme | (594.7) | (553.5) | (465.9) | (645.4) | (436.0) |
| Total | (605.2) | (561.1) | (469.5) | (648.1) | (436.7) |

Future contributions are expected to be met by an annually assessed grant from the Home Office.

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

The total employer contributions, including the Government top-up grant, expected to be made to the scheme in the year to 31 March 2014 are £20.0m (1987 Scheme = £20.6m, 2006 Scheme = £(0.6)m).

History of Experience Gains and Losses

| | 2012/13 | 2011/12 | 2010/11 | 2009/10 | 2008/09 |
|--|---------|---------|---------|---------|---------|
| | % | % | % | % | % |
| Experience gains/(losses) on liabilities 2006 scheme | 0.0 | 0.0 | (2.7) | 0.0 | 0.0 |
| Experience gains/(losses) on liabilities 1987 scheme | 0.0 | 0.0 | (17.9) | 0.0 | 0.0 |

46. Judges Pension Scheme

The Judges Pension Scheme is defined benefit and unfunded. The scheme is subject to the provisions of the Judicial Pensions and Retirement Act 1993. The Treasury is responsible for payment of Judges pensions and the City of London reimburses them in accordance with regulations made under the Act. As the scheme is unfunded, it has no assets. The main assumptions used in calculating liabilities are the same as set out in note 43 above for the City of London Pension Scheme.

Reconciliation of present value of the scheme liabilities

| | 31 March 2013 | 31 March 2012 |
|--------------------------|---------------|---------------|
| | £m | £m |
| 1 April | (1.3) | (1.2) |
| Current service cost | 0.0 | 0.0 |
| Interest cost | (0.1) | (0.1) |
| Actuarial (losses)/gains | (0.3) | 0.0 |
| Benefits paid | 0.1 | 0.0 |
| 31 March | (1.6) | (1.3) |

Scheme History

| | 2012/13 | 2011/12 | 2010/11 | 2009/10 | 2008/09 |
|------------------------------|---------|---------|---------|---------|---------|
| | £m | £m | £m | £m | £m |
| Present value of liabilities | (1.6) | (1.3) | (1.2) | (1.5) | (1.2) |

History of Experience Gains and Losses

| | 2012/13 | 2011/12 | 2010/11 | 2009/10 | 2008/09 |
|--|---------|---------|---------|---------|---------|
| | % | % | % | % | % |
| Experience gains/(losses) on liabilities | (8.2) | (4.1) | (30.7) | (10.2) | (11.8) |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

47. Transactions Relating to Defined Benefit Pension Schemes within the Financial Statements

Retirement benefits from defined benefit pension schemes (Police and Judges) are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out of the City Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

| | Police Pension Schemes | | Judges Pension Scheme | | Total | |
|---|------------------------|---------|-----------------------|---------|---------|---------|
| | 2012/13 | 2011/12 | 2012/13 | 2011/12 | 2012/13 | 2011/12 |
| | £m | £m | £m | £m | £m | £m |
| Comprehensive Income and Expenditure Statement | | | | | | |
| Cost of Services: | | | | | | |
| Current service cost | 13.5 | 10.6 | 0.0 | 0.0 | 13.5 | 10.6 |
| Past service costs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing and Investment Income and | | | | | | |
| Interest cost | 25.4 | 25.6 | 0.1 | 0.1 | 25.5 | 25.7 |
| Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services | 38.9 | 36.2 | 0.1 | 0.1 | 39.0 | 36.3 |
| Other Retirement Benefit Charged to the Comprehensive Income and Expenditure Statement | | | | | | |
| Actuarial (gains) and losses | 25.7 | 73.6 | 0.3 | 0.0 | 26.0 | 73.6 |
| Total Retirement Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement | 64.6 | 109.8 | 0.4 | 0.1 | 65.0 | 109.9 |
| Movement in Reserves Statement | | | | | | |
| Reversal of net charges/credits for retirement benefits in accordance with the Code | (64.6) | (109.8) | (0.4) | (0.1) | (65.0) | (109.9) |
| Actual amount charged against the City Fund | 20.5 | 18.2 | 0.0 | 0.0 | 20.5 | 18.2 |

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

48. Trust Funds

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

2012/13

| | Income £m | Expenditure £m | Assets £m | Liabilities £m |
|---|--------------|-------------------|--------------|-------------------|
| Keats House | | | | |
| <i>Established in 1996, the objective of the Trust is "to preserve and maintain and restore for the education and benefit of the public Keats House as a museum and live memorial to John Keats and as a literary meeting place and centre".</i> | (0.419) | 0.419 | 0.071 | (0.012) |
| The City of London Corporation Combined Education Charity | | | | |
| <i>Established in 2011 through the amalgamation of the Higher Education Research and Special Expenses Fund, the Archibald Dawnay Scholarships, the Robert Blair Fellowship and the Alan Partridge Smith Bequest. The objective of the Trust is to further the education of persons attending or proposing to attend secondary, further or higher educational institutions by the provision of grants or financial assistance. Also to provide grants for staff at maintained schools & Academies in the boroughs of London to undertake studies to further their development as teachers.</i> | (0.032) | 0.028 | 1.196 | (0.027) |
| | (0.451) | 0.447 | 1.267 | (0.039) |

2011/12

| | Income £m | Expenditure £m | Assets £m | Liabilities £m |
|---|--------------|-------------------|--------------|-------------------|
| Keats House | (0.424) | 0.424 | 0.122 | (0.004) |
| The City of London Corporation Combined Education Charity | (0.028) | 0.002 | 0.855 | 0.000 |
| | (0.452) | 0.426 | 0.977 | (0.004) |

HOUSING REVENUE ACCOUNT

for the year ended 31 March 2013

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

Income and Expenditure Statement

| 2011/12 | Notes | 2012/13 | |
|--|-------|---------|---------------|
| £m | | £m | £m |
| Expenditure | | | |
| 4.0 | | 3.7 | |
| 5.9 | | 5.7 | |
| 0.5 | 1 | 0.0 | |
| 2.1 | | 2.3 | |
| (8.0) | | (4.3) | |
| 10.9 | | 0.0 | |
| 0.0 | 2 | 0.1 | |
| 15.4 | | | 7.5 |
| Income | | | |
| (8.2) | | (8.9) | |
| (1.6) | | (1.6) | |
| (2.6) | | (2.8) | |
| (0.1) | | (0.2) | |
| (12.5) | | | (13.5) |
| 2.9 | | | (6.0) |
| 0.0 | | | 0.1 |
| 2.9 | | | (5.9) |
| HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement: | | | |
| (0.2) | | | (0.1) |
| 2.7 | | | (6.0) |

Movement on the HRA Statement

| 2011/12 | Notes | 2012/13 | |
|--------------|-------|---------|--------------|
| £m | | £m | £m |
| (4.4) | | | (4.5) |
| 2.7 | | (6.0) | |
| (2.8) | 3 | 4.5 | |
| (0.1) | | | (1.5) |
| (4.5) | | | (6.0) |

HOUSING REVENUE ACCOUNT

for the year ended 31 March 2013

1. Housing Subsidy

2011/12 was the final year of the HRA subsidy system. Housing Subsidy was based on Government formulae used to calculate a number of elements in a notional account as set out below.

| | 2012/13 | 2011/12 |
|-------------------------------------|------------|------------|
| | £m | £m |
| Management allowance | 0.0 | (3.2) |
| Maintenance allowance | 0.0 | (2.8) |
| Major repairs allowance | 0.0 | (2.0) |
| Charges for capital | 0.0 | (0.2) |
| Guideline Rent income | 0.0 | 8.7 |
| Total HRA Subsidy due to Government | <u>0.0</u> | <u>0.5</u> |

If income exceeded expenditure on the notional account, the balance was payable to Government and if expenditure exceeded income, the balance was receivable from Government as Housing Subsidy.

2. Provision for Bad and Doubtful Debts

| | 2012/13 | 2011/12 |
|----------------------------------|-------------|---------------|
| | £m | £m |
| Provision at 1 April | 0.27 | 0.37 |
| Bad Debts written off | (0.03) | (0.06) |
| Increase/(Decrease) in Provision | <u>0.15</u> | <u>(0.04)</u> |
| Provision at 31 March | <u>0.39</u> | <u>0.27</u> |

3. Adjustments between Accounting Basis and Funding Basis under Statute

Note 6 on pages 27 to 31 provides further analysis of the adjustments between the accounting basis and funding basis under statute.

HOUSING REVENUE ACCOUNT
for the year ended 31 March 2013

4. Housing Stock

As at 31 March 2013 the City of London's HRA rental stock was 1,894 dwellings. The HRA also includes costs and service charge income relating to properties sold on long leases of which there were 874 as at 31 March 2013 (2012: 873).

| | 31 March 2013 | 31 March 2012 |
|----------------------|----------------------|----------------------|
| | No. | No. |
| Houses and Bungalows | 27 | 27 |
| Flats | 1,867 | 1,863 |
| Total | 1,894 | 1,890 |

| | 31 March 2013 | 31 March 2012 |
|--------------------------|----------------------|----------------------|
| | No. | No. |
| Stock at 1 April | 1,890 | 1,887 |
| Sales | (1) | (1) |
| Buy Back | 0 | 2 |
| New Build | 5 | 2 |
| Stock at 31 March | 1,894 | 1,890 |

5. Arrears of Rent, Service and Other Charges

As at 31 March 2013 the total arrears for rent, service charges and other charges were £1.02m (31 March 2012: £0.80m) as follows:

| | 31 March 2013 | 31 March 2012 |
|-----------------------------|----------------------|----------------------|
| | £m | £m |
| Former residential tenants | 0.06 | 0.08 |
| Current residential tenants | 0.19 | 0.13 |
| Commercial tenants | 0.12 | 0.16 |
| Service charges | 0.56 | 0.33 |
| Other charges | 0.09 | 0.10 |
| Total arrears | 1.02 | 0.80 |

HOUSING REVENUE ACCOUNT

for the year ended 31 March 2013

6. HRA Fixed Assets

| Movements on Balances 2012/13 | Council Dwellings | Other Land & Buildings | Vehicles, Plant and Equipment | Assets under construction | Total |
|--|-------------------|------------------------|-------------------------------|---------------------------|--------------|
| | £m | £m | £m | £m | £m |
| Cost or valuation | | | | | |
| at 1 April 2012 | 141.0 | 24.8 | 0.2 | 1.1 | 167.1 |
| Additions | 1.3 | 1.6 | 0.0 | 0.2 | 3.1 |
| Transfers | 0.7 | 0.2 | 0.0 | (0.9) | 0.0 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0.9 | 5.8 | 0.0 | 0.0 | 6.7 |
| Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services | 2.6 | 0.0 | 0.0 | 0.0 | 2.6 |
| Derecognition - disposals | (0.1) | 0.0 | 0.0 | 0.0 | (0.1) |
| at 31 March 2013 | 146.4 | 32.4 | 0.2 | 0.4 | 179.4 |
| Accumulated Depreciation and Impairment | | | | | |
| at 1 April 2012 | 0.0 | (0.3) | (0.2) | 0.0 | (0.5) |
| Depreciation Charge | (1.9) | (0.2) | 0.0 | 0.0 | (2.1) |
| Depreciation written out to the Revaluation Reserve | 0.2 | 0.2 | 0.0 | 0.0 | 0.4 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 1.7 | 0.0 | 0.0 | 0.0 | 1.7 |
| Impairment Loss recognised in the Surplus/Deficit on the Provision of Services | (0.1) | 0.0 | 0.0 | 0.0 | (0.1) |
| at 31 March 2013 | (0.1) | (0.3) | (0.2) | 0.0 | (0.6) |
| Net Book Value | | | | | |
| at 1 April 2012 | 141.0 | 24.5 | 0.0 | 1.1 | 166.6 |
| at 31 March 2013 | 146.3 | 32.1 | 0.0 | 0.4 | 178.8 |
| Movements on Balances 2011/12 | | | | | |
| | Council Dwellings | Other Land & Buildings | Vehicles, Plant and Equipment | Assets under construction | Total |
| | £m | £m | £m | £m | £m |
| Cost or valuation | | | | | |
| at 1 April 2011 | 132.8 | 24.6 | 0.2 | 0.2 | 157.8 |
| Additions | 1.4 | 0.0 | 0.0 | 1.0 | 2.4 |
| Transfers | 0.1 | 0.0 | 0.0 | (0.1) | 0.0 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0.7 | 0.2 | 0.0 | 0.0 | 0.9 |
| Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services | 6.1 | 0.0 | 0.0 | 0.0 | 6.1 |
| Derecognition - disposals | (0.1) | 0.0 | 0.0 | 0.0 | (0.1) |
| at 31 March 2012 | 141.0 | 24.8 | 0.2 | 1.1 | 167.1 |
| Accumulated Depreciation and Impairment | | | | | |
| at 1 April 2011 | 0.0 | 0.0 | (0.2) | 0.0 | (0.2) |
| Depreciation Charge | (1.9) | (0.3) | 0.0 | 0.0 | (2.2) |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 1.9 | 0.0 | 0.0 | 0.0 | 1.9 |
| at 31 March 2012 | 0.0 | (0.3) | (0.2) | 0.0 | (0.5) |
| Net Book Value | | | | | |
| at 1 April 2011 | 132.8 | 24.6 | 0.0 | 0.2 | 157.6 |
| at 31 March 2012 | 141.0 | 24.5 | 0.0 | 1.1 | 166.6 |

HOUSING REVENUE ACCOUNT

for the year ended 31 March 2013

In accordance with Government guidelines, dwellings have been valued at their 'existing use with vacant possession' and then reduced to reflect 'existing use for social housing'. Under guidance issued in 2010/11, the applicable social housing 'adjustment factor' is 75% +/- 5%. The vacant possession value at 1 April 2012 is estimated to be £488m (1 April 2011: £443m) which has been reduced by 70% to £146m (1 April 2011: £141m) to reflect social housing use and this value is reflected in the City Fund Balance Sheet. The reduction of £342m (1 April 2011: £329m) is a measure of the economic cost of providing council housing at less than open market rents. Other land and buildings are assessed at existing use value.

7. Major Repairs Reserve

| | 2012/13 | 2011/12 |
|---|--------------|--------------|
| | £m | £m |
| Balance 1 April | (1.8) | (11.4) |
| Transfer from HRA equal to depreciation | | |
| dwellings | (1.9) | (2.1) |
| non dwellings | (0.3) | (0.1) |
| Additional transfer to HRA | 0.0 | 0.2 |
| Capital expenditure (dwellings) | 1.2 | 0.7 |
| Funding of self-financing settlement | 0.0 | 10.9 |
| payment | | |
| Balance 31 March | <u>(2.8)</u> | <u>(1.8)</u> |

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

On 1 April 2012 the Government abolished the HRA subsidy system. As part of the abolition, the City was required to make a one-off capital payment of £10.92m to Government – effectively a commutation of the annual sums that the City would have been required to make to Government under the old arrangements. This payment was funded from the Major Repairs Reserve.

HOUSING REVENUE ACCOUNT
for the year ended 31 March 2013

8. HRA Capital Expenditure

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

| | 2012/13 | 2011/12 |
|---|---------|---------|
| | £m | £m |
| Expenditure in year | | |
| Fixed assets | | |
| Assets under construction | 0.26 | 1.00 |
| Dwellings | 1.25 | 1.36 |
| Other | 1.66 | 0.00 |
| Revenue expenditure funded from capital under statute | 0.24 | 10.53 |
| | 3.41 | 12.89 |
| Methods of financing | | |
| Capital Receipts | 0.00 | 0.06 |
| Major Repairs Reserve | 1.28 | 11.58 |
| Reimbursements | 2.13 | 1.25 |
| Borrowing (from City Fund) | 0.00 | 0.00 |
| | 3.41 | 12.89 |

9. Interest Charges

Interest charges met by the Housing Revenue Account are charged by the City Fund in accordance with the Item 8 Credit and Item 8 Debit (General) determination made by the Secretary of State under part II of schedule 4 to the Local Government and Housing Act 1989.

COLLECTION FUND
for the year ended 31 March 2013

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority (the City) in relation to the collection from taxpayers and distribution to preceptors, the Government and the City Fund of council tax and non-domestic rates.

REVENUE ACCOUNT

| 2011/12 £m | | Notes | 2012/13 £m |
|---------------|--|-------|---------------|
| | INCOME | | |
| (774.7) | Income from Business Ratepayers | 1 | (790.7) |
| (5.9) | Council Taxes | | (6.0) |
| (0.2) | Council Tax Benefit | | (0.2) |
| (780.8) | Total Income | | (796.9) |
| | EXPENDITURE | | |
| 724.8 | Contribution to the National Non-Domestic Rates Pool | | 741.4 |
| 31.1 | Business Rate Supplement collected on behalf of Greater London Authority | 1 | 30.7 |
| 1.7 | Cost of Collection Allowances | 4 | 1.7 |
| 0.5 | Precept from Greater London Authority - Council Tax | 6 | 0.5 |
| 5.2 | Precept from City Fund - Council Tax | 6 | 5.2 |
| 6.8 | Non-Domestic Rates Premium | | 6.6 |
| 10.2 | City Offset | 5 | 10.3 |
| 0.5 | Contribution from previous year's Collection Fund surplus | | 0.4 |
| 780.8 | Total Expenditure | | 796.8 |
| 0.0 | Surplus for Year | | (0.1) |
| (0.6) | Balance 1 April | | (0.6) |
| (0.6) | Balance 31 March | 6 | (0.7) |

NOTES TO THE COLLECTION FUND

1. Income from Business Rates

The Local Government Finance Act 1988 replaced the Locally Determined Non-Domestic Rate with a National Non-Domestic Rate (NNDR) set by the Government. In addition to the NNDR, there is a discounted rate for small businesses known as the Small Business Non-Domestic Rate (SBNDR). In 2012/13 the City of London set a non-domestic rating multiplier of 0.462 (46.2p in the £) and a small business non-domestic rating multiplier of 0.454 (45.4p in the £). This comprises the NNDR and SBNDR multipliers of 0.422 and 0.414 respectively, plus a premium of 0.4p in the £ to provide additional funding to enable the City to continue to support Police, security activity and contingency planning at an enhanced level.

In addition, for those business premises which have a rateable value of more than £55,000, the Greater London Authority (GLA) is levying a business rate supplement (BRS) multiplier of 2p in the £ for the 2012-13 financial year to finance the Crossrail project. The City collects the BRS on an agency basis on behalf of the GLA.

| | 2012/13 | 2011/12 |
|---|----------------|----------------|
| | £m | £m |
| Non-domestic rates income | (848.2) | (831.9) |
| Government transition scheme | 1.9 | 4.4 |
| Non-domestic rates income after transition scheme | (846.3) | (827.5) |
| Less: Voids | 38.7 | 36.6 |
| Mandatory and discretionary relief | 10.4 | 10.3 |
| Small Business Relief | 0.4 | 0.3 |
| Partly occupied allowance | 1.2 | 3.4 |
| Interest | 0.0 | 0.3 |
| Provision for non-collection | 4.9 | 1.9 |
| Net income from business ratepayers | (790.7) | (774.7) |

The total rateable value of the City at 31 March 2013 was £1,850m (31 March 2012: £1,853m).

NOTES TO THE COLLECTION FUND

2. Calculation of Council Tax

The Local Government Finance Act 1992 introduced the Council Tax from 1 April 1993, replacing the Community Charge. The Act prescribes the detailed calculations that the City of London, as a billing authority, has to make to determine the Council Tax amounts. The City of London set a basic amount of £857.31 for a Band D property for 2012/13 calculated as follows:

| | £m | £m |
|---|--------|-----------------|
| City of London's Original Budget | | 115.4 |
| Less: | | |
| Distribution from Non-Domestic rates pool | (62.0) | |
| Non-Domestic rates premium | (6.0) | |
| Government grants | (31.4) | |
| City's Offset | (10.3) | |
| Estimated Collection Fund surplus | (0.4) | |
| | | <u>(110.1)</u> |
| Estimated amounts to be raised from Council Tax | | 5.3 |
| Divided by: | | |
| Council Tax base for the City area (number of Band D equivalent properties) | | No: 6,067.44 |
| Basic amount for Band D Property | | <u>£ 857.31</u> |

To this £857.31 is added £78.62 in respect of the precept from the Greater London Authority to arrive at the total Council Tax of £935.93 for a Band D property in 2012/13. Prescribed proportions are applied to this basic amount to determine the Council Tax amounts for each of the bands as follows:

| BAND | Proportion | Council Tax £ |
|------|------------|------------------|
| A | 6/9 | 623.95 |
| B | 7/9 | 727.95 |
| C | 8/9 | 831.93 |
| D | 9/9 | 935.93 |
| E | 11/9 | 1,143.91 |
| F | 13/9 | 1,351.90 |
| G | 15/9 | 1,559.88 |
| H | 18/9 | 1,871.86 |

NOTES TO THE COLLECTION FUND

3. Tax Bases 2012/13

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

| BAND | MIDDLE TEMPLE | INNER TEMPLE | CITY AREA EXCLUDING TEMPLES | TOTAL CITY AREA |
|-------------------------------|------------------|-----------------|-----------------------------------|-----------------------|
| A | 0.00 | 0.00 | 5.10 | 5.10 |
| B | 0.00 | 0.00 | 151.82 | 151.82 |
| C | 0.00 | 0.00 | 679.02 | 679.02 |
| D | 0.00 | 0.00 | 900.95 | 900.95 |
| E | 8.07 | 3.24 | 2,326.68 | 2,337.99 |
| F | 37.41 | 22.89 | 1,205.68 | 1,265.98 |
| G | 25.92 | 54.25 | 747.75 | 827.92 |
| H | 0.00 | 4.00 | 214.00 | 218.00 |
| AGGREGATE RELEVANT AMOUNTS | 71.40 | 84.38 | 6,231.00 | 6,386.78 |
| COLLECTION RATE | 95% | 95% | 95% | 95% |
| TAX BASES | 67.83 | 80.16 | 5,919.45 | 6,067.44 |

4. Cost of Collection Allowances

In accordance with paragraph 6 of Schedule 1 to the Non-Domestic Rating Contributions (England) Regulations, the City of London is allowed to deduct collection costs of £1.6m for 2012/13 from the gross amount of rates receivable for NNDR. A further allowance of £0.1m is allowed by the Greater London Authority to cover collection costs in relation to the Business Rate Supplement.

5. City Offset

To reflect the unique characteristics of the square mile, the Government allows the City to retain an amount from the NNDR paid by City businesses.

6. Council Tax Precepts and Demands on the Collection Fund

| | Precept/ Demand | Share of 31 March 2013 Surplus | 2012/13 Total | 2011/12 Total |
|--------------------------|--------------------|--------------------------------------|------------------|------------------|
| | £m | £m | £m | £m |
| City of London | 5.2 | 0.6 | 5.8 | 5.7 |
| Greater London Authority | 0.5 | 0.1 | 0.6 | 0.6 |
| | 5.7 | 0.7 | 6.4 | 6.3 |

This is an extract from a more detailed published statement, a copy of which is available on request from the Chamberlain of London.

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

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

Accounting Policies

- (i) The pension fund statements have been prepared in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended), the LGPS (Administration) Regulations 2008 (as amended), the LGPS (Management and Investment of Funds) Regulations 2009 and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, having regard to the Statement of Recommended Practice, Financial Reports on Pension Schemes (revised May 2007).
- (ii) The pension fund accounts are accounted for on an accruals basis for income and expenditure, with the exception of transfer values in and out, which are accounted for on a cash basis.
- (iii) The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.
- (iv) Equities traded through the Stock Exchange Electronic Trading Service (SETS), are valued on the basis of the latest bid-market price. Other quoted investments are also valued on the basis of the bid-market value quoted on the relevant stock market.
- (v) Unquoted securities in the form of private equity holdings are valued by the individual investment managers at the year end in accordance with generally accepted guidelines. The ability to realise these private equity holdings is limited until they reach maturity and thus their values are difficult to establish as they are not readily traded and have been included on an estimated basis.
- (vi) The value of fixed interest investments in the Scheme's investment portfolio excludes interest earned but not paid over at the Scheme year end. This interest is included separately within accrued investment income.
- (vii) Acquisition costs are included in the purchase costs of investments.
- (viii) Assets and liabilities in overseas currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Transactions during the year are translated at rates applying at the transaction dates.
- (ix) The cost of administration is charged directly to the fund.
- (x) Income due from equities is accounted for on the date stocks are quoted ex-dividend.
- (xi) Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.
- (xii) Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis.
- (xiii) Income from other investments is accounted for on an accruals basis.
- (xiv) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and losses realised on sales of investments and unrealised changes in market value.
- (xv) When foreign exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at year end. Income from overseas investments is translated into sterling at an average rate for the period.

- (xvi) Surpluses and deficits arising on conversion are dealt with as part of the change in market values of the investments.
- (xvii) Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.
- (xviii) Under the rules of the Scheme, members receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose to take a greater retirement grant in return for a reduced pension, these lump sums are accounted for on an accruals basis from the date the option is exercised.
- (xix) Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the scheme. They take account of transfers where the trustees of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before year end, and where the amount of the transfer can be determined with reasonable certainty. There were no group transfers in respect of staff in 2012/13.
- (xx) Administration and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT.
- (xxi) Receipts to meet the augmentation costs of early retirements are included as other income.

Actuarial Valuation

In accordance with statutory regulations, triennial valuations of the Pension Fund were completed by the City's independent consulting actuaries, Barnett Waddingham LLP, as at 31 March 2007 and 2010 using the projected unit method. The changes in employer contribution rates as a result of the March 2010 valuation were effective from 1 April 2011 for three financial years.

The main funding assumptions which follow were incorporated into the funding model used in the 2007 and 2010 valuations:

| | March 2007 | Real | March 2010 | Real |
|-----------------------|------------|--------|------------|--------|
| Financial Assumptions | % p.a. | % p.a. | % p.a. | % p.a. |
| Discount Rate | 7.6 | 4.2 | 6.9 | 3.4 |
| Pay Increases | 4.9 | 1.5 | 5.0 | 1.5 |
| Price Inflation | 3.4 | 0.0 | 3.5 | 0.0 |
| Pension Increases | 3.4 | 0.0 | 3.0 | (0.5) |

The valuations at 31 March 2007 and 31 March 2010 revealed that the relationship between the values placed on the assets held by the fund and the liabilities accrued in respect of pensionable service at that date were as follows:

| | March 2007 | March 2010 |
|--------------------------|--------------|--------------|
| Past Service Liabilities | £m | £m |
| Active Members | 262.6 | 277.1 |
| Deferred pensioners | 73.8 | 92.3 |
| Pensioners | 235.7 | 271.9 |
| Total | 572.1 | 641.3 |
| Assets | (496.8) | (549.3) |
| Deficit | 75.3 | 92.0 |
| Funding Level | 87% | 86% |

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

| | March 2007 | March 2010 |
|--------------------------------|--------------|--------------|
| | Contribution | Contribution |
| | rate % | rate % |
| Future service funding rate | 12.9 | 12.4 |
| Past service adjustment | 5.6 | 4.8 |
| Total contribution rate | 18.5 | 17.2 |

CITY OF LONDON PENSION FUND

The past service adjustment assumes that the deficit is recovered over a 17 year period in the March 2007 valuation, and over a 20 year period in the March 2010 valuation.

The contribution rate applicable to the City of London Corporation employees for 2008/09, 2009/10 and 2010/11 is 18.5% for each of the financial years and for 2011/12, 2012/13 and 2013/14 is 17.5% for each of the financial years.

Of the employers' contributions receivable in 2012/13 amounting to £18.9m, the amounts attributable to "deficit funding" are as follows:

| | | Future Funding | Past-service Deficit Funding | Total Contributions |
|-------------------------|-------------------------|---------------------------|---|--------------------------------|
| | | £m | £m | £m |
| Scheduled Bodies | City of London | 12.7 | 4.9 | 17.6 |
| | Museum of London | 0.7 | 0.3 | 1.0 |
| Admitted Bodies | Irish Society | 0.0 | 0.0 | 0.0 |
| | Guildhall Club | 0.0 | 0.0 | 0.0 |
| | City Academy -Southwark | 0.2 | 0.0 | 0.2 |
| | Other | 0.1 | 0.0 | 0.1 |
| | Brookwood | | | |
| | E&J Smithfield | | | |
| | ETDE | | | |
| Enterprise | | | | |
| Fusion Lifestyle | | | | |
| | | 13.7 | 5.2 | 18.9 |

In the following tables and notes, the Admitted Bodies found in the "Other" category above are to be considered to be the same companies.

CITY OF LONDON PENSION FUND

Fund Account for the year ended 31 March 2013

| 2011/12 £m | | Notes | 2012/13 £m |
|-----------------------------------|--|-------|---------------|
| Contributions and benefits | | | |
| (27.2) | Contributions receivable | 2 | (26.8) |
| (3.1) | Transfers in | | (3.5) |
| (1.5) | Other Income | | (0.3) |
| (31.8) | | | (30.6) |
| 33.6 | Benefits Payable | 3 | 35.4 |
| 1.8 | Payments to and on account of leavers | 4 | 1.0 |
| 0.4 | Administrative Expenses | 5 | 0.5 |
| 0.1 | Other Expenses | 6 | 0.0 |
| 35.9 | | | 36.9 |
| 4.1 | Net deductions | | 6.3 |
| Returns on investments | | | |
| (19.2) | Income from Investments | 7 | (20.3) |
| 8.5 | Change in market value of investment (realised and unrealised) | | (84.2) |
| 3.2 | Investment Management Expenses | 8 | 3.5 |
| (7.5) | Net Returns on Investment | | (101.0) |
| (3.4) | Net increase in the fund during the year | | (94.7) |
| (611.2) | Opening net assets of the scheme | | (614.6) |
| (614.6) | Closing net assets of the scheme | | (709.3) |

Net Assets Statement as at 31 March 2013

| 2011/12 £m | | Notes | 2012/13 £m |
|---------------------|---------------------------|-------|---------------|
| (613.8) | Investment assets | 9-13 | (718.7) |
| Current Assets | | | |
| (0.9) | Cash and cash equivalents | | 0.0 |
| (0.9) | Debtors | 15 | (0.1) |
| Current liabilities | | | |
| 0.0 | Overdrawn cash balances | | 9.5 |
| 1.0 | Creditors | | 0.0 |
| (614.6) | Net assets | | (709.3) |

The Net Assets Statement does not take account of liabilities to pay pensions and other benefits after the period end.

NOTES TO THE CITY OF LONDON PENSION FUND

1. Membership of the Fund

| | Current Contributors | Beneficiaries In Receipt of Pension | Deferred Benefits | 2012/13 Total | 2011/12 Total |
|------------------------------|-------------------------|---|----------------------|------------------|------------------|
| | No. | No. | No. | No. | No. |
| CITY OF LONDON | 3,409 | 3,239 | 3,297 | 9,945 | 9,809 |
| SCHEDULED BODIES: | | | | | |
| Museum of London | 227 | 189 | 497 | 913 | 896 |
| Magistrates Court | 0 | 21 | 18 | 39 | 39 |
| Probation Committee | 0 | 3 | 0 | 3 | 3 |
| | 227 | 213 | 515 | 955 | 938 |
| ADMITTED BODIES: | | | | | |
| Irish Society | 6 | 8 | 2 | 16 | 16 |
| City Arts Trust | 0 | 1 | 0 | 1 | 1 |
| Parking Committee for London | 0 | 3 | 9 | 12 | 12 |
| Guildhall Club | 5 | 4 | 2 | 11 | 11 |
| City Academy - Southwark | 51 | 1 | 57 | 109 | 120 |
| Sir John Cass (Brookwood) | 2 | 0 | 0 | 2 | 2 |
| Enterprise | 11 | 1 | 1 | 13 | 15 |
| E & J | 1 | 0 | 0 | 1 | 0 |
| EDTE | 2 | 0 | 0 | 2 | 0 |
| Fusion | 1 | 0 | 0 | 1 | 1 |
| | 79 | 18 | 71 | 168 | 178 |
| GRAND TOTAL | 3,715 | 3,470 | 3,883 | 11,068 | 10,925 |

2. Contributions

| | | 2012/13 | 2011/12 |
|----------------------------|-----------------------------|----------------|----------------|
| | | £m | £m |
| Employers: | | | |
| Scheduled bodies | City of London | (17.61) | (17.60) |
| | Museum of London | (0.96) | (1.22) |
| Admitted bodies | Irish Society | (0.03) | (0.03) |
| | Guildhall Club | (0.03) | (0.03) |
| | City Academy - Southwark | (0.19) | (0.23) |
| | Enterprise | (0.05) | (0.02) |
| | Other | (0.02) | (0.01) |
| | | (18.89) | (19.14) |
| Employees of: | | | |
| Scheduled bodies | City of London | (7.28) | (7.29) |
| | Museum of London | (0.46) | (0.58) |
| Admitted bodies | Irish Society | (0.01) | (0.01) |
| | Guildhall Club | (0.01) | (0.01) |
| | City Academy - Southwark | (0.12) | (0.12) |
| | Other | (0.01) | (0.01) |
| | | (7.89) | (8.02) |
| Total Contributions | | (26.78) | (27.16) |

A.V.C.'s are Additional Voluntary Contributions and are managed externally and independently from the rest of the Pension Fund. They are paid by members to the Corporation and are then paid directly to the Fund Managers – Prudential, Equitable and Standard Life Investments. A.V.Cs of £0.58m were paid in 2012/13 (2011/12: £0.56m).

In accordance with regulation 5(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998, these AVCs are not included in the statements of the Pension Fund Accounts.

3. Benefits

| | 2012/13 | 2011/12 |
|-------------------------------|-------------|-------------|
| | £m | £m |
| Total Benefits Paid | | |
| Retired Employees | | |
| pensions | 24.7 | 22.3 |
| lump sums | 7.2 | 8.2 |
| Lump sum on death | 0.7 | 0.4 |
| Widows' or Widowers' pensions | 2.7 | 2.6 |
| Children's pensions | 0.1 | 0.1 |
| | 35.4 | 33.6 |

| | 2012/13 | 2011/12 |
|--------------------------------|-------------|-------------|
| | £m | £m |
| Benefits Paid Comprises | | |
| Scheduled Bodies | 35.2 | 33.4 |
| Admitted Bodies | 0.2 | 0.2 |
| | 35.4 | 33.6 |

4. Payments to and on account of leavers

| | 2012/13 | 2011/12 |
|--------------------------|------------|------------|
| | £m | £m |
| Individual Transfers Out | 1.0 | 1.8 |

5. Administrative expenses

| | 2012/13 | 2011/12 |
|------------------------|------------|------------|
| | £m | £m |
| Central administration | 0.4 | 0.3 |
| Computer costs | 0.1 | 0.1 |
| | 0.5 | 0.4 |

6. Audit Fees

Audit fees of £35,000 have been charged to the Pension Fund (2011/12: £28,700).

7. Income from investments

| | 2012/13 | 2011/12 |
|--------------------------------------|----------------|----------------|
| | £m | £m |
| Fixed Interest : | | |
| UK Government | (3.0) | (2.8) |
| UK Other | (0.5) | (0.6) |
| Overseas Government | (0.9) | (0.7) |
| UK pooled units | (0.1) | (0.1) |
| UK equities | (6.3) | (6.3) |
| Overseas equities | (10.5) | (9.9) |
| Withholding tax on overseas equities | 1.0 | 1.2 |
| | <u>(20.3)</u> | <u>(19.2)</u> |

8. Investment Management Expenses

Included in these expenses are Actuary fees of £0.02M (2011-12 £0.03M) and other investment management expenses of £3.48M (2011-12 £3.17M).

NOTES TO THE CITY OF LONDON PENSION FUND

9. Investment assets

The table below shows the movement in Market Values by asset type between 1 April 2012 and 31 March 2013.

| | Market Value at 01/04/2012 | Purchases at Cost | Sales Proceeds | Change in Market Value | Market Value at 31/03/2013 |
|----------------------------------|-------------------------------|----------------------|-------------------|---------------------------|-------------------------------|
| | £m | £m | £m | £m | £m |
| Managed Investments | | | | | |
| Fixed interest securities: | | | | | |
| UK public sector | (73.4) | (54.8) | 47.3 | 1.8 | (79.1) |
| UK other | (7.0) | 0.0 | 1.0 | (0.7) | (6.7) |
| UK Total | (80.4) | (54.8) | 48.3 | 1.1 | (85.8) |
| North America Public Sector | (26.5) | (39.7) | 38.1 | (0.9) | (29.0) |
| Europe Public Sector | (6.2) | (6.4) | 5.9 | 0.1 | (6.6) |
| Overseas Total | (32.7) | (46.1) | 44.0 | (0.8) | (35.6) |
| Pooled Units | | | | | |
| UK | (1.3) | 0.0 | 0.0 | (0.1) | (1.4) |
| Listed Equities: | | | | | |
| UK | (130.8) | (46.1) | 36.2 | (20.5) | (161.2) |
| Europe | (99.9) | (30.6) | 37.4 | (23.7) | (116.8) |
| North America | (170.9) | (49.2) | 37.8 | (26.1) | (208.4) |
| Japan | (15.0) | (2.3) | 3.2 | (2.2) | (16.3) |
| Pacific (Ex-Japan) | (20.0) | (15.5) | 9.9 | (5.0) | (30.6) |
| Emerging Markets | (10.3) | (1.6) | 5.9 | (4.1) | (10.1) |
| Other | (6.5) | 0.0 | 0.0 | (3.1) | (9.6) |
| Overseas Total | (322.6) | (99.2) | 94.2 | (64.2) | (391.8) |
| Private Equity | (8.6) | (1.2) | 0.6 | (0.6) | (9.8) |
| Managed Funds - Other | (35.0) | (110.9) | 114.6 | 0.9 | (30.4) |
| Total Managed investments | (611.4) | (358.3) | 337.9 | (84.2) | (716.0) |
| Accrued Income | (3.2) | | | | (3.7) |
| Investment Fees Creditors | 0.8 | | | | 1.0 |
| Total Investment assets | (613.8) | | | | (718.7) |

NOTES TO THE CITY OF LONDON PENSION FUND

The table below shows the movement in Market Values by asset type between 1 April 2011 and 31 March 2012.

| Managed Investments | Market Value at 01/04/2011 £m | Purchases at Cost £m | Sales Proceeds £m | Change in Market Value £m | Market Value at 31/03/2012 £m |
|----------------------------------|-------------------------------------|----------------------------|-------------------------|---------------------------------|-------------------------------------|
| Fixed interest securities: | | | | | |
| UK public sector | (71.6) | (52.5) | 51.4 | (0.7) | (73.4) |
| UK other | (6.5) | (1.5) | 1.0 | 0.0 | (7.0) |
| UK Total | (78.1) | (54.0) | 52.4 | (0.7) | (80.4) |
| North America Public Sector | (26.1) | (0.3) | 0.0 | (0.1) | (26.5) |
| North America Other | (0.6) | 0.0 | 0.6 | 0.0 | 0.0 |
| Europe Public Sector | (6.3) | (0.3) | 0.0 | 0.4 | (6.2) |
| Overseas Total | (33.0) | (0.6) | 0.6 | 0.3 | (32.7) |
| Pooled Units | | | | | |
| UK | (1.0) | (0.5) | 0.0 | 0.2 | (1.3) |
| Listed Equities: | | | | | |
| UK | (126.7) | (31.3) | 33.1 | (5.9) | (130.8) |
| Europe | (103.4) | (39.6) | 26.3 | 16.8 | (99.9) |
| North America | (183.2) | (28.0) | 48.2 | (7.9) | (170.9) |
| Japan | (31.1) | (1.4) | 15.2 | 2.3 | (15.0) |
| Pacific (Ex-Japan) | (22.7) | (3.7) | 3.2 | 3.2 | (20.0) |
| Emerging Markets | (8.9) | (2.3) | 0.1 | 0.8 | (10.3) |
| Other | (6.2) | (4.8) | 4.8 | (0.3) | (6.5) |
| Overseas Total | (355.5) | (79.8) | 97.8 | 14.9 | (322.6) |
| Private Equity | (7.6) | (2.0) | 0.8 | 0.2 | (8.6) |
| Managed Funds - Other | (17.4) | (93.2) | 76.1 | (0.5) | (35.0) |
| Total Managed investments | (619.3) | (261.4) | 260.8 | 8.5 | (611.4) |
| Accrued Income | (3.3) | | | | (3.2) |
| Investment Fees Creditors | 0.8 | | | | 0.8 |
| Total Investment assets | (621.8) | | | | (613.8) |

10. Fair Value of Financial Instruments

a. Classification of Financial Instruments

| | 31/03/2013 | 31/03/2012 |
|-------------------------------|----------------|----------------|
| | £m | £m |
| Financial Assets | | |
| Fixed Interest Securities | (121.4) | (113.1) |
| Equities | (553.0) | (453.4) |
| Pooled Investments | (1.4) | (1.3) |
| Private Equity/Infrastructure | (9.8) | (8.6) |
| Derivative Contracts | (0.3) | (0.3) |
| Cash | (30.1) | (34.7) |
| Debtors | (3.7) | (3.2) |
| | <u>(719.7)</u> | <u>(614.6)</u> |
| Financial Liabilities | | |
| Derivative Contracts | 0.0 | 0.0 |
| Creditors | 1.0 | 0.8 |
| | <u>1.0</u> | <u>0.8</u> |
| | <u>(718.7)</u> | <u>(613.8)</u> |

b. Net (Gains) and Losses on Financial Instruments

| | £m | £m |
|------------------------------------|---------------|------------|
| Financial Assets | | |
| Fair value through profit and loss | (84.2) | 0.0 |
| Financial Liabilities | | |
| Fair value through profit and loss | 0.0 | 8.5 |
| | <u>(84.2)</u> | <u>8.5</u> |

c. Fair Value

| | 31/03/2013 | 31/03/2013 | 31/03/2012 | 31/03/2012 |
|------------------------------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m |
| | Fair Value | Carrying Value | Fair Value | Carrying Value |
| Financial Assets | | | | |
| Fair value through profit and loss | (685.6) | (685.6) | (576.5) | (576.5) |
| Loans and receivables | (34.1) | (34.1) | (38.2) | (38.2) |
| | (719.7) | (719.7) | (614.7) | (614.7) |
| Financial Liabilities | | | | |
| Fair value through profit and loss | 0.0 | 0.0 | 0.0 | 0.0 |
| Loans and payables | 1.0 | 1.0 | 0.8 | 0.8 |
| | 1.0 | 1.0 | 0.8 | 0.8 |

d. Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

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

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data e.g. fixed interest securities.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge funds which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and

NOTES TO THE CITY OF LONDON PENSION FUND

US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

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

Value as at 31 March 2013

| | Quoted Market Price Level 1 £m | Using Observable Inputs Level 2 £m | With Significant Unobservable Inputs Level 3 £m | Total £m |
|------------------------------------|---|--|--|----------------|
| Financial Assets | | | | |
| Fair value through profit and loss | (709.9) | 0.0 | (9.8) | (719.7) |
| Loans and receivables | 0.0 | 0.0 | 0.0 | 0.0 |
| | (709.9) | 0.0 | (9.8) | (719.7) |
| Financial Liabilities | | | | |
| Fair value through profit and loss | 1.0 | 0.0 | 0.0 | 1.0 |
| Loans and payables | 0.0 | 0.0 | 0.0 | 0.0 |
| | 1.0 | 0.0 | 0.0 | 1.0 |
| Net Financial Assets | (708.9) | 0.0 | (9.8) | (718.7) |

NOTES TO THE CITY OF LONDON PENSION FUND

Value as at 31 March
2012

| | Quoted Market Price Level 1 £m | Using Observable Inputs Level 2 £m | With Significant Unobservable Inputs Level 3 £m | Total £m |
|------------------------------------|---|--|--|----------------|
| Financial Assets | | | | |
| Fair value through profit and loss | (606.0) | 0.0 | (8.6) | (614.6) |
| Loans and receivables | 0.0 | 0.0 | 0.0 | 0.0 |
| | (606.0) | 0.0 | (8.6) | (614.6) |
| Financial Liabilities | | | | |
| Fair value through profit and loss | 0.8 | 0.0 | 0.0 | 0.8 |
| Loans and payables | 0.0 | 0.0 | 0.0 | 0.0 |
| | 0.8 | 0.0 | 0.0 | 0.8 |
| Net Financial Assets | (605.2) | 0.0 | (8.6) | (613.8) |

NOTES TO THE CITY OF LONDON PENSION FUND

11. Movements in Investment Assets

Movements in Investment Assets 2012/13

| | Value at 01/04/2012 | Purchases at Cost | Sales Proceeds | Change in Market Value | Value at 31/03/2013 |
|-----------------------------|------------------------|----------------------|-------------------|------------------------------|------------------------|
| | £m | £m | £m | £m | £m |
| Artemis | (113.7) | (65.5) | 60.2 | (15.8) | (134.8) |
| LSV | (58.4) | (16.3) | 13.9 | (8.4) | (69.2) |
| Pyrford | (176.8) | (150.9) | 145.1 | (7.2) | (189.8) |
| Southeastern | (150.2) | (97.0) | 94.1 | (32.7) | (185.8) |
| Wellington | (103.4) | (27.8) | 24.4 | (19.6) | (126.4) |
| ABN (Temporary) | (0.3) | 0.0 | 0.0 | 0.1 | (0.2) |
| Barings English Growth Fund | (0.1) | 0.0 | 0.0 | 0.1 | 0.0 |
| Standard Life | (5.8) | (1.0) | 0.5 | (0.5) | (6.8) |
| Yorkshire Fund Managers | (1.7) | 0.0 | 0.1 | 0.0 | (1.6) |
| Environmental Technologies | (1.0) | (0.2) | 0.0 | (0.2) | (1.4) |
| Total Investments | (611.4) | (358.7) | 338.3 | (84.2) | (716.0) |
| Accrued Income | (3.2) | | | | (3.7) |
| Investment Fees Creditors | 0.8 | | | | 1.0 |
| Closing Balance | (613.8) | | | | (718.7) |

Movements in Investment Assets 2011/12

| | Value at 01/04/2011 | Purchases at Cost | Sales Proceeds | Change in Market Value | Value at 31/03/2012 |
|-----------------------------|------------------------|----------------------|-------------------|------------------------------|------------------------|
| | £m | £m | £m | £m | £m |
| Artemis | (106.9) | (62.6) | 59.9 | (4.1) | (113.7) |
| LSV | (77.8) | (14.9) | 27.4 | 6.9 | (58.4) |
| Pyrford | (168.3) | (74.2) | 67.8 | (2.1) | (176.8) |
| Southeastern | (165.9) | (84.8) | 84.9 | 15.6 | (150.2) |
| Wellington | (92.5) | (22.9) | 20.0 | (8.0) | (103.4) |
| ABN (Temporary) | (0.3) | 0.0 | 0.0 | 0.0 | (0.3) |
| Barings English Growth Fund | (0.1) | 0.0 | 0.0 | 0.0 | (0.1) |
| Standard Life | (5.6) | (1.2) | 0.8 | 0.2 | (5.8) |
| Yorkshire Fund Managers | (1.3) | (0.3) | 0.0 | (0.1) | (1.7) |
| Environmental Technologies | (0.6) | (0.5) | 0.0 | 0.1 | (1.0) |
| Total Investments | (619.3) | (261.4) | 260.8 | 8.5 | (611.4) |
| Accrued Income | (3.3) | | | | (3.2) |
| Investment Fees Creditors | 0.8 | | | | 0.8 |
| Closing Balance | (621.8) | | | | (613.8) |

12. Risk and Risk Management

The Pension Fund has as its main priority the security of its investments enabling it to meet its liabilities by paying any benefits due to its members. It is therefore important to manage the overall investment risk and in so doing to minimise the possibilities of a decreasing market value of its assets.

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

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

External fund managers also adhere to the principles of liquidity risk management in order to ensure cash flow requirements are met as and when they fall due.

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

13. Sensitivity Analysis

By taking the data available from the past three financial years, and making considered predictions of expected returns, in consultation with State Street Analytics, which is the firm the City of London uses for performance measurement, the following movements in market price risk are reasonably possible for the 2012-2013 reporting period.

Potential Market Movements

| Asset Type | % Change |
|-------------------|-----------------|
| Equities | |
| UK | 10.00% |
| Overseas | 12.70% |
| Bonds | 2.50% |
| Cash | 0.00% |

The potential percentage allowance for changes in asset values are within a one-standard deviation tolerance. Taking these changes, the potential increase/decrease in the market prices of the fund's assets are derived, and provide a range of possible net asset values which would be available to meet the fund's liabilities.

Price Risk 31 March 2013

| Asset Type | Value £m | Change % | Value on Increase £m | Value on Decrease £m |
|---------------------|---------------------|---------------------|-------------------------------------|-------------------------------------|
| Equities | | | | |
| UK | 176.9 | 10.00 | 194.6 | 159.2 |
| Overseas | 387.3 | 12.70 | 436.5 | 338.1 |
| Bonds | | | | |
| UK | 85.8 | | | |
| Overseas | 35.6 | | | |
| Total Bonds | 121.4 | 2.50 | 124.5 | 118.4 |
| Cash | 30.4 | - | 30.4 | 30.4 |
| Total Assets | 716.0 | | 786.0 | 646.1 |

The percentage change for equities includes a grouping of listed and private equities and the equity funds categorised elsewhere as pooled unit trusts. The percentage change for bonds includes a grouping of government and corporate fixed interest securities. Separate consideration of the individual asset types is not available.

NOTES TO THE CITY OF LONDON PENSION FUND

Currency Risk

This represents the risk of foreign exchange rate movements affecting the value of the various asset classes held in non-sterling currencies. The following table summarises the position as at 31 March 2013.

| Currency | Value £m | Change % | Value on Increase £m | Value on Decrease £m |
|---------------------------|--------------|-------------|----------------------------|----------------------------|
| North America Investments | 238.1 | 8.3 | 257.9 | 218.4 |
| Europe Ex UK Investments | 127.7 | 7.2 | 136.9 | 118.5 |
| Asia Pacific Investments | 47.0 | 7.4 | 50.4 | 43.5 |
| Emerging Investments | 10.1 | 6.4 | 10.7 | 9.4 |
| Global Ex UK Investments | 422.9 | | 455.9 | 389.8 |
| Overseas Total | 422.9 | | 455.9 | 389.8 |
| UK Investments & Cash | 293.1 | - | | |
| Overall | 716.0 | | | |

The following analyses show a comparison of the same sensitivities but for the year ending 31 March 2012.

Potential Market Movements

| Asset Type | % Change |
|------------|----------|
| Equities | |
| UK | 11.57% |
| Overseas | 15.39% |
| Bonds | 3.25% |
| Cash | 2.00% |

Price Risk 31 March 2012

| Asset Type | Value £m | Change % | Value on Increase £m | Value on Decrease £m |
|---------------------|--------------|-------------|----------------------------|----------------------------|
| Equities | | | | |
| UK | 136.4 | 11.57 | 152.1 | 120.6 |
| Overseas | 326.9 | 15.39 | 377.2 | 276.6 |
| Bonds | | | | |
| UK | 80.4 | | | |
| Overseas | 32.7 | | | |
| Total Bonds | 113.1 | 3.25 | 116.8 | 109.4 |
| Cash | 35.0 | 0.02 | 35.0 | 35.0 |
| Total Assets | 611.4 | | 681.1 | 541.6 |

Currency Risk

| Currency | Value £m | Change % | Value on Increase £m | Value on Decrease £m |
|---------------------------|--------------|-------------|----------------------------|----------------------------|
| Euro | 0.1 | 8.4 | 0.1 | 0.1 |
| US Dollar | 2.6 | 9.8 | 2.9 | 2.4 |
| Cash & Cash Instruments | 2.7 | | 3.0 | 2.5 |
| North America Investments | 204.5 | 9.2 | 223.4 | 185.6 |
| Europe Ex UK Investments | 109.8 | 7.8 | 118.4 | 101.2 |
| Asia Pacific Investments | 35.0 | 8.8 | 38.1 | 32.0 |
| Emerging Investments | 10.3 | 7.9 | 11.1 | 9.4 |
| Global Ex UK Investments | 359.6 | | 391.0 | 328.2 |
| Overseas Total | 362.3 | | 394.0 | 330.7 |
| UK Investments & Cash | 249.0 | - | | |
| Overall | 611.3 | | | |

14. Independent Custodian

The independent custodian, Bank of New York Mellon, is responsible for its own compliance with prevailing legislation, providing monthly accounting data summarising details of all investment transactions during the period, settlement of all investment transactions, collection of income and tax reclaims.

15. Current assets

Debtors of £0.1m (2012: £0.9m) represent accruals for early retirements which relate to 2012-13 but which have been recharged from the respective departments of the City of London Corporation in April 2013.

16. Statement of Investment Principles

The City of London has prepared a Statement of Investment Principles, which governs decisions relating to investments and this is included in the more detailed publication available from the Chamberlain.

17. Funded Obligation of the Overall Pension Fund

The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £1,072.8m as at 31 March 2013 (£979.4m as at 31 March 2012). The Funded Obligation consists of £855.5m in respect of Vested Obligation and £217.3m of Non-Vested Obligation. These figures have been prepared by the fund actuary (Barnett Waddingham LLP) in accordance with IAS26. In calculating the disclosed numbers, the actuary has adopted methods and assumptions that are consistent with IAS19. The figures presented are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

POLICE PENSION FUND

Police Pension Fund Account for the year ended 31 March 2013

| 2011/12 | | 2012/13 | |
|---------------|--|---------|------------|
| £m | | £m | £m |
| | Contributions receivable | | |
| | - from employer | | |
| (8.1) | normal | (7.6) | |
| (3.6) | - from members | (3.8) | |
| <u>(11.7)</u> | | <u></u> | (11.4) |
| (0.9) | Transfers in from other Police Authorities | | (0.3) |
| | Benefits payable | | |
| 17.1 | - pensions | 18.5 | |
| 4.9 | - commutations and lump sum retirement | 5.3 | |
| <u>22.0</u> | | <u></u> | 23.8 |
| | Payments to and on account of leavers | | |
| 0.1 | - Transfers out to other Police Authorities | | 0.2 |
| <u>9.5</u> | | <u></u> | 12.3 |
| (9.5) | Sub-total: Net amount payable for the year before transfer from Police Authority | | (12.3) |
| <u>0.0</u> | Additional contribution from Police Authority | | <u>0.0</u> |
| <u>0.0</u> | Net amount payable/receivable for the year | | <u>0.0</u> |

Net Assets Statement as at 31 March

| 2011/12 | | 2012/13 | |
|------------|---------------------|------------|--|
| £m | | £m | |
| 0.3 | Current assets | 0.0 | |
| (0.3) | Current liabilities | 0.0 | |
| <u>0.0</u> | | <u>0.0</u> | |

NOTES TO THE POLICE PENSION FUND

- i. The Police Pension Fund was established under the Police Pension Fund Regulations 2007 (SI 2007 No. 1932).
- ii. It is a defined benefits scheme, administered internally by the City of London and all City of London police officers are eligible for membership of the pension scheme.
- iii. The fund's financial statements have been prepared using the accounting policies adopted for the City Fund financial statements set out on pages 12 to 24. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. Information on the long-term pension obligations can be found in the City Fund financial statements (see note 45).
- iv. Under the rules of the scheme, members may elect to commute a proportion of their pension in favour of a lump sum. Where a member has taken a commutation option, these lump sums are accounted for on an accruals basis from the date the option is exercised.
- v. Transfer values represent the capital sums in respect of members' pension rights either received from or paid to other pension schemes in respect of members who have joined or left the service.
- vi. The scheme is unfunded and consequently has no investment assets. Benefits payable are funded by contributions from employers and employees and any difference between benefits payable and contributions receivable is met by a top-up grant from the Home Office.
- vii. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department.
- viii. The account is prepared on an accruals basis and normal contributions, both from the members and the employer, are accounted for in the payroll month to which they relate.

The City Fund Accounts and Pension Fund Accounts were approved on behalf of the Finance Committee by:

.....
Roger A.H. Chadwick
Chairman of the Finance Committee

.....
Raymond Michael Catt
Deputy Chairman of the Finance Committee

Date:

Date:

**INDEPENDENT AUDITOR'S REPORTS TO THE MEMBERS OF THE CITY OF
LONDON CORPORATION**

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

**Opinion on the financial statements of the City Fund of the City of London Corporation ("the
City Fund")**

GLOSSARY

Accruals – the accounting treatment, where income and expenditure is recorded when it is earned or incurred, not when money is paid or received.

Actuarial gains and losses - for a defined benefit pension, changes in actuarial deficits or surpluses that arise because:

events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or

the actuarial assumptions have changed.

Actuary - a person who assesses risks and costs, in particular those relating to life assurance and investment policies, using a combination of statistical and mathematical techniques.

Bid Price – the price a buyer is willing to pay.

Bridge House Estates - a charitable Trust relating to the maintenance and support of five City of London owned bridges and the making of grants for the benefit of Greater London, particularly for the provision of transport, and access to it, for the elderly and disabled. The Trust is accounted for separately and does not form part of the City Fund statements although references are made to Bridge House Estates in certain parts of the statements.

Capital adjustment account - records the resources set aside to finance capital expenditure partly offset by the consumption of fixed assets based on historic costs (e.g. historic cost depreciation, historic cost impairment losses caused by consumption of economic benefits and revenue expenditure funded from capital under statute over the period that the City benefits from the expenditure).

Capital charge - a charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital expenditure - expenditure on the acquisition of a fixed asset or expenditure that adds to and not merely maintains the value of an existing fixed asset.

Capital receipts - the proceeds from the sale of a fixed asset such as land or council houses. Capital receipts can only be used for capital purposes e.g. funding capital expenditure or repaying debt.

City's Cash - the City of London's private fund that is accounted for separately and does not form part of the City Fund statements, although references are made to City's Cash in certain parts of the statements.

Creditors – individuals or organisations to which the City Fund owes money at the end of the financial year.

Collection Fund - statutory account showing transactions in relation to the collection of Council Tax, payments to the Greater London Authority and the administration of the National Non-Domestic Rate.

Community assets - assets that the City of London intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and gardens or historic buildings.

Current asset - an asset held which will be consumed or cease to have value within the next accounting period; examples are stock and debtors.

Current liability - an amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.

Current service cost (pensions) - the increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

GLOSSARY

Curtailement (pensions) - for a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

termination of employees' services earlier than expected, for example as a result of discontinuing an activity, and

termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors – individuals or organisations that owe the City Fund money at the end of the financial year.

Deferred capital receipts - these result mainly from loans to the Museum of London plus outstanding loans in respect of past sales of council dwellings to tenants who were unable to obtain a building society loan or other external means of financing. Their indebtedness is reflected in the balance sheet under long term debtors. This account shows the amount to be paid on deferred terms and is reduced each year by repayments made.

Defined benefit scheme - a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Defined contribution scheme - a pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and has no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation - the loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Direct revenue financing - expenditure on the provision or improvement of capital assets met directly from revenue account.

Donated assets - assets transferred at nil value or acquired at less than fair value.

Expected rate of return on pensions assets - for a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Experience gains or losses – in pensions accounting, the element of actuarial gains and losses that relates to differences between the actual events as they have turned out and the assumptions that were made as at the date of the earlier actuarial valuation.

Fair value – Fair value is generally defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Heritage assets - a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Impairment - a reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Infrastructure assets - fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways, footpaths, bridges and sewers.

Intangible assets – a non-physical item where access to future economic benefits is controlled by the local authority. An example is computer software.

GLOSSARY

Pensions interest cost - for a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment properties - interest in land or buildings that are held for investment potential.

Levies - these are charges incurred by the City of London to meet London-wide services. They include payments to the London Boroughs Grants Committee, the Environment Agency and the London Planning Advisory Committee.

National Non-Domestic Rate (NNDR) - a flat rate in the pound set by the Government and levied on businesses who occupy offices and buildings within the City. The income is collected by the City of London and is passed on to Central Government.

Net current replacement cost - the cost of replacing a particular asset in its existing condition and in its existing use.

Net realisable value - the open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-operational assets - fixed assets held but not directly occupied, used or consumed in the delivery of service. Examples are investment properties.

Past service cost (pensions) - for a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Projected unit method - an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and

the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Provision - an amount set aside in the accounts for liabilities of uncertain timing or amount that have been incurred. Provisions are made when:

the City of London has a present obligation (legal or constructive) as a result of a past event;

it is probable that a transfer of economic benefits will be required to settle the obligation; and

a reliable estimate can be made of the amount of the obligation.

Reserves – Reserves are reported in two categories in the Balance Sheet of local authorities:

Usable reserves – surpluses of income over expenditure and amounts set aside outside the definition of a provision and which can be applied to the provision of services. Certain reserves are allocated for specific purposes and are described as earmarked reserves.

Unusable reserves – those that cannot be used to provide services. This category of reserves include adjustment accounts which deal with situations where statutory requirements result in income and expenditure being recognised against the City Fund or HRA balance on a different basis from that expected by accounting standards.

GLOSSARY

Revaluation Reserve - represents increases in valuations of assets since 1 April less amounts written off due to the 'additional depreciation' (including impairment due to consumption of economic benefit) arising because fixed assets are carried at a revalued amount rather than historic cost. It can also include reductions in values to investment properties where the reductions are not considered to be permanent.

Revenue expenditure - the day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, repairs, maintenance and supplies.

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

Scheme liabilities - the liabilities of a defined benefits pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

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The City of London Corporation
- City Fund

Report to the Audit and Risk
Management Committee on the
year ended 31 March 2013 Audit

DRAFT

The Chairman of the Audit and Risk Management Committee
City of London
PO Box 270
Guildhall
London EC2P 2EJ

[] July 2013

Dear Sir

We have pleasure in setting out in this document our report to the Audit and Risk Management Committee of the City of London Corporation for the year ended 31 March 2013 for discussion at the meeting of the Committee on 23 July 2013. This report covers the principal matters that have arisen from our audit of the City Fund of the City of London Corporation for the year ended 31 March 2013.

In summary:

- The major issues, which are summarised in the Executive Summary, have now been substantially addressed and our conclusions are set out in our report.
- Our work on areas of normal risk is ongoing, including certain internal review processes. We expect this to be substantially complete by the time of the Audit and Risk Management Committee meeting on 23 July and will provide an oral update at the meeting
- There are a number of judgemental areas to which we draw your attention in our report which you should consider carefully.
- We are not aware of any circumstances at this point which would cause us to issue a qualified opinion on the accounts or a qualified value for money conclusion.

We would like to take this opportunity to thank the Chamberlain, Chris Bilsland, Caroline Al-Beyerty and their team for their assistance and co-operation during the course of our audit work.

Heather Bygrave

Senior Statutory Auditor

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Executive summary

We have the pleasure in setting out in this document our report to the Audit and Risk Management Committee of the City of London Corporation on the audit of the City Fund (“the City”) for the year ended 31 March 2013. This report summarises the principal matters that have arisen from our audit for the year ended 31 March 2013.

This summary is not intended to be exhaustive but highlights the most significant matters to which we would like to bring to your attention. It should, therefore, be read in conjunction with the report and the appendices thereto.

| Status | Description | Detail |
|--|---|--------|
| Completion of the audit | | |
| We have completed our work on the areas of significant audit risk | <p>Officers have again faced the challenge of needing to respond to audit queries at the same time as finalising the preparation of the financial statements and supporting working papers.</p> <p>We received the full draft of the financial statements on 1 July and our work is in progress at the time of writing.</p> <p>We have substantially completed our work on the areas of significant risk identified in our audit plan, although there are certain sample items where we are waiting for information to complete our work.</p> <p>Our work on areas of normal risk is ongoing, including certain internal review processes. We expect this to be substantially complete by the time of the Audit and Risk Management Committee meeting on 23 July and will provide an oral update at the meeting.</p> <p>There are no additional risks identified by our work to date.</p> | n/a |

Executive summary (continued)

| Overall view | | |
|--|---|-----|
| We have not identified any matters through our work to date which would prevent us from issuing an unmodified audit opinion on the truth and fairness of the financial statements | <p>We have not identified any matters through our work to date which would prevent us from issuing an unmodified audit opinion on the truth and fairness of the financial statements.</p> <p>The matters that we have taken into account in forming our overall view are described in the following sections of this report.</p> <p>Under the Audit Commission Act 1998, we issue a certificate 'when the audit of the accounts has been concluded'. The issue of the audit certificate marks the closure of the audit and the end of the exercise of the auditor's powers and duties in respect of that audit. The audit certificate can be issued as soon as all the work required to meet auditors' responsibilities under sections 2 and 3 of the Code has been completed. One of our statutory responsibilities is to issue an opinion on the City Fund's Whole of Government Accounts return. The deadline for the audited return is 5 October. The Audit Commission has not yet finalised its instructions to auditors due to delays caused by the implementation of a new reporting system for the WGA return. However, we do not need to delay the issue of our opinion on the accounts for this, but would not be able to issue our certificate until completion of our work and the issue of our opinion on the Whole of Government Accounts return.</p> | n/a |

Executive summary (continued)

| Overview of risk | Description | Detail |
|--|---|------------------|
| Significant audit risks | | Status |
| <p>There were no significant issues arising from our review of these audit risk areas</p> | <p>In our audit plan we identified a risk in relation to certain property transactions which we understood would be concluded during 2012/13. In the event, one of the two transactions, which was to involve more than one fund of the Corporation and was to be delivered through a joint venture agreement with a developer, was not completed in 2012/13. The other development project commenced before year end, but is at a very early stage and the accounting straight forward. As a result, we concluded, in the event, that these transactions do not represent a significant audit risk for the 2012/13 financial statements.</p> <p>The remaining audit risks which were communicated to you in our audit plan and the conclusion of our audit work thereon are set out below.</p> <p><u>Valuation of investment properties</u></p> <p>We focused on the key assumptions made, and the reasonableness of the valuations arrived at, by the City's valuers. We concluded satisfactorily. We are waiting for details of information provided by the City to the valuer to complete our work in this area.</p> <p><u>Grant income recognition</u></p> <p>We focused on the judgements made by officers in determining the basis of recognition for individual grants. We have not identified any exceptions to date, but await information to complete our testing of a small number of sample items.</p> <p><u>Police pension liability</u></p> <p>We focused on the key assumptions used by the actuary to calculate the provision. We concluded that the assumptions fell within a reasonable range around our benchmark assumption.</p> <p><u>Impairment allowance against sundry debtors</u></p> <p>We reviewed the reasonableness of the provision using past write-off experience and other indicators. We concluded satisfactorily.</p> <p><u>Management override of controls</u></p> <p>Auditing standards presume that there is always a risk of management override of controls. We did not identify any areas of concern from our work to date, but await information to complete our testing of a small number of items that forms part of our testing of this risk.</p> | <p>Section 1</p> |

Executive summary (continued)

| Status | Description | Detail |
|---|---|------------|
| Other issues | | |
| We have provided a commentary on certain other transactions and disclosures | We provide our comments on the disclosure within this year's financial statements relating to the Crossrail commitment. We do not consider this represents a significant audit risk for our opinion on the 2012/13 financial statements. | Section 2 |
| Value for money (VFM) conclusion | | |
| We expect to issue an unqualified value for money conclusion | <p>One of our responsibilities is to include in our audit report a conclusion on whether the City of London Corporation has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources in respect of the City Fund - this conclusion is known as "the VFM conclusion". The conclusion is given in relation to two criteria specified by the Audit Commission.</p> <p>On the basis of our work, we confirmed our preliminary assessment that there were no risks which required us to carry out other locally determined work and we propose to issue an unqualified VFM conclusion.</p> | Section 3 |
| Risk management and internal control systems | | |
| We did not identify any significant deficiencies in the financial reporting systems | <p>Our audit findings did not identify any significant deficiencies in the financial reporting systems.</p> <p>We draw your attention to two recommendations raised in 2011/12 where we have updated you on action taken.</p> | Section 4 |
| Identified misstatements and disclosure misstatements | | |
| Based on our work to date, we have not identified any misstatements above the threshold for reporting to you. We report on one disclosure deficiency | <p>Audit materiality was £3.9 million as set out in our Audit Plan.</p> <p>We have identified one uncorrected disclosure deficiency which was the date of last valuation of assets where we understand the information is not readily available. This disclosure has been omitted in previous years.</p> <p>We have not identified any uncorrected misstatements to date which are above the threshold we have set for reporting to you.</p> <p>Our work is ongoing at the time of writing and we will provide an update on the position at the meeting.</p> | Appendix 1 |

Executive summary (continued)

| Significant representations | | |
|---|---|------------|
| We will request management representations | A copy of the draft representation letter to be signed on behalf of the City is included at Appendix 3. Non-standard representations have been highlighted in italics. | Appendix 3 |

| Independence | | |
|---|--|-----------|
| We confirm we comply with APB Revised Ethical Standards for Auditors | Our reporting requirements in respect of independence matters, including fees, are covered in Section 5. | Section 5 |

1. Significant audit risks

The results of our audit work on significant audit risks are set out below:

Investment properties

The valuations arrived at by the City's valuers were reasonable in material respects. We are waiting for details of information provided by the City to the valuer to complete our work in this area.

The City has a substantial portfolio of investment properties which are subject to annual revaluation. Some of the properties require the application of specialist valuation assumptions. The current and recent economic volatility has affected property values, generally, and the City has recorded significant gains and losses over the last 3 years.

All properties are valued in accordance with the Royal Institution of Chartered Surveyors Valuation and Appraisal Standards. The portfolio has been valued by Jones Lang LaSalle and BNP Paribas at 31 March 2013.

A summary of the portfolio is shown below:

| At 1 April 2011 £m | Additions £m | Disposals £m | Revaluations £m | At 31 March 2013 £m |
|-----------------------|-----------------|-----------------|--------------------|------------------------|
| 794 | 5 | (56) | 51 | 794 |

Deloitte response

We involve real estate specialists from Deloitte as part of the engagement team to assist us. We noted that the process followed in preparation of the valuations appears to be reasonable.

The Investment Property Databank ("IPD") index reports changes in capital values of various property types. Reported movements in Central London in the year to 31 March 2013 are summarised in the table below:

| Property Type | Change in Capital Value |
|--------------------------------|-------------------------|
| Central & Inner London offices | +4.43% |
| City offices | +1.39% |
| Central London standard shops | +8.48% |

With like-for-like portfolio movements of +6.0% the City Fund investment property portfolio has increased in value broadly in line with the wider London property market.

We believe the internal and external valuations produced for the City Fund as at 31 March 2013 are a reasonable reflection of their market value.

One of our normal procedures is to test the key data provided by the City to the valuer which is significant to the valuation. This procedure has not yet been completed as we are awaiting information. We will provide an update on this at the meeting.

1. Significant audit risks (continued)

Grant income recognition

We focused on the judgements made by officers in determining the basis of recognition for individual grants. We have not identified any exceptions to date, but await information to complete our testing of a small number of sample items.

The City received grants and contributions totalling £64 million, excluding core funding.

Accounting for grant income can be complex as the timing for recognising income in the accounts will depend on the scheme rules for each grant. Under the Code, income from grants is recognised as soon as all conditions have been met.

We have retained this as a risk in view of the size of this income stream and some of the complexities around recognition of individual grants.

Deloitte response

We noted that the Corporate Accountancy Unit had sent out instructions to staff involved in the preparation of the accounts highlighting the accounting requirements for grants.

We also carried out extended testing to check that recognition of income in 2012/13 properly reflects any conditions within the grant offer letter and accompanying documentation.

Our work has not identified any exceptions to date but await information to test a small number of items.

1. Significant audit risks (continued)

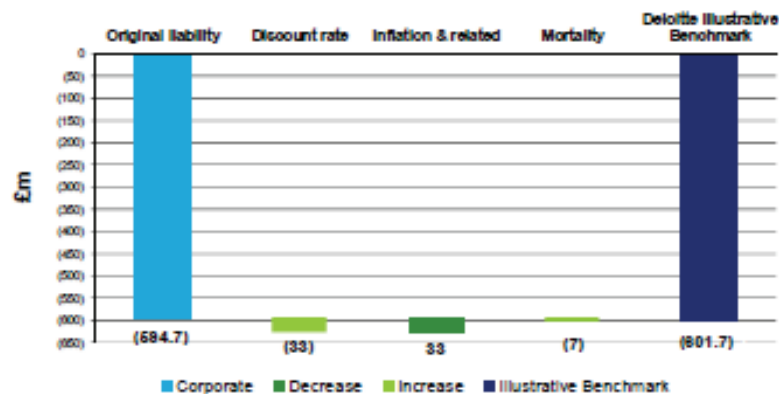
Pension liability

The assumptions made by the actuary fall within a reasonable range

Deloitte response

This continues to be an audit risk in view of the size of the liability, complexity of judgements and sensitivity to comparatively small changes in assumptions made about future changes in salaries, price and pensions, mortality and other key variables.

We considered the arrangements over the engagement of the independent actuary and concluded satisfactorily. We included our own experts from within our specialist pensions group to assist in the review of assumptions used to calculate the pension liability and related in year transactions. We concluded that the assumptions used to calculate the Police pension liability, individually fell within a reasonable range around our benchmark assumption. We also consider the assumptions in aggregate to determine the strength of the set of assumptions as a whole. An optimistic proposal for one assumption may be balanced by an offsetting prudent assumption for example. The chart below gives an indication of the broad impact on the pension liability if the main assumptions were set to be in line with the benchmarks we have used to assess the assumptions (“the Deloitte Illustrative Benchmark”).



We also make the following observations about individual assumptions and methodologies:

- The assumptions adopted are those specified by Barnett Waddingham who use a standard assumption setting approach covering both LGPSs and police pension schemes, including, for example, assuming the same average retirement age.
- Although the financial assumptions reflect the duration (mean term) of the Scheme’s liabilities (which the actuary estimates to be around 21 years) they do not reflect expected future cash flows (which is our preferred approach).
- In addition to what has been reflected in the table above, we note that the assumption adopted for salary increases of RPI +1.5% p.a., is prudent when compared to other public sector employers. Many such employers include an explicit allowance within the assumptions for pay constraints up to 2015, as well as including some allowance for the impact of such constraints in the actuary’s roll-forward calculation of the year-end liability value. For the City, no allowance has been made for actual salary increases differing from those assumed since the previous full valuation at 31 March 2011. As a broad-brush estimate the potential impact of allowing, in the assumptions, for pay constraints from 2013 to 2015, for example, could be to decrease the liability value by £15 million. Also, if allowance were made for the (expected) experience impact of constraints from 2011 to 2013 the liability value could also fall by some £15 million.

This is not intended to imply that the deficit calculated by the actuary is inappropriate. Overall, we would characterise the assumptions as being centrally positioned within the reasonable range. At the previous year end, the assumptions were at the more prudent end of the reasonable range. We recommend the City consider the points raised above in estimating its pension liabilities going forwards.

1. Significant audit risks (continued)

Impairment allowance against sundry debtors

We reviewed the reasonableness of the provision using past write-off experience and other indicators. We conclude satisfactorily

The challenging economic environment and its impact on debt recovery continue to create uncertainties in the estimation of provisions.

The provision as a whole has moved from £3.4 million (20% of invoiced debt) last year to £3.7 million (23%).

Deloitte response

In evaluating the reasonableness of the amount provided, we have noted that:

- the largest element of the provision (£2.1 million) is against outstanding penalty charge notices. The heavy level of provision (81%) against this category of debt is similar to what we see elsewhere and is consistent with management information on past collection experience;
- the remaining provision of £1.3 million compares to invoiced debt over three months of £2.8 million, of which £0.9 million is over a year old. This represents reasonable level of cover against debts which are long past due;
- our work comparing the provision made at 31 March 2012 to actual bad debt experience to date suggests that past provisions are accurate in material respects.
- the proportion of write-offs to provisions suggests that, on average, irrecoverable debt is being written off between 3-4 years after having been raised.

On this basis we have concluded that the amount of the impairment allowance is not unreasonable.

1. Significant audit risks (continued)

Management override of controls

We did not identify any issues in relation to management bias. Some work on testing of journals is ongoing

Standards on auditing include a presumption of a risk of management override of key controls which cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to prevent inaccurate or even fraudulent financial reporting.

Deloitte response

Our work focused on testing of journals, significant accounting estimates and any unusual transactions, including those with related parties.

In testing journals, we made use of computer assisted audit techniques to analyse the whole population of journals and to identify those which had features which could be indicators of possible fraud and to focus our testing on these. We did not identify any issues from the work carried out to date, although we await information to complete our work on certain sample items.

Our consideration of key accounting estimates is discussed in the previous pages. We did not identify any bias in preparing these estimates.

We did not identify any transactions through our testing where the business rationale was not clear.

2. Other issues

We provide our comments on other significant transactions and disclosures within this year's accounts but which do not represent significant audit risks.

The Crossrail commitment

The City Fund has undertaken to contribute £200 million towards the cost of Crossrail

The notes to the accounts disclose a commitment made by the City to contribute £200 million towards the cost of Crossrail. The disclosure is the same as made in the previous three sets of financial statements.

Deloitte response

During our audit of the 2008/9 accounts we discussed with officers their assessment of the accounting treatment for this item. We concurred with officers that the agreement with the Government, contained within an exchange of letters between the Corporation and the Secretary of State, is an "executory contract" (contracts under which both parties are still to perform to an equal degree the actions promised by and required of them under the contract). As such it falls outside the scope of International Accounting Standard 37 Provisions, Contingent Liabilities and Contingent Assets (unless onerous).

As a result, whilst the transaction has been disclosed as a commitment, a liability has not yet been recognised on the balance sheet pending performance of the undertakings made by the Secretary of State, which include completion of certain works in relation to Crossrail stations.

3. Value for money conclusion

Scope of our work

Under the Code of Audit Practice 2010 we are required to include in our audit report a conclusion on whether the City of London Corporation has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources in respect of the City Fund - this conclusion is known as “the VFM conclusion”.

Our conclusion is given in relation to two criteria:

| Specified criteria for auditors’ VFM conclusion | Focus of the criteria for 2013 |
|---|---|
| The organisation has proper arrangements in place for securing financial resilience. | The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. |
| The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. | The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity. |

Approach to our work

We draw sources of assurance relating to our VFM responsibilities from:

- the audited body’s system of internal control as reported on in its Annual Governance Statement;
- the results of the work of the Commission, other inspectorates and review agencies to the extent that the results come to our attention and have an impact on our responsibilities;
- any work mandated by the Commission – of which there was none in 2012/13; and
- any other locally determined risk-based VFM work that auditors consider necessary to discharge their responsibilities.

Risk assessment

Our preliminary assessment was that there were no risks in relation to our VFM responsibilities which required local work to be carried out and we therefore did not identify any risks or additional local studies in our audit plan.

We have subsequently carried out a risk assessment, carried out in the period after the year end to take account of the latest refresh of the Medium Term Financial Strategy, as well as the outturn financial and performance information for 2012/13. The risk assessment has involved consideration of common risk factors for local and police authorities identified by the Audit Commission, concluding on whether they represent actual risks for the purpose of our VFM conclusion on the City Fund. We undertook this work through review of relevant documentation, including committee papers and discussion with officers. We also considered whether there were other risks which might be specific to the City Fund. We did this principally through our consideration of what has been reported in the Annual Governance Statement, matters reported by regulators and other matters which have come to our attention from our work carried out in relation to our other Code responsibilities.

Overall conclusion

On the basis of that work, we confirmed our preliminary assessment that there were no risks which required us to carry out other locally determined work and we propose to issue an unqualified VFM conclusion.

We have noted the following matters in arriving at our assessment that there were no significant risks:

Annual governance statement and work of regulators

We have reviewed reports issued by HMIC, the Care Quality Commission and Ofsted during the year and noted reports on the City’s response to these presented to members. We did not note any significant issues in the context of our value for money conclusion.

The Annual Governance Statement does not identify any significant control weaknesses.

3. Value for money conclusion (continued)

Financial resilience

The City has:

- Taken steps to maintain the capacity of its finance team during a period of reduced funding. It has reviewed the service it provides to the organisation and has continued with the restructuring started in 2011 aimed at enhancing its effectiveness.
- Responded to challenges posed by reductions in government funding and, before that, reductions in key sources of rental and investment income and has added to its reserves in successive years as follows:

| | Unallocated reserve £m | Earmarked reserves £m | Total £m | Change over year £m |
|------|---------------------------|--------------------------|-------------|------------------------|
| 2013 | 70.9 | 105.3 | 176.2 | +18.5 |
| 2012 | 63.7 | 94.0 | 157.7 | +17.6 |
| 2011 | 52.9 | 87.2 | 140.1 | +9.9 |
| 2010 | 48.5 | 81.7 | 130.2 | +4.4 |

- Whilst not formalising a full longer term plan for the City Fund, the City has considered the impact of its £200 million Crossrail commitment, anticipated for 2016/17, on its financial position and members have received an update on the plan for its funding.
- Continued its track record of staying within its revenue budget, recording an underspend of £6.5 million in 2012/13. This follows an underspend of £13.7 million in the previous year. Recent underspends reflect both unforeseen, one-off windfalls as well as savings against operational budgets. The City will need to continue to make sure going forwards that it strikes an appropriate balance between prudent budgeting and forecasting which maintain continued financial resilience on the one hand and providing accurate information for decision making purposes on spending plans on the other.
- Pursued a number of longer term initiatives for efficiency savings, alongside the immediate savings programme implemented from 1 April 2011.

Economy, efficiency and effectiveness

The City has:

- Engaged members more closely throughout the process for agreeing its corporate plan refresh in 2011. This version informed the development of service and financial plans in the the period covered by the spending reductions and provided a means by which member views were incorporated, along with the work of service committees. We understand that the City has committed to repeating this process every third year.
- Established the Efficiency and Performance sub committee to oversee the development and delivery of savings initiatives and VFM more generally. The sub committee's work during 2012/13 has been re-focused on more thematic and cross cutting reviews.
- Remained outward looking with initiatives in the period since 2010 involving aspects of performance and efficiency including a partnering arrangement with a private sector provider focusing on procurement; a peer review of the Barbican Centre; quarterly benchmarking reports on performance utilising the London Authorities Performance Management Network hosted by London Councils; benchmarking of police back office operations; participation in the CIPFA benchmarking club for HR and legal services, as well as ongoing involvement in the finance club.

3. Value for money conclusion (continued)

- Established a number of longer term initiatives aimed at producing efficiency savings including the PP2P procurement programme – a 5 year partnering arrangement with Accenture which is targeting procurement savings of; has thought through shared service opportunities and is tracking action on this list and received reports on this during 2012/13; internal restructuring of central services including procurement, finance and HR teams; review of other resources including the Guildhall accommodation review to improve space utilisation with action on relocating certain City Police staff to the Guildhall agreed; and progressing the project on IT provision towards procurement stage.
- Analysed data on unit costs, although the position is mixed. There is not a suite of unit costs covering the range of the City's services which are routinely reported on – but this position is not significantly different to other local authorities. The City has not achieved its goal of establishing a balanced scorecard for all services, but the recently agreed programme of service reviews will incorporate the principles of this.
- Arrangements for agreeing savings programmes for the significant reductions initiated in 2011 included consideration of their impact. Reporting of progress to service committees against annual business plans provided a means for assessing the impact of budget reductions, together with the results of the triennial survey of stakeholders which are currently being analysed. The City judge that they have not had any material impact on service levels or performance. Savings plans are incorporated into budgets and are monitored through normal budget processes. The City Fund recorded a budget surplus in recent, successive years. We understand that the recently agreed programme of service reviews is intended to bring greater focus to the savings process, compared to the top slicing approach applied in recent budget setting rounds.

4. Risk management and internal control systems

Our audit approach in relation to internal control was set out in our 'Briefing on audit matters' and our planning report circulated to you in July 2011.

Risk management and control observations

We have not identified any material risk management and control observations during the course of our work. We note the emphasis placed on risk by the Audit and Risk Management Committee in the way in conducts its business. We provide below an update on relevant observations made in the prior year.

VAT

Prior year observation

The City encountered difficulties in completing the VAT partial exemption claim to fit with the audit timetable, due to the death of the highly experienced VAT accountant.

The calculation of the finalised claim for 2011-2012 was performed by a contractor and was received late in the audit process. We recommended the City should ensure that the knowledge gained from this temporary role is adequately captured and utilised in planning for future years and the timetable is again revisited.

Current year update

The City has made an appointment to the post of Group Accountant, VAT, Research, Technical and Projects, together with further appointments to provide additional support. Transitional arrangements have been put in place while the new team builds its experience. Officers propose to put in place simplified procedures to enable the position to be monitored on a quarterly basis as accurately as possible. The exempt input tax percentage has been calculated at 4.67% for 2012/13 which is within the HMRC threshold of 5%. Further details and a number of recommendations are contained in our report on the Bridge House Estates and Charities.

4. Risk management and internal control systems (continued)

Approval of journals

Prior year observation

It has not been the City's policy in the past to approve journals that are entered into the main accounting records.

This may mean that errors arising from inappropriate journals may go undetected. Journals can also be the means by which an individual might seek to hide fraud or commit fraud through manipulation of reported financial information.

Officers had put in place an arrangement for the retrospective approval of journals lines over £100,000 during 2011/12.

Current year update

We note that testing on another fund identified instances where the required approval had not been obtained for journals within the limit described above, although we concluded from our testing that the journals were appropriate.

Counter terrorism grant

Prior year observation

Our testing identified a grant to support expenditure on counter terrorism activities where the funder had stipulated a requirement that: the grant should be spent on meeting eligible expenditure; that detailed records of that expenditure should be maintained; and that any unspent funds should be repaid to the funder.

The City had claimed and recognised within the Comprehensive Income and Expenditure Statement the full amount offered as the City Police believe that the City has incurred eligible expenditure of at least that amount.

The current coding structure did not capture information in a form which facilitated the preparation of a detailed analysis of eligible expenditure and none was prepared to initially support the claim.

Current year update

We have completed our testing of the amount recorded in income for the purposes of our opinion on the financial statements and did not identify any exceptions.

5. Independence

As part of our obligations under International Standards on Auditing (UK & Ireland) and the Companies Act, we are required to report to you on the matters listed below.

| Confirmation | |
|---|---|
| We confirm we comply with APB Revised Ethical Standards for Auditors | We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised. |

| Non-audit services | | | | | | | |
|--|---|---|------------------------------------|--------------------|---|--|---|
| We confirm that our independence is not compromised by our provision of non audit services. | <p>In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors, the Audit Commission's additional instructions in relation to independence and non audit services provided.</p> <p>We apply the following safeguards to eliminate identified threats to independence or reduce them to an acceptable level are as follows:</p> <table border="1"> <thead> <tr> <th>Service provided</th> <th>Identified threats to independence</th> <th>Safeguards applied</th> </tr> </thead> <tbody> <tr> <td>Advice provided by DJD in relation to lease advisory work</td> <td>Potential threats to self-review and management threat</td> <td>Non audit work is carried out by partners and staff who have no involvement in the audit.</td> </tr> </tbody> </table> | Service provided | Identified threats to independence | Safeguards applied | Advice provided by DJD in relation to lease advisory work | Potential threats to self-review and management threat | Non audit work is carried out by partners and staff who have no involvement in the audit. |
| Service provided | Identified threats to independence | Safeguards applied | | | | | |
| Advice provided by DJD in relation to lease advisory work | Potential threats to self-review and management threat | Non audit work is carried out by partners and staff who have no involvement in the audit. | | | | | |

| Fees | |
|--|---|
| The level of non audit fees is within appropriate guidelines. | An analysis of professional fees earned by Deloitte in the period from 1 April 2012 to 31 March 2013 is included in Appendix 2. |

6. Responsibility statement

This report should be read in conjunction with the "Briefing on audit matters" circulated to you in July 2011 and sets out those audit matters of governance interest which came to our attention during the audit. Our audit was not designed to identify all matters that may be relevant to the board and this report is not necessarily a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the members of the City of London Corporation, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Deloitte LLP

Chartered Accountants

St Albans

[] July 2013

Appendix 1: Audit adjustments

Recorded audit adjustments

We have not identified any adjustments to the draft financial statements with from our work to date. We will provide an oral update to the meeting at which this report is considered.

Disclosure misstatements

Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements.

There are no significant disclosure misstatements that we consider require consideration by the committee except that, as last year, the date of the last valuation has not been given.

Appendix 2: Independence – fees charged during the period

The professional fees earned by Deloitte in respect of the period 1 April 2012 to 31 March 2013 are as follows:

| | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| Fees payable in respect of our work under the Code of Audit Practice in respect of the City Fund | 104 | 173 |
| Fees payable in respect of the certification of grants | *24 | 48 |
| Total fees payable in respect of our role as Appointed Auditor | 128 | 221 |
| Non audit fees | | |
| Property advisory services | 49 | 88 |
| | 177 | 309 |

*Note: Our work in respect of 2012/13 is ongoing and the amount shown above is an estimate only.

The 2012-13 scale fees that the Audit Commission has set include reductions of up to 40% on 2011-12 fees. These result from savings generated from the outsourcing of the Audit Commission's in-house Audit Practice and internal efficiency savings that the Commission is passing on to audited bodies. Under our new arrangements with the Audit Commission, Deloitte's net re-imburement for external services provided remains unchanged from those previously agreed. The scale fee reductions do not therefore have an impact on our ability to continue offering a high quality service to you.

The fees receivable in respect of private and voluntary funds and in respect of the local government pension scheme are dealt with in separate reports to this meeting of the Audit and Risk Management Committee.

Appendix 3: Management representation letter

This representation letter is provided in connection with your audit of the financial statements of the City of London Corporation (City Fund) for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements present fairly the financial position of City of London Corporation (City Fund) at 31 March 2013 and of the results of its operations, other comprehensive income and expenditure and its cash flows for the year then ended in accordance with applicable accounting framework and Accounts and Audit Regulations 2010.

We acknowledge our responsibilities for preparing financial statements for the City of London Corporation (City Fund) (“the local authority”) which present fairly and for making accurate representations to you. For the avoidance of doubt, references to the local authority should be taken as applying equally to the City of London Pension Scheme and references to the financial statements of the local authority, includes information in those financial statements dealing with the City of London Pension Scheme.

We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework and the Accounts and Audit Regulations 2003 (as amended) which give a true and fair view.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. The measurement processes, including related assumptions and models used to determine accounting estimates in the context of the applicable financial reporting framework are appropriate and have been applied consistently.
4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 “Related party disclosures”.
5. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
6. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to liquidate the Corporation or cease trading as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Corporation’s ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
7. [The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. The uncorrected misstatements and disclosures are included in the appendix to this letter].
8. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of fixed assets or goodwill may not be recoverable.

Information provided

9. We have provided you with all relevant information and access.
10. All minutes of member and management meetings during and since the financial year have been made available to you.

11. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
12. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We are not aware of any fraud or suspected fraud that affects the entity and involves:
 - (i). management;
 - (ii). employees who have significant roles in internal control; or
 - (iii). others where the fraud could have a material effect on the financial statements.
15. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
16. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements
17. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
18. No claims in connection with litigation have been or are expected to be received.
19. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
20. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
21. We are not aware of any events or changes in circumstances occurring during the period which indicate that the carrying value of fixed assets may not be recoverable.
22. We have evaluated whether the restrictions, terms or conditions on grants have been fulfilled with and deferred income to the extent that they have not.
23. We confirm that:
 - all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - all settlements and curtailments have been identified and properly accounted for;
 - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the the City's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
 - the amounts included in the financial statements derived from the work of the actuary are appropriate.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

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Member of Deloitte Touche Tohmatsu Limited

City of London
Corporation Pension Fund

Report to the Audit and
Risk Management
Committee on the Year
Ended 31 March 2013
Pension Fund Audit

Contents

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Executive summary

We have pleasure in setting out in this document our report to the Audit and Risk Management Committee of the City of London Corporation Pension Fund for the year ended 31 March 2013 for discussion at the meeting scheduled for 23 July 2013. This report summarises the principal matters that have arisen from our audit for the year ended 31 March 2013.

This summary is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention. It should, therefore, be read in conjunction with the report and the appendices thereto.

| Status | Description | Detail |
|--------|-------------|--------|
|--------|-------------|--------|

Completion of the audit

On satisfactory completion of the outstanding items we anticipate issuing an unmodified audit opinion

We are satisfied that the status of the audit is as expected at this stage of the timetable agreed in our audit plan. N/A

We have substantially completed our audit in accordance with our Audit Plan, which was presented to you prior to the commencement of the audit, subject to the satisfactory completion of the matters set out below:

- completion of final review process on the financial statements;
- liaison with the Scheme Actuary;
- Receipt of signed management representation letter (see appendix 1); and
- update of post balance sheet event review.

We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise on completion of these matters.

At the date of this report, and subject to the satisfactory completion of the outstanding matters referred to above, we expect to issue an unmodified audit opinion.

Key findings on audit risks

We have addressed the risks identified in our planning report

We discuss within Section 1 the results of our work in relation to key audit risks which have been identified as being significant to the 2012/13 accounts, and which were presented in our Audit Plan to the Audit and Risk Management Committee in March 2013, as follows: Section 1

Key risks

1. **Contributions:** The risk surrounding identification, calculation and payment of contributions, due to the complexities surrounding admitted bodies, has been satisfactorily addressed through our testing. No issues were noted.
2. **Benefits:** Complexities in the calculation of both benefits in retirement and ill health and death benefits have been reviewed during our testing with no issues identified.
3. **Investments:** The unquoted investments vehicles have successfully been agreed to independent returns
4. **Management override of controls:** all testing was completed with satisfactory results.

Executive summary (continued)

Identified misstatements

No factual uncorrected misstatements have been identified

As set out in our planning report, audit materiality was set at £3.9 million (2011/12 £3.9 million). N/A

We report all unadjusted misstatements greater than £195,000 (2% of materiality) (2011/12: £195,000) to you, as well as any misstatements that are qualitatively material.

There are no qualitatively material misstatements that we wish to bring to your attention, subject to completion of the above procedures.

During the course of the audit our procedures we identified two immaterial misstatements around the offset of assets and liabilities. The first of these relates to the cash in the bank account, amounting to £232,000, which has incorrectly been offset against current liabilities for the year. The second relates to amounts due to investment managers of £969,000 which have been offset against the investment balance at the year end. Neither of these misstatements have any impact on the Fund Account.

Accounting and internal control systems

The internal control systems are very strong, however further improvements could be made

We previously reported to you in our report on the 2011/12 audit that we identified two areas for improvement in relation to the internal control system. These improvements related to the review of the AAF01/SAS 70 reports on the internal control environment at the investment managers and the use of the new pension fund bank account. While we believe the former to have been effectively addressed, we still believe there are areas for improvement with regards to the latter.

Section 2

The use of the bank account could be improved further to develop a higher level of governance over the pension scheme cash and clearly show that provisions of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 are being met.

Current accounting and regulatory issues

We have included within this report accounting and regulatory issues that affect the pension fund industry, particularly focus areas of the Pensions Regulator (TPR). Although the City of London Corporation Pension Fund is not currently regulated by TPR these are guidelines for improving process and represent best practice in the industry.

Section 3

1. Key audit risks

The results of our audit work on key audit risks are set out below:

| Contributions | |
|--------------------------|---|
| Audit risk | Unlike the positions in the private sector, we are not required to issue a separate statement on contributions for the Fund. Nevertheless, in view of the complexity arising from the participation of different employers within the Fund, we have included the identification, calculation and payment of contributions as an area of significant risk. |
| Deloitte response | <p>We have performed the following testing to address the significant risks around contributions:</p> <ul style="list-style-type: none">• reviewed the design and implementation of controls present at the Fund for ensuring contributions from all Scheduled and Admitted bodies are identified and calculated correctly;• we performed tests of details to test whether each material income stream was calculated in accordance with the actuarial valuation and schedule of rates; and• we developed an expectation based on changes in membership numbers and changes in contribution rates to analytically review the contributions received in the year, the results of which fell within our tolerance level. <p>All testing was completed with satisfactory results.</p> <p>We note that City of London as the administering authority is not responsible for the calculation of employers' contributions for each of the scheduled and admitted bodies. We have therefore performed our testing, where necessary, with the assistance of the individual bodies as necessary.</p> |

1. Key audit risks (continued)

| Benefits | |
|--------------------------|--|
| Audit risk | Changes were made to the Fund from April 2008 which introduced complexities into the calculation of both benefits in retirement and ill health and death benefits which are in addition to the annual increases required by the 1997 Regulation and Pension (Increases) Act 1971. |
| Deloitte response | <p>The following tests were performed to address the significant risk around benefits:</p> <ul style="list-style-type: none">• we reviewed the design and implementation of controls present at the Fund for ensuring the accuracy, completeness and validity of benefits through discussion with the pensions team and testing that controls were in force during the year under review;• we obtained a schedule of benefits paid and selected a sample of benefits for detailed testing. The sample was tested through agreement to supporting documentation, and review of the calculation, by reference to the qualifying service, scheme rules and benefit choices made by the member; and• we developed an expectation based on the prior year balance, adjusted for changes in membership numbers and pension increases to analytically review the pension benefits paid in the year. <p>All testing was completed with satisfactory results.</p> |

1. Key audit risks (continued)

Investments

Audit risk

The Fund makes some use of investments in unquoted investments vehicles, such as private equity houses.

Although these funds are normally subject to external audit, up to date audited accounts were not available at the time that the pension fund accounts were compiled and audited. In such cases, year end fair values of investments in such funds will need to be estimated on the basis of unaudited information. In addition, market volatility raises questions about how to value these investments. It would normally be expected that the reasonableness of the fund managers' valuation could be assessed by comparison with the funds' latest available audited accounts as adjusted for subsequent cash movements (investments and distributions) between the pooled investment vehicle and the investors. However, market volatility means such comparison may be inappropriate especially when there is a significant time period between the latest audited accounts and the fund year end.

As these investments are more complex to value we have identified the Fund's investments in pooled investment vehicles as a significant risk.

In addition there is increasing volatility in the Eurozone following recent sovereign debt crisis across many countries. The Fund has approximately £7.8 million of investments in Eurozone government backed assets which could be exposed to increased variance of returns if the Eurozone continues to de-stabilize.

Deloitte response

The following tests were performed to address the significant risk around investments:

- we have reviewed the design and implementation of controls present at the Fund for ensuring investments are valued correctly;
- we have obtained a further understanding of the valuation of investments. The value of unquoted investments vehicles represents less than 2% of the assets of the Fund as a whole. The majority of the investments held by the Fund being in investments which have a quoted value;
- we have reconciled the total value of the investments held by the Fund as reported in the investment report from BNY Mellon to the value of investments reported in the Net Assets Statement;
- we have compared the valuations provided by BNY Mellon to the reports provided by the investment manager;
- we have performed a test of detail on a sample basis of quoted investment and compared the value reported by the BNY Mellon to the quoted price obtained from Bloomberg, DataStream or other third party sources; and
- we have performed a test of detail on a sample basis of the unquoted pooled investments to the valuations received from the external investment managers.

It was identified that the value per the investment manager reports was £1.5m lower than the value provided by the custodian. The differences largely arise over the level of accrued income that the custodian believes could be recognised as an asset where the investment manager doesn't consider there is sufficient certainty. The difference represents 0.21% of the overall assets of the Fund and is common throughout pension funds which have a similar custodial relationship. It is understood that this is a matter of judgment taken by management and the conclusion reached by management is considered satisfactory.

No issues were identified during the completion of the other tests detailed above.

1. Key audit risks (continued)

Management override of controls

Audit risk

We are required by ISA 240 'The auditors responsibility to consider fraud in an audit of the financial statements' to presume there is a significant risk of management override of the system of internal control.

Deloitte response

Our audit work included:

- we have reviewed analysis and supporting documentation for journal entries, key estimates and judgements;
- we have performed substantive testing on journal entries to confirm that they have a genuine, supportable rationale;
- we have reviewed ledgers for unusual items and on a test basis investigated the rationale of any such postings;
- we have reviewed significant management estimates and judgements such as year end accruals and provisions and consider whether they are reasonable; and
- we have made enquiries of those charged with governance as part of our planning and detailed audit processes.

All testing was completed with satisfactory results.

2. Accounting and internal control systems

Control observation

During the course of our audit we identified one area for improvement in the internal control systems which are detailed below

Internal controls reports

Observation

Following the implementation of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 that apply from 1 April 2011 is a new requirement for each pension fund to have a separate bank account. This change is being adopted because it will enable pension fund monies to be clearly ring-fenced from other monies of the local authority, and thus reflects a longstanding Audit Commission view on best practice.

We noted that whilst the scheme has set up the account in line with the required timeframe, it has not been used for all transactions within the pension scheme. The current process is such that all transactions are monitored within the pooled cash account as before, with a net monthly transfer to the pension scheme bank account following the close of monthly accounting to clear down the pooling account.

This means that at any point in time there may be pension scheme cash within the main corporation pooling account.

Recommendation

Whilst this process could be considered to comply with the 2009 regulations, we recommend that it be amended to utilise this account for all cash transactions regarding the pension scheme, in particular the receipt of contributions. This will give the Fund greater clarity over the transactions undertaken by the scheme and demonstrate improved governance and compliance with regulations.

Management response

The establishment of a separate bank account for the pension fund and the desirability of placing individual financial transactions through the account was discussed at several Chamberlain's department meetings prior to implementation. It was however concluded that it would not be feasible to utilise the account for all cash transactions as this would require all feeder systems such as payroll, payment of creditors, income collection, to input directly into the account which would require major reconfiguration.

It was concluded that a monthly 'reconciliation' of pension fund transactions between the City's and the pension fund accounts would be the optimum way forward and this was introduced. However, it is recognised that this arrangement is probably not "best practice" and pension fund accountants will re-examine the options with financial systems colleagues in due course.

3. Current Accounting and Regulatory Issues

Upcoming financial reporting developments

For reference, the following developments in the pension industry may impact the governance arrangements and financial statements of the City of London Corporation Pension Fund.

Pensions Act 2013

The Pension Act 2013 has received Royal Assent in parliament and hence will come into force from 2015. The key changes of the bill are:

- reform the state pension system through the introduction of a single-tier state pension;
- manage future changes to the State Pension age including bringing forward the increase in State Pension age to 67;
- reform the range of benefits associated with bereavement;
- boost the consolidation of small pension pots;
- introduce a new statutory objective for the Pensions Regulator; and
- strengthen existing legislation relating to occupational pensions.

It is anticipated that LGPS will begin to be regulated by the Pension Regulator as part of this bill from 2015. This will mean that the schemes will need to consider the guidance put in place by the regulator and comply with the best practice advice from 2015.

Further information can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/197840/pensions-bill-ia-summary.pdf

4. Other matters for communication

As part of our obligations under International Standards on Auditing (UK & Ireland), we are required to report to you on the matters listed below

| | |
|---------------------|---|
| Independence | We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised. |
|---------------------|---|

| | |
|---------------------------|---|
| Non-audit services | In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the Fund's policy for the supply of non-audit services or of any apparent breach of that policy. To confirm we have not performed any non-audit services in the year or previous year. |
|---------------------------|---|

| | |
|-------------|---|
| Fees | Our fee for the audit of the 2013 accounts was £21,000 plus disbursements and VAT (2012: £35,000). Our fee is consistent with the scale fee determined by the Audit Commission. |
|-------------|---|

| | |
|----------------------|--|
| Relationships | We are required to provide written details of all relationships between us and the audited entity, its trustees and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its trustees and senior management and its affiliates that we consider may reasonably be thought to bear on our objectivity and independence and the related safeguards that have been put in place. We can confirm that we are not aware of any such relationships. |
|----------------------|--|

5. Responsibility statement

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body and in this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.

Our audit was not designed to identify all matters that may be relevant to City of London Corporation Pension Fund and this report is not necessarily a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the City of London Corporation, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.



Deloitte LLP

Chartered Accountants
St Albans
12 July 2013

Appendix 1: Draft representation letter

Deloitte LLP

Our Ref: *DWB/HB/2013*

Date:

Dear Sirs

City of London Corporation Pension Fund (the “Fund”)

This representation letter is provided in connection with your audit of the financial statements of the fund for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Fund, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, the financial transactions of the Pension Fund during the year ended 31 March 2013, and the amount and disposition of the fund’s asset and liabilities as at 31 March 2013, other than liabilities to pay pensions and other benefits after the end of the fund year.

We acknowledge as members of City of London Corporations Pension Fund our responsibilities for ensuring that the financial statements are prepared which give a true and fair view, for keeping records in respect of active members of the Fund and for making accurate representations to you.

We confirm, to the best of our knowledge and belief, the following representations.

1. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of Officer and Committee member meetings, have been made available to you.
2. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We are not aware of any significant facts relating to any frauds or suspected frauds affecting the Fund involving:
 - (i). management;
 - (ii). employees who have significant roles in internal control; or
 - (iii). others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund’s financial statements communicated by members, former members, employers, regulators or others.
6. We are not aware of any actual or possible instances of non-compliance with laws and regulations, the effects of which should be considered when preparing financial statements.

Appendix 1: Draft representation letter (continued)

7. Where required, the value at which assets and liabilities are recorded in the net asset statement is, in the opinion of the Authority, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Fund. Any significant changes in those values since the balance sheet date have been disclosed to you.
8. We confirm the completeness of the information provided regarding the identification of related parties, and the adequacy of related party disclosures in the financial statements.

We have made enquiries of any key managers or other individuals who are in a position to influence, or who are accountable for the stewardship of the Fund and confirm that we have disclosed in the financial statements all transactions relevant to the Fund and we are not aware of any other such matters required to be disclosed in the financial statements, whether under Statement of Recommended Practice – Financial Reports of Pension Schemes (revised May 2007) (“Pensions SORP 2007”), Code of Audit Practice on Local Authority Accounting in the United Kingdom in 2012/13: based on International Financial Reporting Standards or other regulations.

9. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to wind up the fund. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Fund’s ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
10. You have been informed of all changes to the Fund rules during the year and up to the current date.
11. We have not commissioned advisory reports which may affect the conduct of your work in relation to the Fund’s financial statements.
12. No claims in connection with litigation have been or are expected to be received.
13. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
14. There have been no events subsequent to 31 March 2013 which require adjustment of or disclosure in the financial statements or notes thereto.
15. There have been no irregularities involving management or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.
16. The pension fund accounts and related notes are free from material misstatements, including omissions.
17. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
18. The Fund has satisfactory title to all assets.
19. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

Appendix 1: Draft representation letter (continued)

20. No transactions have been made which are not in the interests of the members of the Fund during the Fund year or subsequently.
21. We confirm that:
- all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - all settlements and curtailments have been identified and properly accounted for;
 - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
 - the amounts included in the financial statements derived from the work of the actuary are appropriate.
22. All trades in complex financial instruments are in accordance with our risk management policies, have been conducted on an arm's length basis and have been appropriately recorded in the accounting records, including consideration of whether the complex financial instruments are held for hedging, asset/liability management or investment purposes. None of the terms of the trades have been amended by any side agreement and no documentation relating to complex financial instruments (including any embedded derivatives and written options) and other financial instruments has been withheld.
23. We confirm that the Pension Fund Annual Report is compliant with the requirements of Regulations 34(1)(e) of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance.
24. We confirm that the information that is contained within the Pension Fund Annual Report and Accounts for the year to 31 March 2013 is complete, accurate and consistent with the information that is contained within the Accounts.

We confirm that the above representations are made on the basis of adequate enquiries of other officials of the Fund (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of City of London Corporation Pension Fund

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Agenda Item 6

| Committee(s): | Date(s): | Item no. |
|--|--------------|---------------------|
| Audit and Risk Management Committee | 23 July 2013 | |
| Finance Committee | 23 July 2013 | |
| Subject: Bridge House Estates, City's Cash Trust Funds and Sundry Trust Funds Annual Reports and Financial Statements 2012/13 | | Public |
| Report of: The Chamberlain | | For Decision |

Summary

This report:

- attaches at Annex 1 the Annual Report and Financial Statements for Bridge House Estates for the year ended 31 March 2013 for approval;
- seeks approval to the Annual Reports and Financial Statements for the City's Cash Trust Funds for the year ended 31 March 2013, these are listed at Annex 2 and have been placed in the Members Reading Room;
- seeks approval to the Annual Reports and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2013, these are listed at Annex 3 and have also been placed in the Members' Reading Room; and
- attaches at Annex 4 Deloitte's Management Letter for consideration.

The key points relating to Bridge House Estates are:

- a net surplus of £5.7m on Bridge House Estates general funds, a better than budget position of £4.9m (11% of incoming resources) which will reduce by £3.7m to £1.2m (3%) if all budget carry forward requests are agreed (*the £5.7m is derived from the difference between the opening and closing balances in the accumulated fund shown in the table on page 47*); and
- total Bridge House Estates net assets of £959.6m, an increase of £89.6m (10%) since last year. This favourable movement comprises net gains on property investments of £31.1m and managed investments of £49.6m along with net incoming resources of £8.9m on general and designated funds (*the*

£959.6m is shown in the Balance Sheet on page 32 and analysed in more detail in note 15 on page 46).

With regard to the City's Cash Trusts, these held total funds of £35.8m as at 31 March 2013, an increase of £3.8m (12%) from a year earlier.

The Sundry Trusts held total funds of £45.3m as at 31 March 2013, an increase of £5.2m (13%) from a year earlier.

Recommendations

The Audit and Risk Management Committee is requested to:

- consider the contents of Deloitte's Management Letter; and
- recommend approval of the Annual Reports and Financial Statements for Bridge House Estates, City's Cash Trust Funds and the Sundry Trust Funds for the year ended 31 March 2013 to the Finance Committee.

The Finance Committee is requested to:

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

Main Report

Background

1. The 2012/13 Annual Report and Financial Statements for Bridge House Estates are attached at Annex 1. The document is prepared in accordance with the Statement of Recommended Practice (SORP) issued by the Charity Commission and with UK GAAP.
2. The 2012/13 Annual Reports and Financial Statements for City's Cash Trust Funds and the Sundry Trust Funds have been placed in the Members' Reading Room and are listed at Annexes 2 and 3 respectively.

3. Deloitte commenced its audit of the 2012/13 Annual Reports and Financial Statements of Bridge House Estates, City's Cash Trust Funds and the Sundry Trust Funds on 28 May 2013. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts, which met on 15 July 2013, have certified that they have reviewed the processes adopted by Deloitte and that those processes were in accordance with the prescribed auditing standards.
4. The main points to note on the accounts are set out in the following paragraphs.

Bridge House Estates – Statement of Financial Activities

5. On page 31 of the Financial Statements, the Statement of Financial Activities for the year shows a net increase in funds of £89.6m (10%). This comprises net gains on property investments of £31.1m and managed investments of £49.6m along with net incoming resources of £8.9m from service provision.

Comparison with Previous Year

6. As set out in the table below, the net increase in funds of £89.6m compares with an increase in funds of £41.8m during the previous year.

| | 31/3/13 | 31/3/12 |
|------------------------------------|----------------|---------|
| | £m | £m |
| Gain/(loss) on managed investments | 49.6 | (1.3) |
| Gain on property investments | 31.1 | 37.1 |
| Net gain on revenue activities | 8.9 | 6.0 |
| Net increase in funds | 89.6 | 41.8 |

7. The net gain on managed investments reflects the general recovery in the UK and overseas stock markets together with some relative outperformance achieved by the Fund Managers. The net gain on property investments was largely due to the continuation of the general recovery in market values.

8. The net incoming revenue resources of £8.9m were £2.9m higher than in 2011/12. The main reasons for this improved position were:

- a reduction in City Bridge Trust grant expenditure of £3.3m due to there being one less committee meeting during the year when grants would have been allocated and due to the ending of one-off additional grant monies for educational and environmental work;
- a reduction in bridges expenditure of £1.7m due to the phasing of repairs and maintenance programmes; and
- an increase in managed investment income of £1.2m attributable to favourable asset allocations within the portfolio and a general recovery in the UK and overseas stock markets.

These increases in income/reductions in expenditure were partly offset by:

- a decrease in investment property income of £2.3m due to all of the leases expiring at 1-5 London Wall Buildings during the year. Tenants either vacated the building or managed to secure new lower rate leases. There was also a restructuring of the head-lease at 20 Finsbury Circus resulting in a reduction of rent chargeable; and
- a reduction of £0.9m in external contributions towards projects. In 2011/12 £1.4m was received towards the Tower Bridge Olympic Lighting Project.

Comparison with Budget

9. The net incoming resources of £8.9m comprise £5.7m in general funds and £3.2m within designated funds. The designated funds relate to sums earmarked for specific purposes as set out on pages 47 and 48 of the financial statements. The £5.7m net incoming resources on general funds compares with an anticipated net surplus of £0.8m in the final budget, a favourable movement of £4.9m (11% of incoming resources) as summarised in the table below.

| Bridge House Estates Outturn 2012/13 | | | |
|---|-----------------------------------|---------------|---------------------------------------|
| | Final Approved Budget £m | Outturn £m | Variation (Better)/ Worse £m |
| 1. Net Expenditure on Services | 11.7 | 10.9 | (0.8) |
| 2. Bridges Repairs Fund Contribution | 1.0 | 1.0 | 0.0 |
| 3. Interest on Balances | (1.0) | (1.1) | (0.1) |
| 4. Estate Rent Income | (18.1) | (18.7) | (0.6) |
| 5. Investment Income | (11.9) | (12.4) | (0.5) |
| 6. Sub-Total | (18.3) | (20.3) | (2.0) |
| 7. Charitable Grants | 17.5 | 14.6 | (2.9) |
| 8. B.H.E Net Surplus | (0.8) | (5.7) | (4.9) |

10. The favourable movement of £4.9m can also be analysed on a Committee basis as follows:

| Bridge House Estates Outturn 2012/13 – by Committee | | | | | |
|--|--------|--------|----------------------------|---------------|---|
| | Budget | Actual | Variation (Better) / Worse | | |
| | | | Total | Local Risk | Central Risk/ Support Services |
| Committee | £m | £m | £m | £m | £m |
| The City Bridge Trust | 18.5 | 15.6 | (2.9) | (0.1) | (2.8) |
| Culture, Heritage & Libraries | 0.0 | (0.5) | (0.5) | (0.5) | 0.0 |
| Finance | (9.6) | (10.2) | (0.6) | 0.0 | (0.6) |
| Planning and Transportation | 3.6 | 3.7 | 0.1 | 0.0 | 0.1 |
| Property Investment Board | (13.3) | (14.3) | (1.0) | (0.4) | (0.6) |
| Total BHE Requirement | (0.8) | (5.7) | (4.9) | (1.0) | (3.9) |

11. The main items contributing to the increased surplus of £4.9m were:

- a reduction in grant expenditure of £2.9m primarily due to there being one less committee meeting during the year when grants would have been allocated and the re-phasing of the additional one-off provision for the Queen's Jubilee Growing Localities programme;
- an increase of £1m in net income from the property investment estate due to better than budgeted rental income and lower requirements for repairs, maintenance and cleaning ; and

- an increase in investment income of £0.6m due to higher returns than anticipated.
12. This improvement in position may, however, be largely offset by budget carry forwards. In accordance with the City's budget management arrangements, requests to carry forward unspent budgets totalling £3.7m are to be considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee. If all carry forward requests are approved, the favourable movement of £4.9m would reduce to £1.2m (3% of incoming resources).

Bridge House Estates – Balance Sheet

13. The Balance Sheet is shown on page 32 of the Financial Statements and reflects the net increase in funds of £89.6m indicated in paragraph 5.

City's Cash Sundry Trust Funds

14. The City's Cash Sundry Trust Funds comprise seven open space charitable funds and the Sir Thomas Gresham Trust Fund as listed in Annex 2.
15. These Trusts ended the year with net incoming resources of £0.4m (2011/12: net incoming resources of £2.6m) which comprised the following:
- Incoming resources of £21.1m:
 - funding from the City of London totalling £14.7m (2011/12: £14.9m); and
 - income of £6.4m (2011/12: £8.5m) from investments and charitable and voluntary sources – the additional income in 2011/12 primarily related to one-off contributions from the Heritage Lottery Fund towards the Epping Forest Branching Out project together with the receipt of funds by Hampstead Heath from a defunct charity;
 - Resources expended of £20.7m:
 - charitable expenditure of £19.4m (2011/12: £19.5m) on the running of the open spaces and Gresham Almshouses; and

- governance and support services costs of £1.3m (2011/12: £1.3m).
16. Managed investments, held mainly by Hampstead Heath, benefited from an unrealised net gain in market value of £3.4m (2011/12: net gain of £0.8m).
 17. At 31 March 2013, City's Cash Trust Funds held total reserves of £35.8m (2011/12: £32.0m) an increase of £3.8m (12%) compared to a year earlier.

Sundry Trust Funds

18. The Sundry Trust Funds comprise the separate charitable funds listed at Annex 3. Excluding the Chamberlain's Banking Account and the Charities Pool, the remaining 16 Trusts:
 - received income of £2.7m (2011/12: £2.6m) of which £1.7m was from investments (2011/12: £1.7m);
 - had unrealised gains of £5.5m from managed investments (2011/12: £1.0m gains);
 - incurred charitable expenditure of £2.8m (2011/12: £2.6m) including: £1.2m towards the running costs of Hampstead Heath (2011/12: £1.2m); £1.2m (2011/12: £1.1m) comprising 635 grants and 68 bursaries paid to individuals or organisations (2011/12: 625 grants and 85 bursaries); and £0.3m towards the running costs of the City of London Almshouses (2011/12: £0.3m);
 - incurred governance and administration costs of £0.2m mainly due to the costs of the fund managers (2011/12: £0.2m); and
 - held total funds of £45.3m as at 31 March 2013, an increase of £5.2m (13%) from a year earlier (2011/12: £0.8m increased reserves).

Audit Opinion and Management Letter

19. Deloitte intends to give unqualified opinions on the Bridge House Estates, City's Cash Trusts and the Sundry Trusts Financial Statements subject to clarification of any residual points and to issue its 2012/13 Management Letter for Bridge House Estates, City's Cash Trusts and the Sundry Trusts as set out in Annex 4. Representatives from Deloitte will be in attendance at the Audit and Risk Management Committee to present their report and to clarify any points or issues.
20. Deloitte's Management Letter will be distributed to all Members of the Court of Common Council in October when they receive the published

copy of the 2012/13 Bridge House Estates Annual Report and Financial Statements.

Signing of the Financial Statements

21. The Chairman and Deputy Chairman of the Finance Committee will be requested to sign the Financial Statements.

Contact:

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Chief Accountant

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Bridge House Estates
The Trustee's Annual Report
and Financial Statements
for the year ended 31 March 2013

Charity number 1035628

BRIDGE HOUSE ESTATES
TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

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BRIDGE HOUSE ESTATES

TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

1. Reference and Administrative Details

Bridge House Estates is a Trust governed by various instruments which are mentioned below. In April 1994 it was registered with the Charity Commission.

| | |
|--|---|
| Charity Name | Bridge House Estates |
| Other Working Names | Bridge House Estates Trust Fund Bridge House Trust Bridge House Grants The City Bridge Trust |
| Charity Number | 1035628 |
| Registered Address | Guildhall, London, EC2P 2EJ |
| Trustee | The Mayor and Commonalty & Citizens of the City of London |
| Chief Executive | John Barradell OBE - The Town Clerk of the City of London Corporation |
| Treasurer | Chris Bilsland - The Chamberlain of London |
| Solicitor | Michael Cogher - The Comptroller and City Solicitor |
| Bank | Lloyds TSB Bank plc |
| Discretionary Fund Managers | GMO (U.K.) Ltd, Pryford International Plc, Ruffer LLP, Southeastern Asset Management Inc. |
| Chartered Accountants and Statutory Auditor | Deloitte LLP, Chartered Accountants and Statutory Auditor, 3 Victoria Square, Victoria Street, St Albans, AL1 3TF |

2. Structure, Governance and Management

| | |
|------------------------------|---|
| Founders | By various bequests over the centuries |
| Governing Instruments | A Royal Charter of 24 May 1282 The Blackfriars Bridge Act 1863 The Blackfriars and Southwark Bridges Act 1867 The Corporation of London (Tower Bridge) Act 1885 The Corporation of London (Bridges) Act 1911 The City of London (Various Powers) Act 1926, section 11 The City of London (Various Powers) Act 1949, section 13 A supplemental Royal Charter of 26 November 1957 The City of London (Various Powers) Act 1963, section 32 The London Bridge Act 1967 The City of London (Various Powers) Act 1979 section 19 The Charities (Bridge House Estates) Order 1995 (S.I.1047) An Order of the Charity Commission sealed 10 July 1997 An Order of the Charity Commission sealed 20 July 1998 (251.98) The Charities (Bridge House Estates) Order 2001 (S.I.4017) The Charity Commission Scheme dated 26 August 2005 The Charities (Bridge House Estates) Order 2007 (S.I. 2007/550) |

The Mayor and Commonalty and Citizens of London (also referred to as 'the Corporation' or 'the City of London Corporation'), a body corporate, is the Trustee of the charity known as 'Bridge House Estates'.

BRIDGE HOUSE ESTATES

TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

Trustee selection methods

For practical purposes the Trust was managed during the year by seven committees of the City of London Corporation, membership of which is drawn from the Court of Aldermen and the Court of Common Council. Members of the Court of Aldermen and Court of Common Council are unpaid and are elected by the electorate of the City of London. The Annual Report and Financial Statements are reported to the Common Council of the City of London Corporation each year. The audit firm is appointed from a panel of six partners of firms who are elected by Common Hall (a meeting of the Livery of London). The Committees of the City of London Corporation which had responsibility for managing the Charity during 2012/13 are as follows:

Property Investment Board responsible for the management of the Trust's commercial estates held for investment purposes.

Financial Investment Board responsible for the management of the Trust's non-property investment arrangements.

Policy and Resources Committee responsible for allocating resources to the other Committees, administering the Trust, and for determining the investment strategy between property and non-property investments.

Finance Committee responsible for managing the non-property assets of the Trust and controlling support costs and other central charges that affect the Trust as a whole.

Planning and Transportation Committee responsible for the construction, maintenance and upkeep of the bridges with the exception of the tourism operation at Tower Bridge.

Culture, Heritage and Libraries Committee responsible for the tourism operation at Tower Bridge.

The City Bridge Trust Committee is responsible for giving individual grants up to £500,000 to voluntary organisations in accordance with the *cy-près* scheme which was agreed by the Charity Commissioners and Parliament in April 1995. Any grant above £500,000 has to be agreed by the Court of Common Council. The working name of the grant-making activity is The City Bridge Trust.

Social Investment Board - during 2012/13, the City Corporation's Court of Common Council agreed to set aside up to £20m from Bridge House Estates for investment in activities generating positive financial returns and social benefit. This sum, referred to as the City of London Corporation Social Investment Fund (the 'Fund'), is administered by the City Bridge Trust, and governed by a Social Investment Board which reports to the Investment Committee.

The Investment Committee is responsible for the strategic oversight and monitoring of the performance of the City Corporation's investments which are managed by three separate Boards, namely the Financial Investment Board, the Property Investment Board and the Social Investment Board.

A full list of Committee Members is shown on pages 66-70.

BRIDGE HOUSE ESTATES

TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

In making appointments to committees, the Court of Common Council will consider the recommendations of the ward deputies, who will take into consideration any particular expertise and knowledge of the Members.

Policies and procedures for the induction and training of trustees

The City of London Corporation makes available to its Members, seminars and briefings on various aspects of the City's activities, including those concerning Bridge House Estates, as it considers are necessary to enable the Members to efficiently carry out their duties.

The City Bridge Trust Committee has an ongoing commitment to learning and development. The Trust has Investor in People accreditation which is an external validation of the approach to valuing and developing the skills of both Committee Members and staff.

Elected Members of the City Bridge Trust Committee have an induction including a briefing on the roles and responsibilities of charity trusteeship, highlighting the issue of "self benefit" and conflicts of interest for corporate trustees and public benefit requirements. The history, policies and procedures of the Trust are also covered and Members of the Committee receive detailed policy guidelines and copies of published materials.

New Members of the Committee join staff on visits to applicant organisations and observe the assessment and monitoring processes of the Trust. Members also regularly attend the promotional events of charities which the Trust supports and report back on these to fellow Committee Members, broadening the knowledge base of the Committee and improving decision making. The Chairman of the City Bridge Trust Committee attends training events organised by the Association of Charitable Foundations.

Regular briefings are given to Members of the City Bridge Trust Committee with usually ten meetings per annum (9 meetings in 2012/13) to update them on charity legislation and a wide variety of issues affecting voluntary and community activity in London. Examples over the past year have included briefings on the Government's White Paper on Giving which seeks to revive a culture of philanthropy in the UK by working with charities and businesses to support new ways for people to contribute both time and money; and on Government proposals to cap tax relief on charitable giving which were subsequently dropped.

At least two substantial papers are produced for Members of the Grants Committee each year giving detailed statistical and qualitative analysis of the monitoring of the Trust's funding and its impact. Such information ensures the Committee is kept properly briefed as to emerging trends in order to inform both strategic and operational planning. Reporting against the business plan is given to all Committees managing the charity on a quarterly basis.

Organisational structure and decision making process

The Committees which governed the Charity's activities in 2012/13 are noted above. All of these Committees were ultimately responsible to the Court of Common Council of the City of London. The decision making processes of the Court of Common Council are set out in the Standing Orders and Financial Regulations governing all the Court of Common Council's activities. The Standing Orders and Financial Regulations are available from the Town Clerk at the registered address.

BRIDGE HOUSE ESTATES

TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

Risk Management Statement

The Trustee is committed to a programme of risk management as an element of its strategy to preserve the Charity's assets, enhance productivity for service users and members of the public and protect its employees.

In order to embed sound practice a Strategic Risk Management Group is in place to ensure that risk management policies are applied, that there is an ongoing review of risk management activity and that appropriate advice and support is provided to Members and officers.

The City of London Corporation has approved a strategic risk register for all of its activities. This register helps to formalise existing processes and procedures and enables the City of London Corporation to further embed risk management throughout the organisation. A key risk register has been prepared for this Charity, which has been reviewed by the Trustee. It identifies the potential impact of key risks and the measures which are in place to mitigate such risks.

Public Benefit Statement

The objects of the charity are the maintenance of the river bridges and grant making and related activity for the benefit of Greater London. The Trustee confirms it has referred to the Charity Commission guidance on public benefit when reviewing aims and objectives and when making future plans and setting grant making policy.

The river bridges maintained by the charity are open to the public at large, assuring public benefit on an open access basis. There are no restrictions regarding the members of the public who may use the bridges and no fees are charged.

The sections of this report relating to the Trust's grant making and related activities set out how we further achieve our charitable purposes for the public benefit. Third sector organisations and their services for the public are strengthened by the Trust's funding. The public benefiting from the Trust's funding are primarily the inhabitants of Greater London. Grants are awarded at the Trustee's discretion, based upon published criteria and a transparent and fair assessment process. Fees are not charged for our services and our grant making aims to address disadvantage across London's diverse communities.

All properly constituted, not-for-profit third sector organisations which meet our programme objectives are eligible to apply. The public benefit is delivered by the charities which receive grants from the Trust. The City Bridge Trust Committee ensures a robust monitoring system is in place to establish the benefit derived from each grant in order to be confident of meeting its public benefit obligations.

3. Objectives and Activities

Bridge House Estate's origins and income

The origins of Bridge House Estates can be traced back to 1097 when William Rufus, second son of William the Norman, raised a special tax to help repair London Bridge. By the end of the twelfth century, the shops and houses adorning Peter de Colechurch's new stone London Bridge were beginning to generate not only increased cross-river trade, but also increased taxes, rents and bequests. A significant fund began to accumulate and it was administered from a building on the south side of the bridge called Bridge House. Over succeeding centuries this fund has

BRIDGE HOUSE ESTATES

TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

been skilfully administered by the City of London, which was confirmed as Trustee in the supplemental Bridge House Royal Charter of 1957.

The income of the Trust is derived from property rents and invested monies. It can be used for the provision of facilities for visitors at Tower Bridge, maintenance of all the Thames bridges, and the maintenance and protection of the Trust's income-producing assets, such as its portfolio of commercial property. After these responsibilities have been met, the Trust can use any surplus income for charitable grants benefiting the inhabitants of Greater London, under a scheme agreed with the Charity Commissioners in 1995. Part of the Trust's capital is invested in stocks and shares, in accordance with the investment powers of the Trust.

The Bridge House Estates mark has been the identifying emblem of the Charity for many centuries. It is likely that the mark as we know it today was designed by William Leybourn, a famous seventeenth century surveyor. Leybourn is thought to have adapted a similar mark drawn against plots owned by Bridge House Estates on an earlier plan of St George's Fields, London.

The work of Bridge House Estates reaches out across London in many important and diverse ways.

The River Bridges

The core business of the Charity has been for many centuries the bridges. The Charity in some cases has built, and now maintains five of the bridges that cross the Thames into the City of London – Blackfriars Bridge, Millennium Bridge, Southwark Bridge, London Bridge, and Tower Bridge. The maintenance and eventual replacement of these bridges remains the prime objective of the Charity. They are gateways to the City and require sustained and expert maintenance.

The bridges are considered to be heritage assets (accounting policies note 1(e) on pages 34 and 35 refers).

Blackfriars Bridge

The first Blackfriars Bridge was originally built between 1760-1769 and was known as 'Pitt Bridge' after William Pitt. This structure was replaced between 1860-1869 with a design by Joseph Cubitt of five wrought iron arches faced with cast-iron, on granite piers. The decorations include ornithological sculptures surmounting the granite columns on each cutwater, archaded cast iron parapets and enormous attached columns in red granite with Portland stone capitals. The sculptures depict land birds on the landward side of the bridge and sea birds on the side facing the sea. Queen Victoria opened the bridge in 1869 and it remains the busiest of the four road bridges in the City with an average of 54,000 vehicles passing over it each day. There is no weight limit for vehicles.

The Millennium Bridge

The first new pedestrian bridge to be built across the Thames for over a century, the Millennium Bridge links the City at St Paul's Cathedral with the Tate Modern Gallery at Bankside. It provides an invaluable link between north and south of the river for commuters and communities.

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Funded by the Bridge House Estates and the Millennium Commission, the 'Blade of Light' is a 325 metre steel pedestrian bridge, conceived by Anthony Caro and built by Ove Arup and Foster Associates under the project management of the London Borough of Southwark.

The Worshipful Company of Scientific Instrument Makers installed a two metre high glass obelisk under the north side of the Bridge on the riverside walkway as a millennium gift to the City.

Southwark Bridge

Southwark Bridge was originally built between 1814-1819 and was purchased by the Trust in 1868. The City of London had been trying to obtain control since 1827 to catch criminals escaping to Southwark, outside its jurisdiction! It was replaced between 1912-1921 with a design by Sir Ernest George and Basil Mott and comprises five steel arches with granite cutwaters and fancy granite piers. There is no weight limit for the estimated 17,000 vehicles which cross the bridge every day.

London Bridge

The first stone bridge across the Thames was built between 1176-1209 and replaced between 1823-1831. The current bridge was built between 1967-1972 and designed by the City Engineer, Harold Knox King with architects Mott, Hay & Anderson and William Holford & Partners.

Made of concrete with polished granite, the bridge has three spans founded on concrete piers fixed deep into the river clay. It was opened by Her Majesty The Queen in 1973.

Although there is no weight limit on the bridge itself, there is a 17 ton limit on the Monument pedestrian subway.

Tower Bridge

Tower Bridge, designed by the Victorian architect Horace Jones, was opened in June 1894 after eight years of construction. It is a working bascule and suspension bridge, constructed as a steel frame clad in stone and granite in Gothic style to complement the neighbouring Tower of London.

Under the Corporation of London (Tower Bridge) Act 1885, the City of London Corporation is required to raise the Bridge to provide access to and egress from the Upper Pool of London for registered vessels with a mast or superstructure of 30 feet or more. The service is provided free of charge subject to 24 hours' notice and is available any time, day or night, 365 days per year. The Bridge is raised around 900 times each year.

The City ensures that the Bridge is properly maintained and protected as part of the nation's heritage. As it has been designated a Grade 1 listed building, any adaptations carried out to the Bridge externally or internally are subject to approval by English Heritage and the local planning authorities.

The Bridge was originally painted brown but this was changed to red, white and blue for the Queen's Silver Jubilee in 1977. The most recent repainting of the bridge was completed in 2011 in time for the Bridge to be featured in the promotion of the London Olympics and Paralympics 2012.

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Tower Bridge is a world famous icon of London and in order to allow UK visitors and tourists from abroad access to the internal areas of the Bridge a public exhibition has been provided since 1982. The exhibition showcases the Victorian architecture, engineering and also the original Victorian Engines used to power the lifting of the Bridge.

Each year a new themed temporary exhibition is created to provide interesting content to enhance the experience of visitors. Currently the West Walkway displays an exhibition of illustrations by Czech artist Miroslav Sasek entitled *This is London*.

The high level walkways, 42 metres above the Thames, provide panoramic views towards Wapping, Canary Wharf and Greenwich to the east and, of the City and central London skyline to the west. The exhibition attracted circa 521,000 visitors in 2012/13.

The high level walkways and Engine Rooms are a popular venue for corporate and private events and wedding receptions. The North Tower Lounge and the Bridge Master's Dining Room are also regularly used for smaller events, including meetings and wedding/civil ceremonies.

The operational and tourism activities at Tower Bridge are also funded by the Bridge House Estates Trust.

The Grant-Making Activity of the City Bridge Trust

The sound management of the Charity by the City of London Corporation means it is possible to release considerable surplus funds in support of the second key area of Bridge House Estates' work – namely the provision of vital assistance to charitable organisations across Greater London. This wide-ranging support amounted to £14.9 million (£14.6 million after write backs) in 2012/13 (2011/12: £18.90 million, £18.05 million after write backs) and was used in accordance with the governing instruments:

- in or towards the provision of transport, and access to it, for elderly or disabled people in the Greater London area; and
- for other charitable purposes for the benefit of the inhabitants of Greater London in such ways as the Trustee thinks fit.

It is the Trust's policy not to give funds that relieve a statutory body of a statutory duty.

A detailed account of the grant-making can be found in the City Bridge Trust's Annual Review 2013 available from:

City Bridge Trust
City of London Corporation
PO Box 270
Guildhall
London EC2P 2EJ

020 7332 3710
citybridgetrust@cityoflondon.gov.uk
www.citybridgetrust.org.uk

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4. Aims, Achievements, Performance and Future Plans

The Charity's main objectives for the year were to continue to maintain the five river bridges as an important part of London's infrastructure and transport links, in accordance with the ongoing maintenance programme and to provide grants to voluntary organisations in accordance with the grant giving policies.

Tourism at Tower Bridge

Tourism at Tower Bridge, as well as generating income for the Charity allows internal access to this magnificent iconic structure so visitors from all over the world can enjoy and learn more about the history of the Bridge and the role it played in the City of London's development. Its main aim is to achieve:

'an excellent operational service and successful tourism business at Tower Bridge through continually improving operations and customer services and by investing in staff'.

Delivering excellent customer care is an essential part of achieving Tower Bridge's main aim. Without customers there would be no tourism or operational business at Tower Bridge. The groups of customers are made up of visitors to the Exhibition, guests to corporate and private events and the use of the Bridge for its original intended function (i.e. river traffic, motorists and pedestrians).

For 2013/14 work will continue to improve the quality of experience on offer at Tower Bridge to the customer to support the assertion of '**A Vibrant and Culturally Rich City**' as promoted by the City Corporation.

Aims and achievements:

In 2012/13 the following tourism objectives were set and achieved:

- The *Cities of the Modern Games* exhibition and children's competition were installed in May 2012 and provided added value for visitors during the Olympic period, receiving excellent feedback. Following Sept 2012, this was appended with *Tower Bridge's Golden Legacy*, large-scale photographic panels celebrating the Bridge's involvement in the Opening Ceremony, the Diamond Jubilee and its role as the host of the official Olympic Rings and Paralympic Agitos;
- the new exhibition management structure and senior management succession arrangements for the retirement of the Bridge Master were successfully embedded by December 2012;
- ownerships, standards and responsibility models for Exhibition, Maintenance and Security teams were implemented prior to December 2012;
- additional storage and office facilities were installed in the South Tower;
- phase 2 of the exhibition staffing review commenced;
- a discrete new heating systems for both Walkways was installed in February 2013;
- social media as a marketing method resulted in the Tower Bridge Exhibition attaining 500,000 Facebook visits and 3,000 Twitter followers to date.

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Targets for 2012/13

| | Target 2012/13 | Actual 2012/13 |
|---|---------------------------|---------------------------|
| Achieve tourism income budgets: | | |
| - Ticket Income | 100% | 109% |
| - Retail (shop, vending etc) | 100% | 153% |
| - Venue Hire | 100% | 122% |
| To receive Tower Bridge visitor feedback through analysing questionnaires from 5% of visitors per month | 5% | 5% |
| Achievement of customer care standards | 90% | 92% |
| Increase the number of visitors completing the full tour to the Engine Rooms | 82% | 82% |
| Answer all telephone calls including visitor enquiries within 20 seconds | 90% | 97% |

Overall Performance:

Performance of Tower Bridge Tourism has been exceptional this year with 521,579 visitors gaining access to the Exhibition (2011/12: 515,091). This has been achieved despite the negative Olympic Displacement Effect on the London tourism industry during the Olympic and Paralympic periods, which caused a loss of circa 30,000 visitors compared with the months of July, August and September 2011.

219 corporate and private venue hires have been facilitated (2011/12:183), and retail sales have increased to beyond £670,000 (2011/12:£540,000).

Big Picture Projects in 2012/13

In view of the Bridge's iconic status it was one of the focal images in the promotion of the London Olympics 2012 and the centrepiece of the celebrations for the Queen's Diamond Jubilee. The following projects were initiated as a result of these historic events and were organised, managed and funded variously by the London Organising Committee of the Olympic Games, the Greater London Authority, the Government, Buckingham Palace, external sponsors and the City of London Corporation.

All at the Bridge were proud to be involved with these major projects, each of which took place without significant disruption to our operations, or to the tourism or events businesses.

- ***External lighting***

The comprehensive external LED lighting system, provided and installed by GE and EDF in March 2012, was showcased during the Diamond Jubilee celebrations and throughout the Olympic and Paralympic period. During this time, it lit the Bridge gold for each evening Team GB achieved gold medals, and was also showcased globally during a speedboat stunt for the Opening Ceremony of the Games. The white LED lighting continues to be used on a nightly basis and will now be in place for the next 25 years.

- ***Disabled lift***

The new lift was installed in April 2012 and provides direct access from the Bridge to the Engine Rooms entrance for our disabled visitors, thus removing the need for a long and

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difficult journey from the South Lift to the Engine Rooms. The lift also provides a facility for the general public 24 hours a day, and was of positive value during the Games period when the adjacent Potter's Field was transformed into an Olympic Live Site.

- ***Queen's Diamond Jubilee***

For the River Pageant on 3 June, Her Majesty The Queen, on board the Spirit of Chartwell, led a procession of 1000 small vessels down the River Thames ending just below Tower Bridge at the HMS President. A "Royal Bridge Lift" was conducted, accompanied by confetti showers and a dramatic display of daytime fireworks – this provided a world class visual finale for the culmination of the pageant.

- ***Olympic Rings***

In June 2012 a specially constructed set of Olympic rings were lifted from a barge on the river and fixed to a cradle built on the underside of the two high level walkways. The rings were hinged to allow Bridge staff to remotely fold them up, under the walkways, to enable large vessels to pass through Tower Bridge. Following the closing ceremony for the Olympics the rings were removed and replaced with the Paralympic "Agitos" for the duration of the Paralympic Games.

Plans for 2013/14

To continue our improvement momentum, a number of key objectives have been identified for the coming year:

- Progressively launch Tower Bridge quality branded merchandise range for retail and online sales to develop retail income by March 2014
- Manage the effects of the Phase 1 development and Phase 2 design scheme of the large scale residential and commercial Berkeley Homes development at the South side of the Bridge to minimise the operational effects at the Bridge and achieve the aspirations of the tourism business by March 2014
- Enhance the visitor experience and maximise the income potential arising from the installation of glass panels in the Walkways
- Produce a new high quality exhibition guidebook by March 2014
- Develop and implement a streamlined on-line ticket and retail sales facility by September 2013

The River Bridges

A small team within the Property Projects Division of the City Surveyor's Department is responsible for the crossings and their approach structures, entrusted to Bridge House Estates along with the City's other highway structures. The maintenance of the highway surface is undertaken by the Director of the Built Environment on Southwark and the Millennium Bridges which form part of the City of London Highway network. The highway surface maintenance of the other bridges is under the control of Transport for London. Street and flood lighting is maintained by the Director of the Built Environment on all river Bridges.

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The excellent partnership working for Tower Bridge was also extended to the other River Crossings as part of the Bridge Animation Project and included in the London-wide Look and Feel for the Olympics, this included replacing and supplementing the lighting and Blackfriars and Southwark Bridges with colour changing LED's and the installation of temporary lighting at London and Millennium Bridges, which in conjunction with Westminster's Waterloo and Golden Jubilee Bridges, had light shows on the hour every night of the Olympic period.

During 2012/13 we inspected the Millennium Bridge and in accordance with the warranty requirements three of the dampers were sent back to America for testing, these were reinstalled in January with a clean bill of health. A general inspection was completed for Tower Bridge during the busy schedule of works and the Principle inspection for London Bridge was also concluded. The Principle inspection of Blackfriars was not completed because of clashes of span closures with the rail bridge and the works for the Thameslink project; these will be completed in 2013/14.

Also in 2013/14 we will be completing a Principle inspection to Duke Street Hill Footbridge along with General inspections for Southwark Bridge including both approaches, and King William Street Vaults.

Liaison is continuing with Thames Water for their Tideway Tunnel project to ensure protection of the River Crossings, and as a part of this project they will shortly commence monitoring of the gap between the two bascules at Tower Bridge.

The Grant-Making Activity of the City Bridge Trust

A scheme was agreed by the Charity Commission in 1995 which enabled the Trust to use its surplus income after meeting its responsibilities for the maintenance and replacement of the bridges, referred to in the preceding pages, for charitable purposes benefiting the inhabitants of Greater London.

Mission

The City Bridge Trust aims to reduce disadvantage by supporting charitable activity across Greater London through quality grant-making and related activity within clearly defined priorities.

This year the Trust continued to run its Working with Londoners programmes. It also launched a new £2 million grant programme, Growing Localities, to mark HRH The Queen's Diamond Jubilee. Details of all the grants approved in 2012/13 are shown on pages 50-65 and a full report on the grant giving is provided in The City Bridge Trust's Annual Review 2013 which is a separate publication.

Grant-Making Strategy 2012/13

The Trust's grant-making strategy is directed by its charitable objectives which are set out in its governing instruments. These are modified in the light of changing needs as they arise. The business plan is available on request. Consultation is a key element of our iterative approach and informs our strategy.

The Grant-Making Policies

Each programme has clear and well publicised priorities which are actively promoted within the third sector (not for profit and non-governmental organisations) through a communications strategy,

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roadshows and presentations. These priorities are reviewed at five yearly intervals in consultation with the third sector, other funders (public and independent) and senior policy makers. The Trust began its latest Quinquennial Review during the year.

Details of the Trust's policies and procedures can be found on our website www.citybridgetrust.org.uk where all grants, listed meeting by meeting, can be found. The website provides the Trust with a platform to share the learning it derives from its grant-making, including video clips showcasing some of the work supported and the public benefit derived from it.

Most of our programmes have no deadlines for applications and we aim to process an application within 4 months. The City Bridge Trust Committee, the decision-making body, holds ten meetings per year in public. All applicants have access to reports and recommendations written about them as these are in the public domain.

Applicants are encouraged to contact the Trust for initial guidance before making an application. Feedback can be provided on unsuccessful applications.

Economic Climate

2012/13 was a year in which cuts in public expenditure continued to have a significant impact on London's third sector. Key funding streams from central government, regional development bodies, London Councils and local authorities have been either withdrawn completely or significantly reduced. We continued to monitor the situation carefully throughout the year and consulted widely with the third sector, other funders and commentators, collaborating closely with London Funders, the Association of Charitable Foundations, London Councils, and key voluntary and community sector partners.

The Trust continued its strategy in response to the economic climate that it implemented during 2010/11. This was to:

- maintain its current grant-making priorities;
- place greater emphasis on making unrestricted grants towards core funding;
- work collaboratively with other Trust funders in order to maximise impact and spread the risk; and
- keep abreast of new funding mechanisms and approaches that bring additional resources and help to recycle funding.

It decided it would not consider emergency or "bail-out" funding as it does not have sufficient funds to plug the gaps left by central and local government funding cuts.

Tackling Climate Change

In recognition of the urgent need for all of us to tackle climate change and to encourage our funded organisations to make the connection between social and environmental justice, we have continued to ask applicants and grant-holders, across all our programmes, what steps they are taking to reduce their carbon footprint. To help them improve their environmental practice, we offer free eco-audits (a study of an organisation's energy use, waste procurement and travel patterns) to the third sector,

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provided they can demonstrate a commitment to engaging fully with the process and to cascading their learning.

Strategic Aims and Key Achievements for 2012/13 were:

- To reduce disadvantage across Greater London through quality grant-making and strategic activities we:
 - promoted and ran the **Working with Londoners** grants programmes;
 - launched and ran **Growing Localities**, a one-off £2m grants programme to mark HRH The Queen's Diamond Jubilee, which aimed to make better use of London's green spaces by funding projects that encourage gardening, food growing and beekeeping, as well as funding accredited horticultural work training for disadvantaged people;
 - collaborated with other funders and key third sector organisations to monitor the effects of the current economic climate on London's third sector;
 - worked with third sector infrastructure in each London borough to identify and meet local needs;
 - dealt with 441 applications (2011/12: 465);
 - managed 930 grants already awarded; and
 - completed a total of 70 monitoring visits and processed 381 self-evaluation reports of which 55% were considered good or very good.
- To add value to the work and reputation of the City Corporation through due recognition of its role as Trustee of London's largest independent grant making trust we:
 - engaged the media consultancy Champollion to ensure wide-ranging media coverage of our strategic work, in particular, to promote the work of City Philanthropy and Growing Localities, resulting in widespread coverage of our work in national, local and trade press, as well as television and radio. This resulted in 27 press items, 5 feature pieces, 5 radio interviews and 5 TV news items.
 - worked closely with Champollion to improve our use of social media, including the development of the 'Parklife London' website, as part of our Growing Localities initiative. Through its interactive map, the site helps Londoners to find green spaces near them, find out what they can do there and how they can get involved in community projects and volunteering opportunities. The website has been featured in Time Out and the Evening Standard. The Trust set up its Twitter account during year and now has 771 followers.
 - worked closely with our Public Relations Office to produce regular news stories in the local press, showcasing awards made. During the year, a total of 37 articles were featured in the local press and trade journals.
- To contribute to making London a more sustainable world city through supporting sustainable development initiatives and environmental education we:
 - provided 5 organisations with a free eco-audit; and
 - awarded 18 grants totalling £1,131,740 on the Working with Londoners' *London's Environment* programme.

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- To strengthen the third sector in London and thereby its capacity to be effective both in service delivery and as a key part of civil society we:
 - collaborated extensively with key commentators to better inform our responses to the needs of the third sector;
 - funded the Centre for Accessible Environments for an Access and Sustainability Adviser post to provide advice and information to third sector organisations wishing to make their buildings more accessible and sustainable;
 - commissioned Charities Evaluation Services to provide training on monitoring and evaluation and quality assurance to our grant recipients;
 - funded the Ethical Property Foundation to provide an advice service for London's third sector on all aspects of managing a community building; and
 - funded Media Trust to work with ten of the Trust's grantees on a "Telling Your Story" collaboration whereby each was trained and supported to produce a short promotional video.
- To disseminate and manage the knowledge gained through grant-making and Strategic Initiatives, in order to maximise impact for London we:
 - launched a new Growing Localities Awards initiative in partnership with Lemos & Crane in order to showcase the value of bringing people together to work on growing and greening projects – not only for the environment but also for people's health and wellbeing.
- To contribute to the collective development of good grant-making and support for the third sector through collaborative working we:
 - commissioned Social Finance to help us organise a series of Master Classes to take the social investment agenda forward
 - commissioned a Social Investment Advisor, in conjunction with the City Corporation's Economic Development Office to help develop our work in the social investment field.
 - started a three-year contract to run the grant-making and the administration of Wembley National Stadium Trust (WNST), a major new grant-giving body supporting community sports activities in London. Working to the WNST Board, we developed and implemented the grant-making systems and policies and its grants programmes. The first grants awards were made in January 2013 to groups in LB Brent providing community sports activities.

New Initiatives

Unemployment in the capital has been growing since the recession, and this has particularly impacted young people not in employment, education or training (NEETS). As well as awarding £140,000 as a contribution towards the Evening Standard's campaign, Ladder for London, creating 10 new apprenticeships within London, the Trust approved additional funds for the following two new initiatives to reflect the growing problem of unemployment, especially amongst young people:

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- Get London Working – the Youth Offer: An additional £3.2m was allocated for an initiative working with the London boroughs, in partnership with the voluntary sector, to increase opportunities for young Londoners not in employment, education or training. Applications were received from all the London boroughs at the end of 2012/13 for approval in 2013/14.
- The Employability Partnership: A further £2m was also approved in order to provide pre-employment training and mentoring for young Londoners, in partnership with Central London Forward and the City Corporation's Economic Development Office. These funds are due to be allocated in 2013/14 and 2014/15.

Grant-Making 2012/13

441 applications with a 48% success rate

212 grants totalling £14,910,305 (£14,606,220 after write backs)

Write backs for the year amounted to £304,085 (2011/12: £853,956). Write backs relate to grants given in either the current, or previous financial years, that are no longer capable of being used for the purpose for which they were given. They are therefore written back to the grants budget for re-distribution.

Working with Londoners

These programmes were launched in July 2008 and we have worked hard during the year to promote them at funding presentations across London. The guidelines have been designed with clear aims, priorities and outcomes. Successful applicants have to demonstrate how their work will help us achieve our outcomes. Thorough but proportionate monitoring and evaluation of all grants enables us to assess how the work has made a difference.

Accessible London

Aim:

We aim to enable disabled people to participate fully in society.

Achievements 2012/13

Accessible arts and sports: 8 grants totalling £649,450

Access to buildings: 17 grants totalling £807,895

Access to transport: 2 grants totalling £147,500

Bridging communities

Aim:

We aim to build on commonalities between communities, encouraging groups to come together in common cause.

Achievements 2012/13

Leadership initiatives: 7 grants totalling £553,950

English language skills: 7 grants totalling £201,280

Joint work: 19 grants totalling £1,231,160

Mainstream & Minority partnerships: 1 grant totalling £120,000

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Improving Londoners' mental health

Aim:

We aim to improve the mental health of Londoners, especially those with limited access to mainstream services.

Achievements 2012/13

Children and young people: 8 grants totalling £550,100

Homeless or transient people and rough sleepers: 4 grants totalling £344,100

Resettlement support: 5 grants totalling £582,000

Older people: 4 grants totalling £246,500

London's environment

Aim:

We aim to educate Londoners about environmental good practice and maintain and enhance London's biodiversity.

Achievements 2012/13

Environmental education: 15 grants totalling £943,790

Biodiversity: 3 grants totalling £187,950

Older Londoners

Aim:

We aim to assist older Londoners to enjoy active, independent and healthy lives and support older people with dementia and Alzheimer's.

Achievements 2012/13

Older people over 75 years: 8 grants totalling £444,400

Healthy lifestyles with older people over 65 years: 7 grants totalling £230,700

Supporting people living with dementia or Alzheimer's: 4 grants totalling £308,550

Positive transitions to independent living

Aim:

We aim to sustain people through some of the hardest of life's transitions.

Achievements 2012/13

People with a newly acquired disability: 2 grants totalling £244,000

Young disabled people: 8 grants totalling £686,780

Disabled people managing independent living: 3 grants totalling £157,000

Disabled parents managing their responsibilities: 1 grant totalling £23,400

Young care leavers: 3 grants totalling £264,250

Resettlement work with ex-offenders: 6 grants totalling £490,650

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Strengthening the third sector

Aim:

We aim to fund second tier organisations so that they can strengthen the third sector to deliver better services.

Achievements 2012/13

Increase and improve volunteering: 6 grants totalling £652,000

Minority ethnic and refugee organisations: 5 grants totalling £388,500

Improving financial management: 4 grants totalling £456,400

Improving the quality of evaluation: 3 grants totalling £411,000

Growing localities

Aim: *We aim to encourage better use of London's green spaces and horticultural work training.*

Achievements 2012/13

Growing and greening: 19 grants totalling £755,960

Horticultural work training: 11 grants totalling £1,010,630

Other Grants

Exceptional Grants

Occasionally, grants are also awarded in response to exceptional needs or circumstances where the work does not meet the criteria of our other programmes. Four such grants were awarded during 2012/13:

The Barbican Centre Trust was awarded a grant of £250,000 towards its creative learning programme benefiting east Londoners.

The Human Trafficking Foundation was awarded a grant of £120,000 over 3 years towards anti-trafficking work in London.

A grant of £20,000 was awarded to PACT (Parents and Abducted Children Together) to raise awareness about missing and abducted children in London.

St John Ambulance was awarded a grant of £100,000 over two years towards first aid training amongst young people in four London boroughs.

Strategic Initiatives

The Grants Committee has historically set aside up to 5% of the overall grants budget to support strategic initiatives that complement and inform the on-going grants programmes. During 2012/13, for the first time, the Trust committed funds beyond this level in order to enable a number of important initiatives to proceed and expenditure totalled £1,330,410.

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City Philanthropy – a Wealth of Opportunity

City Philanthropy – a Wealth of Opportunity is an umbrella for a number of strands of activity all of which are promoting philanthropy amongst City professionals, especially young people early on in their career. At the core is the City Philanthropy website, providing independent and impartial advice, resources, news and e-bulletins to those wanting to find out more about philanthropy in the City. During 2012/13, the Trust approved funding of £160,000 for a City Philanthropy Manager, hosted by the Association of Charitable Foundations, to co-ordinate the various activities it is funding under the City Philanthropy banner, including the maintenance and development of the website. The other activities comprise:

- £30,000 to The Funding Network to develop the City Funding Network, a giving circle of young City professionals it aims to provide exciting opportunities for young City professionals to socialise and network around philanthropic opportunities.
- £41,000 to the Young Philanthropists which are developing philanthropy syndicates within their firms. Each syndicate works closely with the charity of their choice, giving both time and money. Funds raised are matched by the firms' partners.
- £32,500 to UK Community Foundations which hosts the Beacon Fellowship Awards for Philanthropy, to develop a new Beacon Award for City Philanthropy.
- £152,000 to Charterhouse to develop a City Philanthropy exhibition, in partnership with the Museum of London.

Londoner Time Credits

We awarded Spice Innovations with funding of £164,500 for a second year to enable it to continue and develop its new model of volunteering in several London boroughs, including the City of London. Based on the time-banking system of volunteering, the programme is targeting those who do not traditionally volunteer. Participants can swap time spent volunteering (Time In) for trips, events, entertainment or leisure (Time Out). A London Time currency has been developed by building partnerships amongst the public, voluntary and private sectors, in order to share resources. For every hour that volunteers give, they gain an hour of Time Out credit. The Time Out menu includes anything from a theatre or cinema trip, to free entry to the local swimming pool and leisure centre.

Lord Mayor's Show

The Trust took part in the Lord Mayor's Show in November 2012, in partnership with Heart n Soul, one of the UK's leading creative arts organisations working with people with learning disabilities.

Lord Mayor's Appeal

A grant of £65,000 was approved to help make the annual Lord Mayor's appeal more efficient, effective and productive through the establishment of the post of Development Director. The purpose of the post is to provide successive Lord Mayors with strategic advice based on the lessons learned from previous years and to communicate the success of each year's appeal externally.

NCVO & Volunteering England's merger

£50,000 was awarded to NCVO towards the due diligence and associated costs of its merger with Volunteering England.

Beanstalk (formerly Volunteer Reading Help)

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£72,300 over three years was approved towards a strategic primary school literacy initiative, as part of the Evening Standard's "Get London Reading" campaign.

Social Investment Advisor

£50,000 was approved towards a Social Investment Advisor to help develop our work in the social investment field. A further £50,000 was approved in February 2013 for the work to continue during 2013/14. This is a joint initiative of the Trust and the City Corporation's Economic Development Office.

Monitoring Grants

Our approach to monitoring is proportionate to the size of grant so as not to overburden small organisations.

- Each organisation is asked to report annually on the impact of its work and to provide annual accounts. A basic monitoring form is used for grants of less than £10,000 with a more detailed form being used for grants of over £10,000. This enables us to collect information in a uniform and systematic way.
- For all grants totalling over £50,000, we require analysed statistics of provision and user feedback.
- An annual programme of monitoring visits is undertaken to ensure that all revenue grant recipients are visited at least once during the grant's lifetime, whilst organisations in receipt of a capital grant are visited at the discretion of the grants officer. 47 monitoring visits were undertaken in 2012/13. During the year, we also piloted a series of 23 unannounced visits as part of an internal due diligence review. In the majority of cases, the visits confirmed that the work funded by the Trust was taking place. In a handful of cases, it was clear that the work had begun to drift from its original objectives and follow-up was needed to get the work back on track. The visits help to carry a strong anti-fraud message and they will be continued in subsequent years.

Evaluating Impact

We are committed to carefully evaluating each of the grants we make. We use the information from organisations' monitoring reports to reflect on the overall effectiveness of our grant-making. During the year, we dealt with 381 reports from organisations in receipt of grants across all our programmes.

The forms are ranked according to how well the organisation has met its objectives and the quality of the supporting information. An overall assessment of the quality of the work and the report is then made on a continuum of 'poor', 'satisfactory', 'good' and 'very good'. This is a complex process balancing and judging the quality of the work and the organisation's capacity to monitor and evaluate. In 2012/13, 55% were ranked as 'good' or 'very good' and 41% were ranked as 'satisfactory'. The remaining 4% were ranked as 'poor', although this often reflects poor reporting rather than poor quality of work.

There remains a need in the third sector for more training in monitoring and evaluation. We have, therefore, continued to fund the Charities Evaluation Services to provide discounted training to our grant recipients. Organisations tell us the training is helpful in enabling them to improve their accountability and provide evidence of the difference their work has made.

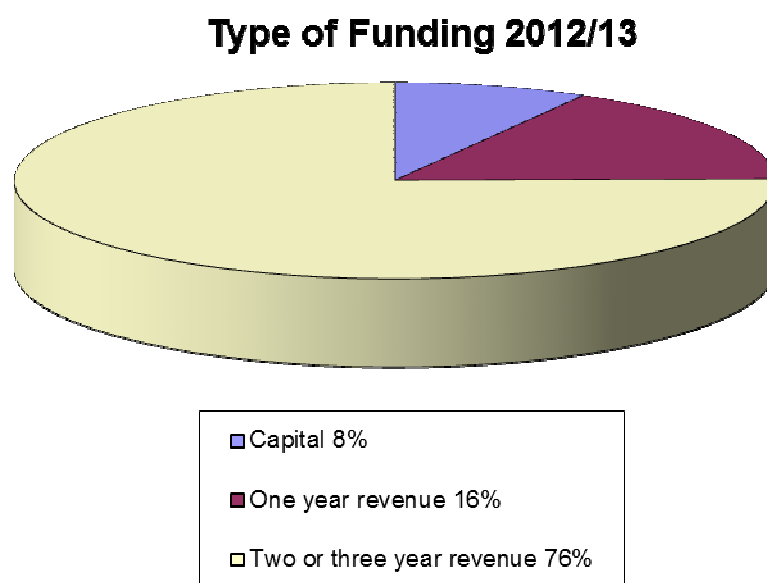
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Monitoring and evaluating individual grants is relatively straightforward and our systems for achieving this are developed and robust. Evaluating whole programmes where the range of work funded can be quite broad is much harder. However, as part of our Quinquennial Review we analysed data collected for each of our Working with Londoners programmes in order to evaluate which programmes had worked well and which not so well.

Type of funding

The majority of our grants are for revenue and are awarded over 2 or 3 years. Such commitments are vital in helping organisations plan ahead and develop services.



Future plans

Working with Londoners

We will assess the remaining applications to our Working with Londoners programmes before closing them during the summer. The new programmes will be launched early in the autumn and then promoted widely to London's voluntary sector;

Growing Localities

We will continue to work with the organisations funded on this programme and we will work with our partners Lemos and Crane to run the Growing Localities Awards for a second year.

Effects of Public Sector Spending Cuts

We will continue to monitor carefully the effects of the public sector spending cuts and the recession on third sector organisations, aiming to strike a balance between taking a flexible and pragmatic approach whilst maintaining our overall grant making strategy.

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Quinquennial Review 2012/13

The Trust undertakes a comprehensive review of its grant-making policies and criteria every five years. Our third Quinquennial Review commenced during 2012/13 and formed a major part of how we delivered our Sharing Learning and Knowledge Strategy during the year. The Trust is firmly committed to using the learning and knowledge it derives from its grant-making in order to help us maximise our impact and inform our future grant-making. The Review began in April 2012 and has included:

- **Retrospective Review**
 - Each of the Working with Londoners programmes were evaluated in close detail, including a statistical analysis of the grant-making activity during 2008-12, reflecting on what had worked well and less well.
- **Futures-Scanning Research**
 - At the beginning of the year, Members identified specific matters of concern and issues impacting London's charities for officers to research further and consult widely on. We commissioned 'futures-scanning' research in order to look at the bigger picture in the context of post-recession and public expenditure cuts.
- **Other Research**
 - We researched other funders' grant programmes in order to identify funding gaps and where the Trust could be most effective.
 - We conducted desk research on key legislative and policy influences as they affect independent grant-making and stakeholders, including the new localism agenda.
 - We looked at the changing funding climate, with much reduced funding available, an increased interest in social investment and the implications of the trend towards payments by results.
- **Consultation**
 - We held initial consultations with voluntary sector leaders and public and independent funders to gauge opinion on what an appropriate role for a charity of the Trust's size might be in the light of London's changing needs, in particular youth unemployment, growing poverty and public expenditure cuts.
 - We ran an online consultation questionnaire that was promoted widely on our website and through significant charitable membership bodies, as well as key voluntary sector spokespeople.
- **New Programmes**

The new programmes are due to be launched in the early autumn of 2013.

Sharing Learning & Knowledge 2013/14

During the year we will:

- share the findings of the research we commissioned to support and inform our Quinquennial Review;
- hold a series of events bringing together our grantees in order to share learning and best practice;
- produce an edition of *The Knowledge – Learning from London* showcasing work funded by the Trust;

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- continue to promote philanthropy in the City through our *City Philanthropy – a wealth of opportunity* initiative;
- commission Media Trust to work with up to 10 grantees to produce a promotional video that ‘tells their story’;
- continue our Growing Localities Awards scheme;
- commission a feasibility study to investigate the potential for launching an initiative to improve standards of numeracy in London’s primary schools.

Addressing Unemployment in the Capital

We will continue to work on our initiatives, Get London Working – the Youth Offer and the Employability Partnership and we will develop new proposals to raise the aspirations of children and young people of school age.

Social Investment

During 2012/13, the City Corporation’s Common Council agreed to invest up to £20m from Bridge House Estates in activities generating positive financial returns and social benefit. This sum is referred to as the City of London Corporation Social Investment Fund (the ‘Fund’) and is administered by City Bridge Trust, and governed by a Social Investment Board which reports to the Investment Committee.

The creation of the Fund helps support the City of London’s position as a global centre for social investment by working towards the following two objectives:

- To provide loan finance, quasi-equity and equity that provides development and risk capital to organisations working towards charitable ends or with social purpose; and
- To help develop the social investment market.

The Fund has a target total return of 2.7%, and a financial floor of 2% per investment (subject to review 25th October 2015). The Fund considers both direct investments (providing returnable funds to organisations which pursue charitable, community or social objectives) and indirect investments (into funds managed by others in order to reach a greater number of charities and social enterprises).

60% of the Fund is ring-fenced for investments that provide social benefit to Londoners, 30% is ring-fenced for wider UK benefit, and the remaining 10% can be used for international investments.

The Fund’s first investment, placed in 2012-13, was in the Small Enterprise Impact Investing Fund (SEIIF) from Oxfam / Symbiotics. The SEIIF is designed to provide funding to SMEs in low to middle income countries, and by so doing reduce poverty by creating employment, improving food security, and promoting gender equality. The target return is 5%. The City of London placed £318,513 on 31st July 2012.

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5. Financial Review

Review of financial position

The total net income from continuing operations available for charitable purposes for the financial year ended 31 March 2013 was derived from:

| | Incoming resources | Resources expended generating funds | 2012/13 Net incoming resources | | 2011/12 Net incoming resources | |
|----------------------------------|--------------------|-------------------------------------|--------------------------------|------------|--------------------------------|------------|
| | £'m | £'m | £'m | % | £'m | % |
| Tourism at Tower Bridge | 3.7 | 3.2 | 0.5 | 2 | 0.5 | 2 |
| Investment properties | 23.2 | 7.3 | 15.9 | 53 | 18.2 | 57 |
| Managed investments and interest | 15.8 | 2.7 | 13.1 | 43 | 11.9 | 37 |
| Third party contributions | 0.5 | - | 0.5 | 2 | 1.4 | 4 |
| Net income available | 43.2 | 13.2 | 30.0 | 100 | 32.0 | 100 |

The total expenditure for direct charitable purposes and governance costs were:

| | 2012/13 £'m | % | 2011/12 £'m | % |
|---|-------------|------------|-------------|------------|
| <i>Direct charitable expenditure</i> | | | | |
| Repair and maintenance of bridges | 4.7 | 22 | 6.4 | 25 |
| Grants to voluntary organisations | 14.6 | 69 | 18.1 | 69 |
| Grants administration | 1.0 | 5 | 0.8 | 3 |
| Governance costs | 0.8 | 4 | 0.7 | 3 |
| Total charitable and other expenditure | 21.1 | 100 | 26.0 | 100 |

| | | | | |
|--|------------|--|-----|--|
| Net incoming resources for the year | 8.9 | | 6.0 | |
|--|------------|--|-----|--|

The recognised net gains on managed investments were £49.6m (2011/12: loss of £1.3m). Net gains on property investments were £31.1m (2011/12: net gain of £37.1m). Thus the overall increase in funds for the year was £89.6m (2011/12: increase in funds of £41.8m).

| | 2012/13 £'m | 2011/12 £'m |
|---------------------------------------|-------------|-------------|
| Net incoming resources | 8.9 | 6.0 |
| Other recognised gains and losses | 80.7 | 35.8 |
| Increase in funds for the year | 89.6 | 41.8 |

Reserves policy

The Trust's reserves and investment policies are to provide long term stability and liquidity sufficient for the financing of the Trust's objectives of maintaining the river bridges and the making of grants whilst preserving both the 'real' value of the asset base and the purchasing power of the sums available for annual expenditure. All of the Trust's funds are unrestricted and comprise:

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- The Accumulated Fund representing the unrestricted funds of the Trust which results from the excess of income over expenditure carried forward from previous years - £22.0m at 31 March 2013 (2011/12: £16.3m);
- Total Designated Funds amounted to £937.6m (2011/12: £853.7m) and are made up of the following:
 - A reserve set aside to produce the income required to fund the charitable activities of the Trust which are the operating of the bridges and grant giving. This reserve amounted to £815.6m at 31 March 2013 (2011/12: £745.5m). The funds available for grants to charitable causes, falling within the defined criteria, continue to be subject to annual review by the Policy and Resources Committee;
 - Bridges Repairs, Maintenance and Major Works Fund. To provide sufficient resources to meet the enhanced maintenance costs of the five bridges over 50 years. The total of this reserve at 31 March 2013 was £119.9m (2011/12: £106.4m).
 - Reserves are designated in respect of financing future major works at Finsbury House and at 31 March 2013 this reserve totalled £0.2m (2011/12: £0.2m). Funds have also been retained from dilapidation income to fund necessary works in respect of ten properties - £0.9m at 31 March 2013 (2011/12: eight properties - £0.6m); and
 - In 2008/09 a designated reserve was established in respect of the Tower Bridge Tourism activity to cover any future shortfall in income that may arise due to the volatile nature of the tourism market. The total of this reserve at 31 March 2013 was £1.0m (2011/12: £1.0m).

Investment Policy and Objectives

The non-property investment portfolio has been divided between Pyrford International Plc, Ruffer LLP, Southeastern Asset Management Inc and GMO (U.K) Ltd. Each of these managers have been given specific performance targets.

Managed investments and investment properties are re-valued during the year. The difference between carrying value and historic cost is recognised in the Statement of Financial Activities in accordance with the Charities Statement of Recommended Practice (SORP).

Non-Property Investment Policy

The Investment Policy is to seek an absolute return over the long term in order to provide for real increases in annual expenditure, whilst preserving the Fund's capital base in real terms. In pursuance of this objective, the City of London Corporation has adopted an investment strategy using bonds, equities and cash.

For the financial year 2012/13 the Fund achieved a performance of plus 15.8% (2011/12: plus 2.9%). This compares to the weighted average return achieved in the WM Charity Unconstrained ex property index of plus 15.9% (2011/12: plus 0.9%). The relatively minor underperformance of minus 0.1% compared to the benchmark is attributable to favourable asset allocations of +0.9%, more than offset by poor stock selection by the Investment Managers of -1%.

Investments are made by the Fund Managers in accordance with the above policy and the City expects them to pay due regard to Social, Environmental and Ethical considerations which should further the long-term financial interest of the shareholders. Full details of the

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Investment Policy are set out in the City of London Corporation's Statement of Investment Principles which is available from the Chamberlain of London.

Property Investment Policy

The property assets of Bridge House Estates, which are valued at £426m as at 31 March 2013 (2011/12 £394m), are managed by the City Surveyor's Department within the context of a Member approved Estates' Strategy. This strategy is reviewed in depth by Members on a 3-yearly basis. Members also receive an annual report assessing progress. In addition each year Members review the Department's Business Plan and Objectives, which further address key areas in the Estates' management.

The fund's overall objectives were reviewed in February 2013, and are:

- 1) To at least achieve, and ideally outperform the IPD Central London and SE1 Benchmark for Total Return on an annualised five year basis;
- 2) To maintain and maximise rental income from the Estate and to endeavour to secure rental income growth at least in line with inflation so far as market circumstances permit; such rental incomes significantly supports the Trust's activities.

A number of detailed policies underpin this overall objective and key targets include:

- diversification from the EC2 cluster, and from City Holdings; and
- the maintenance and enhancement of the fabric of the existing directly managed portfolio.

The key performance measures are comparisons with the IPD benchmarks. The IPD UK Annual Universe Index covers property valued at some £135bn in 244 funds; the overall total return for 2012/13 for the IPD Universe was +3.9%. The Estates' performance was +12.8%, and therefore the Estate has exceeded the IPD UK Annual Index this year. The specific annual Benchmark index for Bridge House Estates was +10.7% and therefore the Estate has also exceeded its Benchmark. Over the last ten years the annualised total return for the Estates has been +9.3% p.a., compared with +8.7% for its Benchmark, and +6.1% for the Annual Universe.

6. Explanation of the Financial Statements

These consist of the following and include comparative figures for the previous year.

- **Statement of Financial Activities** showing all resources available and all expenditure incurred and reconciling all changes in the funds of the Trust;
- **Balance Sheet** setting out the assets, liabilities and funds of the Trust;
- **Cash Flow Statement** showing the movement in cash for the year; and
- **Notes to the Financial Statements** explaining the accounting policies adopted and explanations of information contained in the Financial Statements.

The Financial Statements have been prepared in accordance with statutory requirements and the Statement of Recommended Practice *Accounting and Reporting by Charities (Revised 2005)*. The Trustee confirms that the Trust's assets are available and adequate to fulfil the obligations of the Trust.

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7. Responsibilities of the Trustee

Law applicable to charities in England and Wales requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Trust at the end of the year and of its financial activities during the year then ended. In preparing the Financial Statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume the Trust will continue in operation.

The Trustee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and enable the Trustee to ensure that the Financial Statements comply with the Charities Act 2011. The Trustee has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities.

8. Adoption of the Annual Report and Financial Statements

Adopted and signed for on behalf of the Trustee

Roger A.H. Chadwick
Chairman of Finance Committee

Raymond Michael Catt
Deputy Chairman of Finance Committee

Guildhall, London
23 July 2013

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INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF BRIDGE HOUSE ESTATES

We have audited the financial statements of Bridge House Estates for the year ended 31 March 2013 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustee, as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustee and auditor

As explained more fully in the Trustee's Responsibilities Statement, the trustee is responsible for the preparation of the financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2013, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

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- the information given in the Trustee's Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP

Chartered Accountants and Statutory Auditors

St Albans, UK

Deloitte LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006 and consequently to act as the auditor of a registered charity.

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

We, whose names are hereunto subscribed, the Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts, elected by the Livery of London in Common Hall assembled on, 24 June 2011, 25 June 2012, 24 June 2013 pursuant to Act 11, George 1, Cap. 18, an Act for regulating elections within the City of London, etc., do report as follows-

We have reviewed the processes adopted by Deloitte LLP for the audit of the Bridge House Estates Trust for the period from 1 April 2012 to 31 March 2013.

In our view the audit of the Financial Statements has been conducted in accordance with auditing procedures as stated on pages 28-29.

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

S. Barnsdall

A. de Lacey

J. Griffin

W. Owen

N. Bennett

The Deloitte Engagement Partner, Heather Bygrave, is also a member of the Audit Review Panel. However, as the role of the Panel is to provide independent confirmation that the processes adopted by Deloitte LLP have been conducted in accordance with auditing procedures, it is not appropriate for Heather Bygrave to sign the report.

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Statement of Financial Activities
for the year ended 31 March 2013

| | | Unrestricted income Funds | |
|--|-------|---------------------------|------------------------|
| | Notes | 2012/13 Total £m | 2011/12 Total £m |
| Incoming resources | | | |
| Incoming resources from generated funds | | | |
| Activities for generating funds | | | |
| Tourism fees and charges | 4 | 3.7 | 3.4 |
| Investment income | | | |
| | 4 | | |
| Investment property income | | 23.2 | 25.5 |
| Managed investment income | | 14.0 | 12.8 |
| Interest receivable | | 1.8 | 1.6 |
| Other | | 0.5 | 1.4 |
| Total incoming resources | | 43.2 | 44.7 |
| Resources expended | | | |
| Cost of generating funds | | | |
| Tourism expenses | | 3.2 | 2.9 |
| Investment property expenses | | 7.3 | 7.3 |
| Managed investment expenses | | 2.7 | 2.5 |
| Charitable activities | | | |
| Repair and maintenance of bridges | | 4.7 | 6.4 |
| Grants to voluntary organisations | | 15.6 | 18.9 |
| Governance costs | | 0.8 | 0.7 |
| Total resources expended | 5 | 34.3 | 38.7 |
| Net incoming resources before other recognised gains and losses | | 8.9 | 6.0 |
| Other recognised gains and losses | | | |
| Net gain/(loss) on managed investments | 10 | 49.6 | (1.3) |
| Net gain on property investments | 10 | 31.1 | 37.1 |
| Net movement in funds | | 89.6 | 41.8 |
| Reconciliation of funds | | | |
| Total Funds brought forward | 15 | 870.0 | 828.2 |
| Total Funds carried forward | 15 | 959.6 | 870.0 |

All operations are continuing

All funds are unrestricted income.

There are no other recognised gains and losses other than those shown above.

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Balance Sheet
as at 31 March 2013

| | Notes | 2012/13 | 2011/12 |
|--|-------|----------------|---------|
| | | £m | £m |
| Fixed assets | | | |
| Tangible fixed assets | 8 | 3.4 | 3.6 |
| Investments – property | 10 | 425.7 | 394.0 |
| Investments - under fund management and long term deposits | 10 | 454.5 | 411.0 |
| Programme related investments | 10 | 0.1 | 0.1 |
| Social Investment Fund | 10 | 0.3 | - |
| | | 884.0 | 808.7 |
| Current assets | | | |
| Stock – finished goods | | 0.1 | 0.1 |
| Debtors | 11 | 9.6 | 8.6 |
| Investments | 10 | 98.7 | 86.3 |
| Cash at bank and in hand | | 3.5 | 3.8 |
| Total current assets | | 111.9 | 98.8 |
| Creditors: Amounts falling due within one year | 12 | (33.4) | (32.9) |
| Net current assets | | 78.5 | 65.9 |
| Total assets less current liabilities | | 962.5 | 874.6 |
| Creditors: Amounts falling due after more than one year | 13 | (2.9) | (4.6) |
| Net assets | | 959.6 | 870.0 |
| The Funds of the charity: | | | |
| Unrestricted Income Funds | 15 | 959.6 | 870.0 |

Approved and signed for on behalf of the Trustee

Chris Bilsland
Chamberlain of London
23 July 2013

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Cash Flow Statement
for the year ended 31 March 2013

| | Note | 2012/13 £'m | 2011/12 £'m |
|--|------|----------------|----------------|
| Net cash outflow from operating activities | 1 | (9.2) | (7.8) |
| Returns on investments and servicing of finance | | | |
| Interest received | | 1.8 | 1.6 |
| Managed investment income | | 14.0 | 12.8 |
| Net cash inflow from investments and servicing of finance | | 15.8 | 14.4 |
| Capital expenditure and financial investment | | | |
| Purchases of tangible fixed assets | | - | 0.1 |
| Return of investments under fund management and long term deposits | | 6.1 | 19.7 |
| Investment property purchases and enhancements | | (0.6) | (5.3) |
| Sale of investment property | | - | 15.3 |
| Net cash inflow from capital transactions | | 5.5 | 29.8 |
| Management of liquid resources | | | |
| Cash added to short term deposits | | (12.4) | (34.9) |
| (Decrease)/Increase in cash in the year | 2 | (0.3) | 1.5 |

Notes to the Cash Flow Statement

1. Reconciliation of net incoming resources on operating activities to net cash flow

| | 2012/13 £'m | 2011/12 £'m |
|--|----------------|----------------|
| Net incoming resources | 8.9 | 6.0 |
| Depreciation/Impairment | 0.2 | 0.3 |
| (Increase)/Decrease in debtors | (1.0) | (1.7) |
| (Increase) in long term investments | (0.3) | - |
| Increase/(Decrease) in creditors falling due within one year | 0.5 | 0.7 |
| (Decrease)/Increase in long term creditors | (1.7) | 1.3 |
| Interest receivable | (1.8) | (1.6) |
| Managed investment income | (14.0) | (12.8) |
| Net cash outflow from operating activities | (9.2) | (7.8) |

2. Movement in cash as shown in the Balance Sheet

| | 2012/13 £'m | 2011/12 £'m | Movement £'m |
|---------------------------------|----------------|----------------|-----------------|
| Cash at bank and in hand | 3.5 | 3.8 | (0.3) |

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Notes to the Financial Statements

1. Accounting policies

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the Trust's Financial Statements.

(a) Basis of preparation

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice *Accounting and Reporting by Charities (Revised 2005)*, the Charities Act 2011, the governing instruments and under the historical cost accounting convention modified to include the revaluation of investment property and managed investments. The statements have also been prepared in accordance with applicable accounting standards.

(b) Going concern

The Trust is considered a going concern for the foreseeable future, due to its level of reserves and the Trustee having due regard to maintaining the capital base with, generally, only the investment income used in furtherance of the objectives of the Trust. A rolling annual in depth survey of the Trust's forecast financial position over a five year period is carried out providing the framework for the medium term financial strategy. This strategy is to ensure that ongoing revenue expenditure is contained within revenue income and that sufficient surpluses are generated to finance capital expenditure on the bridges with surplus funds allocated to charitable grants.

(c) Incoming resources

All incoming resources are included in the Statement of Financial Activities on an accruals basis, gross without deduction of expenses.

(d) Resources expended

Grants to voluntary organisations

The grant-making activity is described in the section starting on page 12 and a list of the main grants given is shown at the end of this report. All grants awarded in a financial year are included in the Statement of Financial Activities for that year on an accruals basis. The value of grants unpaid at the year end is included in creditors.

Allocation of costs between different activities

The City of London Corporation charges staff costs directly to the costs of generating funds, the charitable activities and governance costs on a time spent basis. Associated office accommodation is charged out proportionately to the square footage used. All other costs are charged directly to the individual activities and recorded on an accruals basis.

(e) Fixed assets

Bridges

The objects of the charity are to preserve and maintain the Bridges and as such the Bridges are considered to be heritage assets. The Bridges are also considered to be inalienable (i.e. they may not be replaced or disposed of without specific statutory powers). A valuation of the Bridges, and certain strategic properties integral to the operation of Tower Bridge, is not included in these accounts as either a) reliable cost information is not available, or b) significant cost is involved in reconstruction of past accounting records, or in valuation, which

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is onerous compared to the benefit to the users of these accounts. The insured value of the five Bridges at 31 March 2013 was £671m (31 March 2012: £671m).

Revaluations and Impairment

Where a reduction in value of a fixed asset is caused by a general fall in prices, the loss is recognised in the Statement of Financial Activities in accordance with the Charities Statement of Recommended Practice (SORP). A reduction in value caused by a clear consumption of economic benefits (i.e. if the loss is similar in nature to depreciation) is an impairment loss and is also recognised in the Statement of Financial Activities. Should a reversal of a reduction in value be required, the accounting follows the original treatment applied. Where a fixed asset (other than freehold land) is not depreciated or has a life of more than 50 years, an annual impairment review is carried out.

Investment properties

In accordance with Statement of Standard Accounting Practice No 19 (*Accounting for investment properties*):

i) The City Surveyor of the City of London Corporation, who is a fellow of the Royal Institution of Chartered Surveyors, values investment properties annually as at 31 March at market values determined in accordance with the RICS Valuation – Professional Standards March 2012 edition issued by the Royal Institution of Chartered Surveyors. Check valuations are also provided by external valuers with the externally checked values representing some 55% of the Estates' value as at 31 March 2013. Surpluses and deficits arising are included in the Statement of Financial Activities and the aggregate surplus or deficit is recognised in the Statement of Financial Activities in accordance with the Charities SORP.

ii) No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

Managed investments

FTSE 100 Company investments are valued at the Stock Exchange Trading System (SETS) price at 31 March. Other quoted investments are valued at the middle market price at the close of business on 31 March. Unquoted investments are included at a valuation advised by the fund managers.

Investment income is accounted for on an accruals basis. Income is recognised for dividends declared in respect of the period to 31 March but which have not yet been received.

Revaluation of investments

Gains and losses on revaluation of managed investments and investment properties held as fixed assets at the year end are included in the appropriate section of the Statement of Financial Activities.

Gain/(loss) on disposal of fixed assets

The gain/(loss) on property, managed investments and tangible fixed asset disposals, represents the differences between proceeds received on disposals and their book value at the beginning of the year. The net gain/(loss) on investments shown in the Statement of Financial Activities represents the difference between the historical cost on acquisition or

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the market value at 1 April 2012, compared with the market value at the date of disposal or at 31 March 2013.

Other tangible fixed assets

The acquisition costs of minor capital items such as furniture and office equipment below £50,000 are charged to revenue in the year of purchase.

Depreciation

Tangible fixed assets are depreciated on a straight line basis to write off their cost over their estimated useful lives as follows:

| | |
|------------------------------|-------------|
| Computer Software | 3 years |
| Computer and other equipment | 5 years |
| Fixtures and fittings | 8 years |
| Leaseholder Improvements | 10-30 years |

(f) Stocks

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

(g) Pension costs

The City of London's Pension Scheme is a funded defined benefits scheme for its staff employed on activities relating to its three funds (City Fund, City's Cash and Bridge House Estates). Bridge House Estates does not have an exclusive relationship with the City of London Pension Fund, neither is the portion of the Pension Fund that relates to City of London employee members engaged on Bridge House Estates activities separately identifiable. Consequently, in accordance with FRS17, the pension arrangements are treated as a defined contribution scheme in the Bridge House Estates accounts. This means that the FRS17 surplus or deficit on the Pension Fund is not included in the Bridge House Estates Balance Sheet.

(h) Social Security

The City of London Corporation accounts centrally for salary and wage deductions relating to all of its funds. Consequently Social Security deductions are not recognised in the Bridge House Estates accounts.

(i) Rent deposits

Deposits against defaults in rental payments held by the Trust are shown as creditors.

(j) Foreign currencies

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

(k) Fund accounting

The Trust has the following types of unrestricted funds:

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General Fund

This Fund is expendable at the discretion of the Trustee in the furtherance of the objects of the Trust. Specifically it represents the surplus of income over expenditure for the Trust which is carried forward to meet the requirements of future years.

Designated Funds

The Trust may at the Trustee's discretion set aside funds for purposes which would otherwise form part of the General Fund; these Funds are however still classified as unrestricted. Specifically the Trust now sets aside funds for maintaining the bridges, major cyclical works at Finsbury House and providing sufficient income for grant giving. The Bridges Repairs and Maintenance Fund has been established to equalise the cost of repairs and major cyclical works such as repainting over a period of up to 50 years, and a fund has been established in respect of the Tower Bridge Tourism activity to cover any future shortfall in income that may arise due to the volatile nature of the tourism market. Further information is given in note 15 to the Financial Statements.

2. Tax status of the Trust

Bridge House Estates is a registered Charity and is therefore exempt from income tax and capital gains tax on income and gains falling within S256 TCGA 1992 and Part 10 of ITA 2007. The City is sole Trustee of the Trust and, is entitled to recover VAT incurred on the expenditure of the Trust under section 33 of the VAT Act 1994.

3. Indemnity insurance

The Trust contributes towards indemnity insurance, in respect of all the City of London's activities, to protect the Trust from loss arising from neglect or default of its Trustee, employees or agents. The cost of this insurance to the Trust was £25,765 in 2012/13 (2011/12: £25,860).

4. Incoming Resources

Incoming resources consist of fees and charges from the tourism operation at Tower Bridge, donations, income from property and managed investments and income on cash balances held.

Fees and charges from the tourism operation at Tower Bridge amounted to of £3.7m in 2012/13 (2011/12: £3.4m). Income from fixed asset investments are held to provide an investment return to the charity, as shown in the table below.

Income from fixed asset investments

All investments are held to provide an investment return to the Charity. The income from fixed asset investments is comprised as follows:

| Investment Class | Unrestricted | | 2012/13 £'m | 2011/12 £'m |
|--------------------------------|----------------|-------------------|----------------|----------------|
| | General £'m | Designated £'m | | |
| Investment property | 22.9 | 0.3 | 23.2 | 25.5 |
| Managed investments | 12.5 | 1.5 | 14.0 | 12.8 |
| Interest receivable | 1.1 | 0.7 | 1.8 | 1.6 |
| Other income | - | 0.5 | 0.5 | 1.4 |
| Total Investment Income | 36.5 | 3.0 | 39.5 | 41.3 |

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5. Resources expended

Resources expended are analysed as follows:

| | Activities undertaken directly £'m | Support costs £'m | 2012/13 Total £'m | 2011/12 Total £'m |
|---------------------------------|---------------------------------------|----------------------|-------------------------|-------------------------|
| Cost of generating funds | | | | |
| Investment property | 5.3 | 2.0 | 7.3 | 7.3 |
| Investment management | 2.4 | 0.3 | 2.7 | 2.5 |
| Tourism | 3.0 | 0.2 | 3.2 | 2.9 |
| | 10.7 | 2.5 | 13.2 | 12.7 |
| Charitable expenditure | | | | |
| Bridges repairs & maintenance | 4.2 | 0.5 | 4.7 | 6.4 |
| Grants | 15.4 | 0.2 | 15.6 | 18.9 |
| | 19.6 | 0.7 | 20.3 | 25.3 |
| Governance | - | 0.8 | 0.8 | 0.7 |
| Total Resources Expended | 30.3 | 4.0 | 34.3 | 38.7 |

No resources are expended by third parties to undertake charitable work on behalf of the Charity. The grants given in accordance with the grant giving policy are in furtherance of the activity of the recipient charities and are described further below.

Tourism expenses

Staff costs and other expenses relate to the management and operation of the Tower Bridge tourist attraction.

Investment property expenses

Staff costs, repairs and maintenance costs, and professional fees relating to the management of the investment property portfolio.

Investment management expenses

The whole cost of the fees paid to the fund managers is charged to the revenue account.

Bridges repairs and maintenance

This comprises staff costs, repairs and maintenance, insurance, equipment and materials costs.

Grants

This consists of grants approved of £14.6m, which are accounted for on the basis set out in note 1 to the accounts and grants administration of £1.0m which consists of the staff costs and other direct expenses of administering the grants process.

No grants are made to individuals. A summary of grants to institutions over programme areas is as follows:

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| Programme area | 2012/13 Total grants to institutions £'m | 2011/12 Total grants to institutions £'m |
|--|---|---|
| Working With Londoners | | |
| Accessible London | 1.6 | 2.0 |
| Bridging Communities | 2.1 | 2.0 |
| Improving Londoners' Mental Health | 1.7 | 3.0 |
| London's Environment | 1.1 | 4.2 |
| Older Londoners | 1.0 | 2.0 |
| Positive Transitions to Independent Living | 1.9 | 2.5 |
| Strengthening the Third Sector | 1.9 | 2.1 |
| | 11.3 | 17.8 |
| Growing Localities | | |
| Growing and Greening | 0.8 | - |
| Horticultural Work Training | 1.0 | - |
| Exceptional Grants | 0.5 | 0.2 |
| Strategic Initiatives | 1.3 | 0.9 |
| | | |
| Total Grants Awarded | 14.9 | 18.9 |
| Write backs (grants no longer useable for the purpose awarded) | (0.3) | (0.8) |
| Total Grants chargeable | 14.6 | 18.1 |

Details of all the grants approved are shown on pages 50-65.

Governance

General

Governance costs relate to the general running of the Charity, rather than specific activities within the Charity. They include strategic planning, external audit and costs associated with Trustee meetings. Governance costs are analysed further in the table in note 6.

Auditor's remuneration and fees for external financial services

Remuneration to the external auditor (Deloitte LLP) for the audit of the 2012/13 accounts amounted to £41,514 (2011/12: £47,631). Other fees payable to Deloitte LLP for non-audit services during the year totalled £5,000 (2011/12: £6,500).

Trustee's expenses

Members of the City of London Corporation are unpaid and do not receive allowances in respect of City of London Corporation activities in the City. However, Members may claim travelling expenses in respect of activities outside the City and receive allowances in accordance with a scale when attending a conference or activity on behalf of the City of London Corporation. These costs are met from the private funds of the City of London Corporation and not charged to the trust.

During 2006/07 a scheme was introduced whereby any Member suffering a financial loss as a direct result of their City of London responsibilities could seek recompense in accordance with an

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agreed scale. These costs are met from the private funds of the City of London Corporation and not charged to the trust.

6. Support Costs

The cost of administration, which includes the salaries and associated cost of officers, together with premises and office expenses, is allocated by the City of London Corporation to the activities under its control, including the activities within Bridge House Estates, on the basis of resources consumed on the respective services. These expenses include the cost of administrative and technical staff (e.g. surveyors, engineers).

Support costs are analysed by activity as follows:

| | Tourism | Investment property | Investment management | Bridges | Grants | Governance | 2012/13 Total | 2011/12 Total |
|---|------------|---------------------|-----------------------|------------|------------|------------|---------------|---------------|
| | £'m | £'m | £'m | £'m | £'m | £'m | £'m | £'m |
| Department: Chamberlain | - | 0.1 | 0.1 | - | - | 0.1 | 0.3 | 0.3 |
| Comptroller & City Solicitor | - | 0.2 | - | - | - | - | 0.2 | 0.2 |
| Town Clerk | - | - | - | - | 0.1 | 0.2 | 0.3 | 0.4 |
| City Surveyor | - | 1.6 | - | 0.4 | - | - | 2.0 | 2.0 |
| Director of the Built Environment | - | - | - | 0.1 | - | - | 0.1 | 0.1 |
| Director of Culture, Heritage & Libraries | 0.1 | - | - | - | - | - | 0.1 | 0.1 |
| Public Relations | - | - | - | - | - | 0.1 | 0.1 | 0.1 |
| Information Systems | 0.1 | 0.1 | - | - | - | - | 0.2 | - |
| Premises Costs | - | - | - | - | 0.1 | 0.1 | 0.2 | 0.2 |
| Other | - | - | 0.2 | - | - | 0.3 | 0.5 | 0.6 |
| Total support costs | 0.2 | 2.0 | 0.3 | 0.5 | 0.2 | 0.8 | 4.0 | 4.0 |

The main support services provided by the City of London Corporation are:

| | |
|-----------------------------------|--|
| Chamberlain | Accounting services, insurance, revenue collection, payments, financial systems and internal audit. |
| Comptroller and City Solicitor | Property, litigation, contracts, public law and administration of commercial rents. |
| Town Clerk | Committee administration, human resources, emergency planning. |
| City Surveyor | Work undertaken on the management of the Estate properties, surveying services and advice, supervising and administering repairs and maintenance to operational and investment properties. |
| Director of the Built Environment | Support functions in respect of finance, human resources, information technology, management and administration for |

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the Thames Bridges.

| | |
|--|---|
| Director of Culture, Heritage & Libraries | Support functions in respect of finance, human resources, information technology, management and administration for Tower Bridge Tourism. |
| Public Relations | Supporting and promoting City strategic aims and policy priorities for example, by maintaining the organisation's website and corporate contacts database and liaising with the press. |
| Information Systems | The information systems charge relates to the support and operation of the City of London's Corporations central and corporate systems used by Bridge House Estates, on the basis of usage of the systems and small IS development projects that might be required. |
| Premises costs | Bridge House Estates share of the premises costs for the use of the Guildhall complex. |
| Other | Various services including corporate training, corporate printing, occupational health, union costs, environmental and sustainability section. |

7. Staff numbers and costs

Officers employed by the City of London Corporation work on a number of City of London Corporation activities.

The number of full time equivalent directly employed staff (excluding agency) in respect of the Investment Properties, Bridges, Tower Bridge Tourism and the Grants Unit is 95.0 at a cost of £3.4 million (2011/12: 93.9 staff at a cost of £3.5 million).

The number of directly charged staff earning less than £60,000 is shown below.

| Employees who earn less than £60,000 per annum | | | | | | |
|---|--------------------------------------|------------------|--------------------------------------|--|-----------------------------|----------------------|
| | No of full time equivalent employees | Gross Pay £'m | Employer's National Insurance £'m | Employer's Pension Contribution £'m | Total 2012/13 £'m | Total 2011/12 £'m |
| Investment Properties | 24.8 | 0.46 | 0.04 | 0.08 | 0.58 | 0.64 |
| Tower Bridge Tourism | 27.4 | 0.82 | 0.06 | 0.12 | 1.00 | 0.94 |
| Bridges | 29.0 | 0.95 | 0.08 | 0.16 | 1.19 | 1.23 |
| Grants Unit | 11.8 | 0.40 | 0.03 | 0.06 | 0.49 | 0.48 |
| Total | 93.0 | 2.63 | 0.21 | 0.42 | 3.26 | 3.29 |

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

| Employees who earn more than £60,000 per annum | | | | | | | |
|---|---------------|---|-------------------------|--|--|---------------------------------------|-----------------------------|
| | Band £'000 | No of full time equivalent employees | Gross Pay £'m | Employer's National Insurance £'m | Employer's Pension Contribution £'m | Total 2012/13 £'m | Total 2011/12 £'m |
| Grants Unit | 60-69,999 | 1.0 | 0.05 | 0.01 | 0.01 | 0.07 | 0.07 |
| Grants Unit | 100-109,999 | 1.0 | 0.08 | 0.01 | 0.01 | 0.10 | - |
| Grants Unit | 110-119,999 | - | - | - | - | - | 0.11 |
| Total | | 2.0 | 0.13 | 0.02 | 0.02 | 0.17 | 0.18 |

All employees whose remuneration was above the £60,000 threshold, have retirement benefits accruing under the defined benefit scheme (accounting policies 1 (g)).

In addition, support service staff are charged to Bridge House Estates and other City of London Corporation activities on the basis described in note 6. The whole time equivalent number of support service staff charged is 50.6 (2011/12: 46.6).

8. Tangible fixed assets

| | Computers and other equipment £'m | Fixtures and fittings £'m | Leasehold Improvements £'m | Total £'m |
|---------------------------------|--|-------------------------------------|--------------------------------------|---------------------------|
| <u>Cost</u> | | | | |
| At 1 April 2012 | 0.4 | 0.8 | 4.2 | 5.4 |
| Additions/Adjustments | - | - | - | - |
| Disposals | - | - | - | - |
| At 31 March 2013 | 0.4 | 0.8 | 4.2 | 5.4 |
| <u>Accumulated depreciation</u> | | | | |
| At 1 April 2012 | 0.3 | 0.7 | 0.8 | 1.8 |
| Charge for year | - | - | 0.2 | 0.2 |
| Disposals | - | - | - | - |
| At 31 March 2013 | 0.3 | 0.7 | 1.0 | 2.0 |
| <u>Net book values</u> | | | | |
| At 31 March 2012 | 0.1 | 0.1 | 3.4 | 3.6 |
| At 31 March 2013 | 0.1 | 0.1 | 3.2 | 3.4 |

The net book value of tangible fixed assets relating to direct charitable purposes amounts to £3.4 million (2011/12: £3.6 million).

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9. Heritage assets

The primary purpose of Bridge House Estates is the provision and maintenance of five river Bridges. The Bridges were either built by the Charity or donated to it. The length of time the Bridges have been owned by the Trust stretches from the 12th Century to the 21st Century and therefore the Bridges are considered to be inalienable heritage assets and are not capitalised in the Financial Statements. Further information regarding the policy for the preservation and management of heritage assets has been included within the trustee's annual report.

10. Fixed asset investments

Fixed asset investments are held to provide an investment return to the Charity to enable the Charity to fulfil its charitable objectives. The investment assets are divided into two categories – property investments under the management of the City Surveyor of the City of London Corporation and non-property investments under the management of fund managers.

Property investments

The value of property investments is arrived at as follows:

| | 2012/13 £'m | 2011/12 £'m |
|--|------------------------------|----------------|
| Property investments | | |
| Market value 1 April | 394.0 | 366.9 |
| Purchase costs | 0.6 | 5.3 |
| Net unrealised gain on revaluation at 31 March | 31.1 | 30.5 |
| Permanent loss on revaluation | - | (0.4) |
| Book value of disposed assets | - | (8.3) |
| Market value 31 March | 425.7 | 394.0 |

Net gain on property investments

The net gain on property investments is arrived at as follows:

| | 2012/13 £'m | 2011/12 £'m |
|--|------------------------------|----------------|
| Property investments | | |
| Net unrealised gain on revaluation at 31 March | 31.1 | 30.5 |
| Permanent loss on revaluation | - | (0.4) |
| Realised gain on disposal | - | 7.0 |
| Market value 31 March | 31.1 | 37.1 |

As many of the investment properties were gifted to the Trust and others were acquired centuries ago, it is impracticable to provide historical cost information. It has been assumed that the historical cost is nil. The properties are situated in Greater London.

In 2012/13 there were no permanent losses on revaluation (2011/12: £0.4m for one investment property). This was treated in accordance with the accounting policies set out in 1(e) above.

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Investments under Fund Management and Long / Short Term Deposits

Analysis of movement:

| | 2012/13 £'m | 2011/12 £'m |
|--|------------------------------|----------------|
| Market value 1 April | 395.1 | 404.2 |
| Add: Additions to investments at cost | 148.4 | 116.9 |
| Less: Disposals at market value | (149.5) | (124.7) |
| Add: Net (loss)/gain on revaluation | 49.6 | (1.3) |
| Market value of investments 31 March | 443.6 | 395.1 |
| Long term deposits | 10.9 | 15.9 |
| Investments under fund management and long term deposits | 454.5 | 411.0 |
| Cash held by Fund Managers at 31 March | 25.5 | 23.6 |
| Short term deposits and money market funds | 73.2 | 62.7 |
| Total investments as at 31 March | 553.2 | 497.3 |
| Cost 31 March | 485.3 | 364.4 |

Net advances to fund managers during 2012/13 were £0.5m (2011/12: advances to fund managers £0.9m). Total investments as at 31 March are analysed between long term and short term as follows:

| | 2012/13 £'m | 2011/12 £'m |
|--|------------------------------|----------------|
| Long term | 454.5 | 411.0 |
| Short term deposits (*) and money market funds | 73.2 | 62.7 |
| Short term investments in hands of fund managers | 25.5 | 23.6 |
| Total | 553.2 | 497.3 |

(*) The Chamberlain's Banking Account includes cash on deposit £34.9m (2011/12: £18.4m) and accrued interest of £1.8m (2011/12: £2.9m), neither of which fall within the FRS1 definition of cash. Accordingly, these balances are included within Investments and Debtors respectively.

The geographical spread of investments, including cash held by fund managers and short term deposits, at 31 March was as follows:

| | 2012/13 £'m | 2011/12 £'m |
|---|------------------------------|----------------|
| United Kingdom (including cash held by fund managers) | 343.8 | 303.7 |
| Europe (excluding UK) | 71.1 | 64.4 |
| United States of America | 98.3 | 93.6 |
| Japan | 17.0 | 15.7 |
| Pacific (excluding Japan) | 16.5 | 13.4 |
| Emerging Markets | 6.5 | 6.5 |
| Total | 553.2 | 497.3 |

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Investment Analysis by Type

| | 2012/13 £'m | 2011/12 £'m |
|-------------------|----------------|----------------|
| Fixed Interest | | |
| UK | 122.5 | 115.7 |
| Overseas | 17.3 | 16.5 |
| Index Linked | | |
| UK | 21.7 | 20.0 |
| Overseas | 12.0 | 13.6 |
| Pooled Units | | |
| UK | 5.4 | 0.5 |
| Overseas | 6.1 | 5.7 |
| Listed Equities | | |
| UK | 165.1 | 139.5 |
| Overseas | 170.1 | 155.7 |
| Managed Funds | 11.9 | 10.3 |
| Investment Income | 13.7 | 13.3 |
| Venture Capital | 7.4 | 6.5 |
| Total | 553.2 | 497.3 |

The investment powers of the Trust are set out in an order of the Charity Commission dated 20 July 1998 (Ref: 251.98). This order enables the Trustee to invest the property of the Trust either:

- in the acquisition of any securities or property (real or personal) of any sort; or
- on deposit or loan whether in the UK or elsewhere.

Programme related investments

On the 29th July 2010 the City Bridge Trust purchased a £100,000 zero interest investment bond (the East London Bond) in support of the Bromley by Bow Centre and Community Links. The bond is repayable in 2015.

Social Investment Fund

This Fund was established in 2012/13 and one investment was placed during the year on 31st July of £318,513 in the Small Enterprise Impact Investing Fund (SEIIF) from Oxfam/Symbiotics.

11. Debtors due within one year

| | 2012/13 £'m | 2011/12 £'m |
|------------------|----------------|----------------|
| Accrued interest | 1.8 | 2.9 |
| Rental debtors | 3.8 | 2.0 |
| Other debtors | 4.0 | 3.7 |
| Total | 9.6 | 8.6 |

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12. Creditors due within one year

| | 2012/13 £'m | 2011/12 £'m |
|-------------------------------------|------------------------------|----------------|
| Grants payable | 20.7 | 20.7 |
| Trade creditors | 0.9 | 0.8 |
| Property income received in advance | 5.5 | 3.4 |
| Rent deposits | 2.9 | 2.9 |
| Other income received in advance | 0.1 | 0.3 |
| Other creditors | 3.3 | 4.8 |
| Total | 33.4 | 32.9 |

13. Creditors due after more than one year

| | 2012/13 £'m | 2011/12 £'m |
|----------------|------------------------------|----------------|
| Grants payable | 2.9 | 4.6 |
| Total | 2.9 | 4.6 |

14. Pensions

Following the statutory triennial valuation of the pension fund as at 31 March 2010, completed by independent consulting actuaries, an employer's contribution rate of 17.5% has been applied for 2011/12, 2012/13 and 2013/14. A further triennial valuation will be completed as at 31 March 2013.

In 2012/13 employer's contributions to the scheme for staff engaged on Bridge House Estates activities was £0.7 million (2011/12: £0.7 million). There are no outstanding or pre-paid contributions at the balance sheet date.

The deficit of the scheme at 31 March 2013 is £342 million (2011/12: £351 million) as calculated in accordance with FRS17 disclosures.

15. Funds

Analysis of net assets by fund

| | General Funds £'m | Designated Funds £'m | 2012/13 Total £'m | 2011/12 Total £'m |
|------------------------------|-------------------------|----------------------------|--|-------------------------|
| Fixed assets | 3.4 | 880.6 | 884.0 | 808.7 |
| Net current assets | 21.5 | 57.0 | 78.5 | 65.9 |
| Creditors more than one year | (2.9) | - | (2.9) | (4.6) |
| Total assets | 22.0 | 937.6 | 959.6 | 870.0 |

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Movement of unrestricted funds during the year to 31 March 2013

| | Balance at 1 April 2012 | Net incoming / (outgoing) resources before transfers | Transfers between Funds | Net gain/(loss) on investments/ properties | Balance at 31 March 2013 |
|-------------------------------|-------------------------------|---|-------------------------------|--|--------------------------------|
| | £'m | £'m | £'m | £'m | £'m |
| <i>General Funds</i> | | | | | |
| Accumulated Fund | 16.3 | 8.1 | (2.4) | - | 22.0 |
| Total General Funds | 16.3 | 8.1 | (2.4) | - | 22.0 |
| <i>Designated Funds</i> | | | | | |
| Reserve Funds | | | | | |
| General | 327.2 | - | 0.6 | 12.3 | 340.1 |
| Designated Sales Pool | 24.2 | - | 2.1 | - | 26.3 |
| Investment Revaluation | 27.0 | - | - | 32.3 | 59.3 |
| Property Revaluation | 367.1 | - | (2.7) | 25.5 | 389.9 |
| Total Reserve Fund | 745.5 | - | - | 70.1 | 815.6 |
| Finsbury House | 0.2 | - | - | - | 0.2 |
| Property Dilapidations | 0.6 | 0.3 | - | - | 0.9 |
| Bridges Repairs | 106.4 | 0.5 | 2.4 | 10.6 | 119.9 |
| Tower Bridge Tourism | 1.0 | - | - | - | 1.0 |
| Total Designated Funds | 853.7 | 0.8 | 2.4 | 80.7 | 937.6 |
| Total Funds | 870.0 | 8.9 | - | 80.7 | 959.6 |

Notes to the Unrestricted Funds

As set out in the accounting policies the Trustee has designated certain funds for particular purposes. These are as follows:

Designated Reserve Funds - The Trustee has designated reserve funds which represent:

- 1) General - The funds required to meet the Charity's commitments on an ongoing basis. The commitments are:
 - Bridge operations - The Charity has a duty to operate and maintain the Bridges and has therefore designated funds to enable it to meet this commitment on an ongoing basis; and
 - Grant giving - The Charity Commission agreed a Cy-près scheme in 1995 to enable the Charity to use its surplus funds to give grants to charitable organisations across Greater London. Funds have been set aside to generate income for this purpose. The funds generating the income are not available for grant making under the terms of the scheme.

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- 2) Designated Sales Pool – This Fund exists to finance capital expenditure on additions to the Bridge House Estates investment property portfolio. It is built up from capital receipts from disposals of interests in the Estate.
- 3) Investment Revaluation – This is essentially the difference between cost and market value of managed investments.
- 4) Property Revaluation – In most cases, the cost of property investments is unknown. This item represents either the market value of investment property or the difference between cost and market value, where the cost is known.

Finsbury House - This represents contributions by tenants for service charges and is to ensure that funds are available to finance major cyclical works. Interest is credited at the Chamberlain’s daily balances rate.

Property Dilapidations – When a tenant leaves a property and has not kept the property in the condition required by the lease, an agreed sum is paid to the Trust relating to the repairs needed to bring the property back to the state it was at the commencement of the tenancy. These Funds are being held pending their utilisation on re-instating the properties.

Bridges Repairs, Maintenance and Major Works Fund – A fund has been established to equalise the payments required to repair and maintain the five bridges over a 50 year period.

Tower Bridge Tourism – A fund has been established from the net proceeds generated by the tourism operation at Tower Bridge, to cover any future shortfall in income that may arise due to the volatile nature of the tourism market.

16. Commitments

The following commitments have been made at 31 March in respect of future accounting periods:

| | 2013 | 2012 |
|---|-------------|------|
| | £’m | £’m |
| Capital works authorised | 2.9 | 3.1 |
| Supplementary Revenue Project Commitments | 0.1 | 1.5 |

17. Related parties

The following disclosures are made in recognition of the principles underlying Financial Reporting Standard 8 concerning related parties.

One of the capacities of the City of London Corporation is that of Trustee of the Trust, as described on page 2. The City of London Corporation provides management, surveying and administrative services for the Trust. The costs incurred by the City of London Corporation in providing these services are charged to the Trust. The City of London Corporation also provides banking services, charging all transactions to the Trust at cost and crediting or charging interest at a commercial rate. The cost of these services is set out in the Statement of Financial Activities under “Resources expended” and an explanation of these services is set out in note 5 and 6 to the Financial Statements.

BRIDGE HOUSE ESTATES

TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

The City of London Corporation is also the Trustee of a number of other Charitable Trusts. These Trusts do not undertake transactions with Bridge House Estates. A full list of these Trusts is available on application to the Chamberlain of the City of London.

Members of the City of London Corporation responsible for managing the Trust are required to comply with the Relevant Authority (model code of conduct) Order 2001 issued under the Local Government Act 2000 and the City of London Corporation's guidelines which require that:

- Members sign a declaration agreeing to abide by the City of London Corporation's code of conduct;
- a register of interests is maintained;
- pecuniary and non-pecuniary interests are declared during meetings; and
- Members do not participate in decisions where they have an interest.

There are corresponding arrangements for staff to recognise interests and avoid possible conflicts of those interests. In this way, as a matter of policy and procedure, the City of London ensures that Members and officers do not exercise control over decisions in which they have an interest. Transactions are undertaken by the Trust on a normal commercial basis.

Members and Chief Officers have also been requested to disclose related party transactions of £10,000 or more in 2012/13 including instances where their close family has made transactions with the City of London.

During 2012/13, two Members declared their interest as Governors of the Cripplegate Foundation (a registered charity), which received a grant of £40,000 from Bridge House Estates. Another Member declared an interest as a Trustee of the Barbican Centre Trust (a registered charity) which received a grant of £100,000 from Bridge House Estates.

During 2011/12, two Members declared their interest as Governors of the Cripplegate Foundation (a registered charity) which received a grant of £148,500 from Bridge House Estates. Another Member declared an interest as a Trustee of the Barbican Centre Trust (a registered charity) which received a grant of £1,502,000 from Bridge House Estates. A further Member declared an interest as a Trustee of First Aid Nursing Yeomanry (a registered charity) which received a grant of £60,000 from Bridge House Estates.

The Members did not participate in the discussions or the decision making relating to the award of the grants.

BRIDGE HOUSE ESTATES
ANNUAL REPORT AND FINANCIAL STATEMENTS

List of Grants Approved 2012/13

| Organisation Name | Project Description | Total Approved £ | Number of years |
|---|--|-----------------------------|----------------------------|
| Working with Londoners | | | |
| Accessible London | | | |
| Accessible Arts & Sports | | | |
| Cricket for Change | for sports coaching for young disabled Londoners | £120,000 | 3 years |
| Deafinitely Theatre | for a programme developing the talents of deaf people within the theatre | £150,000 | 3 years |
| Isleworth Explorers Club | for arts and sports based activities for young people with special needs and disabilities | £24,000 | 3 years |
| One-To-One (Enfield) | for a sports development worker to support people with learning disabilities participating in integrated sports activities | £23,600 | 2 years |
| Prince's Foundation for Children & the Arts | for an arts and culture project for children with life-limiting conditions | £105,000 | 3 years |
| Step by Step | for a sports and leisure coordinator plus transport and venue costs | £120,000 | 3 years |
| Tall Ships Youth Trust | for sail training trips for young disabled Londoners | £68,000 | 3 years |
| Vallance Community Sports Association Ltd | for a project manager to lead the 'Sports Access for All' programme | £38,850 | 3 years |
| Subtotal | | £649,450 | |
| Accessible Buildings | | | |
| All Saints Appeal | for disability access improvements to All Saints Parish Church, Kingston-upon-Thames | £50,000 | 1 year |
| Battersea Arts Centre | for disability access improvements | £50,000 | 1 year |
| Blackheath Halls | for disability access improvements | £50,000 | 1 year |
| CB Hounslow Football Club | for an access audit | £435 | 1 year |
| Charterhouse | for an access audit and design appraisal | £2,130 | 1 year |
| City Temple | for an access audit | £2,160 | 1 year |

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|---|---|-------------------|----------|
| Essex Wildlife Trust | for disability access work at the proposed visitor centre in Hornchurch Country Park | £50,000 | 1 year |
| Flash Musicals | for an access audit and disability equality training | £1,220 | 1 year |
| Geddes Place United Reformed Church Bexleyheath | for a platform lift to improve access to meeting rooms | £30,000 | 1 year |
| Guildhall School Trust | for disability access provision in the Milton Court development | £370,200 | 1 year |
| National Council for Voluntary Organisations | for disability access improvements | £50,000 | 1 year |
| Old Vic Theatre Trust | for an access audit | £4,750 | 3 months |
| Parish of Christ Church and St John | for disability access improvements | £47,100 | 1 year |
| St John's Church Notting Hill | for disability access improvements | £25,000 | 1 year |
| St John's Church, Deptford | for an access audit and design appraisal | £900 | 1 year |
| Training Ship Broadsword Sea Training Corps | for disability access improvements | £24,000 | 1 year |
| Zoological Society of London | for disability access improvements | £50,000 | 1 year |
| Subtotal | | £807,895 | |
| Accessible Transport | | | |
| RaKAT Ltd | for an accessible minibus | £27,500 | 1 year |
| Waltham Forest Community Transport | for community transport provision in Newham | £120,000 | 3 years |
| Subtotal | | £147,500 | |
| Total | | | |
| | | £1,604,845 | |
| Bridging Communities | | | |
| Active Communities Network | for a programme of sports leadership development for young Londoners | £100,000 | 2 years |
| Advice and Learning Bureau (ALB) Limited | for ESOL classes for adults whose first language is French | £29,200 | 2 years |
| Age UK London | for an outreach worker and running costs to involve BME elders in a London-wide advocacy and engagement hub | £67,000 | 2 years |
| Aston-Mansfield | for an outreach worker and running costs to engage minority organisations in Newham ESOL Exchange | £32,350 | 2 years |
| Bangladesh Youth Movement | for ESOL classes for women | £48,000 | 3 years |

BRIDGE HOUSE ESTATES
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| | | | |
|-----------------------------------|--|----------|---------|
| (BYM) | | | |
| Barnet Refugee Service | for a volunteer coordinator and running costs | £93,000 | 3 years |
| British Deaf Association | for a London community development worker and running costs | £120,000 | 3 years |
| British Red Cross Society | for a befriending project supporting young unaccompanied refugees and asylum seekers | £120,000 | 3 years |
| Chocolate Films Limited | for a project manager for the '1,000 Londoners' programme | £65,000 | 3 years |
| Communities Welfare Network | for entry level ESOL courses for BME students | £23,500 | 2 years |
| Environmental Vision - 'envision' | for community co-ordinator and delivery costs of the 'Community Apprentice' project | £102,000 | 3 years |
| Faith Matters | for work improving relations between members of the Sikh and Muslim communities in west London | £35,000 | 1 year |
| Fight for Peace | for a youth programme coordinator and project manager plus running costs | £140,000 | 3 years |
| Fitzrovia Youth in Action | for a support worker plus running costs of the 'Youth Action for Cohesion' project | £72,000 | 3 years |
| Hackney Quest | for a volunteering programme | £120,000 | 3 years |
| Interlink Foundation | for a project developing partnerships between Charedi community groups and mainstream organisations | £120,000 | 3 years |
| JustDifferent | for workshops in schools challenging perceptions about disability | £24,000 | 3 years |
| Kazzum | for the 'Pathways' project for young migrants and refugees | £19,300 | 1 year |
| Kongolese Children's Association | for English teaching, incorporating English through employment training, for women from minority communities | £25,000 | 2 years |
| Leaders in Community (LiC) | for a programme development officer and an administrator/coordinator | £89,700 | 3 years |

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| | | | |
|---|--|-------------------|---------|
| Lift, London International Festival of Theatre | for a participatory theatrical project bringing together Croydon's diverse communities | £20,000 | 1 year |
| Lontano Trust Ltd | for a project to celebrate the music and traditions of Gypsy/Roma and travellers | £45,000 | 3 years |
| Lord's Taverners | for a girls' and young women's sports and leadership project in three London boroughs | £54,250 | 3 years |
| Migration Museum Project (MMP) | for an education programme | £50,000 | 2 years |
| Rewrite | for the ' REACT' programme | £24,360 | 2 years |
| Showroom Gallery Ltd | for a participatory projects coordinator | £49,000 | 3 years |
| SSBA Community Trust | for English language and sewing classes for isolated women | £18,380 | 1 year |
| Surrey Docks Farm | for a co-ordinator and running costs of the 'Joining Up' project | £111,000 | 3 years |
| Three Faiths Forum (3FF) | for an interfaith arts project | £87,000 | 3 years |
| Tony Blair Faith Foundation | for an interfaith leadership programme for young Londoners | £40,500 | 1 year |
| Tricycle Theatre Company Ltd | for the ' Minding the Gap' project | £60,000 | 3 years |
| West & North West London Vietnamese Association | for a coordinator and tutor for an ESOL project | £24,850 | 2 years |
| Wigmore Hall Trust | for a community chamber music programme | £52,000 | 3 years |
| WORLDwrite | for the 'WORLDbytes' project | £25,000 | 1 year |
| Total | | £2,106,390 | |
| Improving Londoners' Mental Health | | | |
| Barons Court Project | for a project worker for the drop-in service | £55,000 | 2 years |
| Catholic Children's Society (Westminster) | for a systemic family psychotherapist at the Bishop Harvey Family Service | £105,000 | 3 years |
| Chinese Mental Health Association | for a chief executive post | £120,000 | 3 years |
| Enfield Mental Health Users Group | for an older people's advocacy worker plus running costs | £29,800 | 2 years |

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| Fowler Newsam Hall Trust | for a dedicated project office and counselling/meeting space | £10,000 | 1 year |
| Guildhall School Trust | for a community-based music therapy service | £27,800 | 1 year |
| Hackney Bereavement Service | for a work to expand and develop a project with people aged 80+ | £45,000 | 3 years |
| Haringey Women's Forum | for a volunteer coordinator to run a befriending programme for women with mental health problems, especially those experiencing domestic violence | £102,000 | 3 years |
| Hounslow Youth Counselling Service | for a project providing counselling sessions for young people | £69,000 | 3 years |
| Maytree Respite Centre Ltd ('Maytree') | for the outreach and support for suicidal people in despair | £120,000 | 3 years |
| Mind in Tower Hamlets and Newham | for an older person's advocate and running costs of a project for older people with depression and mental health problems | £124,000 | 3 years |
| New Horizon Youth Centre | for a project leader and life skills workers plus running costs for the 'Healthy Minds' project | £135,000 | 3 years |
| OCD Action | for a project coordinator plus running costs of the London schools' work | £18,800 | 1 year |
| Off Centre | for capacity building and development of mental health services for young people in Hackney | £136,500 | 3 years |
| Rethink Mental Illness | for a young people's officer plus activity costs for the 'U think London' project | £39,000 | 1 year |
| Roundabout | for an administrator | £90,000 | 3 years |
| Samaritans, London Branch | for Central London Samaritans, providing volunteer-management, training and outreach programmes | £150,000 | 3 years |
| Southbank Centre | for the Southbank roof garden project, improving the mental health of homeless volunteers | £120,000 | 3 years |

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|--|---|-------------------|---------|
| St Peter's Community and Advice Centre | for work raising awareness of mental health issues experienced by elderly Bangladeshi women living in Tower Hamlets | £47,700 | 3 years |
| Terrence Higgins Trust | for a young people's counselling service | £144,000 | 3 years |
| Upper Room (St Saviour's with St Mary's) | for counselling support plus associated costs for work with homeless clients | £34,100 | 3 years |
| Total | | £1,722,700 | |
| London's Environment | | | |
| Culpeper Community Garden | for two community garden workers and running costs of environmental education work | £24,970 | 3 years |
| EcoActive Education Services | for a senior education officer to deliver a school and community project preventing food, energy, paper and packaging waste in north London | £84,000 | 3 years |
| Embrace Cooperation Ltd | for an environmental project manager plus running costs | £80,000 | 3 years |
| Environment Trust for Richmond Upon Thames | for an environmental volunteering project in west London | £124,600 | 3 years |
| Froglife Trust | for the 'Dragon Finder' project | £77,000 | 3 years |
| Generate Opportunities Ltd | for the 'Generate Growth' project | £90,000 | 3 years |
| Green Alliance | for a policy advisor, deputy director and running costs for work addressing green living in London's tower blocks | £55,100 | 1 year |
| London Orchard Project Ltd | for a project manager and running costs | £24,950 | 1 year |
| MADE in Europe | for a green guide and an accredited scheme for mosques and Islamic groups and for supporting young people promoting environmental awareness within Muslim communities | £38,550 | 1 year |
| Mapping for Change | for an educational and awareness event on air pollution | £4,320 | 1 year |

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|---|---|-------------------|---------|
| Octopus Community Network | for two development officers to deliver the 'Wild Places' project | £78,400 | 2 years |
| Otesha Project UK | for the 'Change Projects' programme working with young people | £11,950 | 1 year |
| River Thames Boat Project | for a coordinator developing an environmental education programme in several London boroughs | £86,000 | 3 years |
| Soil Association | for the 'Farm Academy' project. | £50,000 | 1 year |
| Spitalfields City Farm | for a farm manager | £102,500 | 3 years |
| St Paul's Community Centre | for a gardener and Caterpillar Club coordinator | £23,400 | 3 years |
| Thames Estuary Partnership | for biodiversity officer plus core and activity costs | £86,000 | 3 years |
| UP Project | for a programme of environmental education activities on the floating cinema | £90,000 | 3 years |
| Total | | £1,131,740 | |
| Older Londoners | | | |
| African Cultural Association - Barnet | for healthy lifestyle sessions for older African and Caribbean people in Barnet | £24,000 | 3 years |
| Alzheimer's Society | for a dementia advisor and running costs for a dementia service in the London Borough of Barking & Dagenham | £120,000 | 3 years |
| Ascension Community Trust | for an elders project coordinator | £24,400 | 2 years |
| Bishop Creighton House | for a volunteer coordinator plus management and other costs of the 'Keep Active' project | £122,500 | 3 years |
| Camden Carers Centre | for a social activities coordinator | £96,000 | 3 years |
| Capital Age Festival (2002) Limited | for Capital Age Festival 2012 | £15,000 | 1 year |
| Clod Ensemble | for the 'Extravagant Arts for Mature People' project | £30,000 | 3 years |
| Croydon African Caribbean Family Organisation | for an older people's coordinator | £48,000 | 2 years |
| Eastside Community Heritage | for discussion workshops and activities for elders during the | £5,000 | 1 year |

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| | | | |
|---|--|-----------------|---------|
| | Olympic Games 2012 | | |
| Eye Music Trust | for a music/colour sensory space and a series of workshops in care homes for people with dementia. | £87,500 | 3 years |
| Hackney Caribbean Elderly Organisation | for a project to address dementia among the African-Caribbean community | £53,150 | 3 years |
| Hackney Music Development Trust | for an over-60s programme | £13,300 | 1 year |
| Hornsey Lane Estate Community Association | for a lunch club and healthy lifestyles programme for people over 75, and new volunteering activities for people over 65 | £75,000 | 3 years |
| Open Age | for a head of community learning | £59,000 | 3 years |
| QPR in the Community Trust | for a business development manager, an administrator and a multi sports coach for the 'Extra Time' project | £18,000 | 3 years |
| Rosetta Life | for movement classes for stroke survivors within a community setting | £23,900 | 1 year |
| Somali Well Woman Project | for a health link worker and a project to develop healthy lifestyle programmes for Somali elders | £17,500 | 1 year |
| St Pancras Community Association | for a volunteering project to support and engage frail older people | £103,500 | 3 years |
| Sudbury Neighbourhood Centre (Middlesex) Limited | for a centre manager | £47,900 | 3 years |
| Total | | £983,650 | |
| Positive Transitions to Independent Living | | | |
| Ambitious about Autism | for an employment specialist to help young people with severe autism into employment | £117,000 | 3 years |
| Charlie Chaplin Adventure Playground | for staffing costs for the 'YES' project | £126,600 | 3 years |
| CLIC Sargent | for a social worker in each of the Royal Marsden and University College Hospital treatment centres for young | £139,000 | 3 years |

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| | | | |
|---------------------------------------|--|----------|---------|
| | people | | |
| Clink Charity | for a mentoring programme supporting ex-prisoners back into society and the workplace | £120,000 | 3 years |
| Community Cancer Centre | for providing information and support to cancer patients and their carers | £24,000 | 2 years |
| Depaul UK | for a London regional manager | £100,000 | 3 years |
| Disabled Parents Network (DPN) | for a face-to-face support officer | £23,400 | 2 years |
| Kainos Community | for salary and project costs of a rehabilitation and resettlement programme for prisoners on indeterminate sentences held at HMP Swaleside | £21,000 | 1 year |
| Kent Association for the Blind | for an information and assistive technology worker to develop training in the use of IT for blind and visually impaired people in LB Bromley | £73,000 | 3 years |
| Khulisa | for a programme manager and facilitators for the 'Silence the Violence' programme in three London Boroughs | £90,000 | 3 years |
| Koestler Trust | for the London element of the Koestler Awards | £77,650 | 3 years |
| Limes Community and Children's Centre | for the 'Stepping into Work' project | £24,900 | 1 year |
| London Air Ambulance | for a patient liaison nurse | £180,000 | 3 years |
| Middlesex Association for the Blind | for salary and running costs of a project to help those with a recently diagnosed visual impairment secure and/or retain employment | £64,000 | 3 years |
| National Autistic Society | for a transitions support coordinator and running costs of a pilot project helping young people make the transition from school to adulthood | £81,000 | 2 years |

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|--|--|-------------------|---------|
| New Choices for Youth | for a home maintenance skills training programme for young people leaving care | £74,250 | 3 years |
| Richmond Advice and Information on Disability (RAID) | for a travel buddy coordinator and project costs | £71,880 | 3 years |
| Royal London Society for Blind People | for a programme supporting young visual impaired people make the transition to adulthood | £55,000 | 3 years |
| Sense | for a project supporting deaf/blind children and young Londoners make the transition into adulthood | £71,400 | 3 years |
| St Giles Trust | for an employment support worker plus associated costs | £82,000 | 2 years |
| Trinity Community Centre | for a caseworker to provide advocacy and support for refugees and asylum seekers leaving care | £88,000 | 3 years |
| Whizz-Kidz | for life-skills training residential camps for mobility-impaired young Londoners | £60,000 | 3 years |
| WilsonMyBnk | for a financial literacy programme for young care leavers | £102,000 | 2 years |
| Total | | £1,866,080 | |
| Strengthening the Third Sector | | | |
| Advocacy Plus (London) Limited | for work to enable advocacy projects to improve the quality of their evaluation systems | £156,000 | 3 years |
| Association of Chief Executives of Voluntary Organisations | for the 'EngagedX' pilot scheme | £5,000 | 1 year |
| Camden BME Alliance | for a quality assurance worker and related running costs | £30,000 | 1 year |
| Centred | for the LGBT volunteering project | £30,000 | 1 year |
| Charities Evaluation Services | for the provision of monitoring and evaluation training for London's voluntary sector organisations, including discounts for City Bridge Trust funded groups | £100,000 | 2 years |

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| | | | |
|---|--|----------|---------|
| Community and Voluntary Sector Association Hammersmith and Fulham | for work to enable voluntary and community organisations to improve their evaluation, quality assurance and impact reporting | £155,000 | 3 years |
| Greenwich Action for Voluntary Service (GAVS) | for a project providing capacity building support to BME organisations in Greenwich | £67,500 | 2 years |
| Hammersmith & Fulham Volunteer Centre | for a 'Connecting Communities' project coordinator and project support costs | £150,000 | 3 years |
| Inclusion London | for a business and finance advisor for deaf and disabled people's organisations and running costs | £161,400 | 3 years |
| Lambeth Voluntary Action Council (LVAC) | for a volunteer brokerage officer to increase the quantity and the quality of volunteering in Lambeth | £110,000 | 2 years |
| Lewisham Refugee and Migrant Network | for a development worker to deliver digital and social media support to BMER organisations in Lewisham, Greenwich and Southwark | £92,000 | 2 years |
| Migrants Rights Network | for a capacity building programme to enable migrant and refugee support organisations to work together and engage with policy issues affecting those with whom they work | £99,000 | 3 years |
| Primetimers | for a financial management mentoring programme for small third sector organisations | £148,000 | 3 years |
| Race On The Agenda | for a project officer providing training, capacity building support and advice and information on the Equalities Act 2010 | £100,000 | 2 years |
| Reach Volunteering | for the 'Trustee Works' programme | £120,000 | 3 years |
| Small Charities Coalition | for a service manager and service coordinator to run the 'Building Resilience' | £142,000 | 3 years |

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| | | | |
|--|--|--------------------|-----------|
| | programme | | |
| Timebank | for a project coordinator and programme manager plus delivery costs for the 'Leaders Together' scheme | £80,000 | 2 years |
| Volunteer Centre Greenwich | for a project increasing the number and quality of volunteering placements in the Royal Borough of Greenwich | £162,000 | 3 years |
| Total | | £1,907,900 | |
| Total Working with Londoners | | £11,323,305 | |
| | | | |
| Growing Localities | | | |
| Growing & Greening | | | |
| Bankside Open Spaces Trust (BOST) | for an environmental action coordinator and running costs of the 'Growing Bankside and Waterloo' initiative | £49,980 | 2 years |
| Bermondsey Artists' Group | for salary and running costs of 'Grow to Sell' gardening sessions | £20,700 | 2 years |
| Calthorpe Project | for salary and running costs of the 'Community Food Growing' project | £31,700 | 2 years |
| Centre for Environmental Initiatives | for salary and running costs for seven local community food growing gardens | £49,100 | 2 years |
| Core Arts | for salary and running costs of the 'Greening the Grey' project | £42,600 | 2 years |
| Federation of City Farms & Community Gardens | for training courses and the printing, distribution and launch of the 'London Map' | £11,900 | 18 months |
| Forest Farm Peace Garden | for a bridge worker and running costs | £19,760 | 2 years |
| Groundwork Thames Valley | for 12 community growing spaces in Hillingdon and Hounslow | £45,000 | 2 years |
| Islington Play Association | for a 'Growing and Playing' project worker to develop and sustain six food growing areas | £45,200 | 2 years |
| Jobs in Mind | for a project coordinator to run and expand the 'Urban | £50,000 | 2 years |

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|---|--|-----------------|-----------|
| | Growth' project | | |
| London Orchard Project Ltd | for a project coordinator and running costs to establish 'Growing Localities Orchard Workshops' (GLOW) | £49,510 | 2 years |
| London Wildlife Trust | for a project officer and running costs | £43,770 | 2 years |
| Myatt's Fields Park Project | for a community gardener, and running costs to develop and sustain local food growing projects in north Lambeth and Southwark | £50,000 | 2 years |
| Poplar Housing & Regeneration Community Association | for the 'Poplar Go Grow' project | £39,900 | 2 years |
| Spitalfields City Farm | for two community gardeners and running costs to support local community organisations in developing gardening and food growing skills | £50,000 | 2 years |
| St Luke's Trust | for a project worker for the 'Growbags and Gourmets' initiative | £49,920 | 2 years |
| Sustain (Alliance for Better Food and Farming) | for a project officer and running costs to develop Capital Growth's food growing network | £49,920 | 17 months |
| Tree Council | for salary and running costs of the Tree Warden volunteers planting 'edible hedges' in parks and open spaces with local community groups | £47,000 | 19 months |
| Women's Environmental Network Trust | for salary and running costs to provide outreach support to four BAME women-led community food growing projects in Tower Hamlets | £10,000 | 2 years |
| Total | | £755,960 | |
| Horticultural Work Training | | | |
| Green Corridor | for a horticultural training and education project for young people | £89,900 | 2 years |
| Groundwork London | for 21 paid horticultural work placements and four horticultural apprentices | £90,000 | 2 years |

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| Harington Scheme | for work providing supported employment and work experience with accredited horticultural training for people with learning disabilities | £80,800 | 2 years |
| Organiclea | for staffing and running costs | £99,000 | 2 years |
| Otesha Project UK | for a programme of accredited training for young people | £80,000 | 2 years |
| St Mary's Secret Garden | for horticultural training for young people with learning disabilities and individuals with experience of mental ill health | £91,000 | 2 years |
| St Mungo Community Housing Association | for a gardener trainer and running costs to develop the 'Putting Down Roots' training programme for homeless people | £99,430 | 2 years |
| The Conservation Volunteers | for salary and running costs to provide horticultural work training and business support for young offenders | £95,000 | 2 years |
| Trees for Cities | for salary and running costs to provide work based horticultural training for long-term unemployed and socially excluded young adults | £100,000 | 2 years |
| Walworth Garden Farm | for salary and running costs to provide horticultural work training opportunities for young people with additional needs | £62,500 | 2 years |
| West Ham Park Charitable Trust | for the wages and training costs for eight trainees, three of whom will be offered apprenticeships in London parks | £123,000 | 2 years |
| Total | | £1,010,630 | |
| Total Growing Localities | | £1,766,590 | |
| | | | |
| Exceptional Grants | | | |
| Barbican Centre Trust Limited | for creative learning projects in east London | £250,000 | 1 year |
| Human Trafficking Foundation | for anti-trafficking work in | £120,000 | 3 years |

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|---|--|-----------------|---------|
| | London | | |
| PACT (Parents and Abducted Children Together) | for a strategic post raising awareness about missing and abducted children in London | £20,000 | 1 year |
| St John Ambulance | for first aid training and volunteering amongst young people in four east London boroughs | £100,000 | 2 years |
| Total Exceptional Grants | | £490,000 | |
| Strategic Initiatives | | | |
| Charterhouse | for an exhibition in philanthropy in collaboration with Museum of London | £152,000 | 1 year |
| City Philanthropy | for a City Philanthropy manager | £160,000 | 3 years |
| Greening the Third Sector | for a programme of eco-audits | £75,000 | 1 year |
| Ladder for London | for a contribution towards the Evening Standard's campaign to create ten new apprenticeships | £140,000 | 1 year |
| Learning and Sharing Strategy | for a programme of work to share the Trust's learning from its grant-making | £124,000 | 1 year |
| Londoner Time Credits (Spice Innovations) | for continuing work to develop a new model of volunteering in several London boroughs | £164,500 | 1 year |
| Lord Mayor's Appeal | for a post of development director | £65,000 | 1 year |
| Lord Mayor's Show | for costs associated with participating in the Lord Mayor's Show | £24,110 | 1 year |
| NCVO / Volunteering England Merger | for the due diligence and associated costs of the merger | £50,000 | 1 year |
| Quinquennial Review Future Scanning | for future scanning research to inform the Trust's quinquennial review | £50,000 | 1 year |
| Reading Agency | for the Dickens Social Reporters initiative, helping young people to develop their writing skills by looking at modern day social evils in the context of Dickens' centenary year. | £50,000 | 1 year |

BRIDGE HOUSE ESTATES
ANNUAL REPORT AND FINANCIAL STATEMENTS

List of Grants Approved 2012/13

| | | | |
|---|--|--------------------|---------|
| Social investment Advisor | for developing the Trust's work in the social investment field | £50,000 | 1 year |
| Social Investment Specialist | for developing the Trust's work in the social investment field | £50,000 | 1 year |
| The Funding Network | for a City Funding Network, a giving circle of young professionals | £30,000 | 3 years |
| UK Community Foundation | for a Beacon Award for City Philanthropy | £32,500 | 1 year |
| Beanstalk (formerly Volunteer Reading Help) | for a strategic primary school literacy project | £72,300 | 3 years |
| Young Philanthropy | for developing philanthropy syndicates within City firms | £41,000 | 3 years |
| Total Strategic Initiatives | | £1,330,410 | |
| | | | |
| Total Working with Londoners (160 grants) | | £11,323,305 | |
| Total Growing Localities (30 grants) | | £1,766,590 | |
| Total Exceptional Grants (4 grants) | | £490,000 | |
| Total Strategic Initiatives (17 initiatives) | | £1,330,410 | |
| Total awarded (212 grants/initiatives) | | £14,910,305 | |
| Less write backs | | (£304,085) | |
| Total grants chargeable in 2012/13 | | £14,606,220 | |

BRIDGE HOUSE ESTATES

ANNUAL REPORT AND FINANCIAL STATEMENTS

Membership of Committees

Culture, Heritage and Libraries Committee as at 31 March 2013

Chairman

John George Stewart Scott JP BA(Hons) FRP SL

Deputy Chairman

Vivienne Littlechild JP

Aldermen

Julian Henry Malins QC

Dr Andrew Charles Parmley Mus.M. Hon. F.G.S.

Fiona Woolf CBE

Commoners

John Leslie Bird OBE

Mark John Boleat

Dennis Cotgrove BA *Deputy*

Martin James Day BA MSc LLM

William Harry Dove MBE JP *Deputy*

Peter Gerard Dunphy

Anthony Noel Eskenzi CBE DSc *Deputy*

Kevin Malcolm Everett DSc

Martin Charles Farr

Brian Nicholas Harris

Michael Henderson-Begg

Tom Hoffman LLB

William George Hunt TD BA

Alistair John Naisbitt King MSc *Deputy*

Gregory Alfred Lawrence *Deputy*

Oliver Arthur Wynlayne Lodge TD BSc

Wendy Mead *Sheriff and Deputy*

Robert Allan Merrett

Sylvia Doreen Moys

Barbara Patricia Newman CBE

Janet Owen MBE *Deputy*

Ann Marjorie Francesca Pembroke

Henrika Johanna Sofia Priest

Stephen Douglas Quilter BSc (Hons)

Richard David Regan *Deputy*

Delis Regis

Michael Welbank *Deputy*

Ex-Officio

Alderman David Andrew Graves

Catherine McGuinness MA *Deputy*

The following were Members of the Committee within the period 1 April 2012 – 31 March 2013, but were no longer on the Committee on 31 March 2013:

Michael Robin Castle Sherlock MA *Deputy*

BRIDGE HOUSE ESTATES

ANNUAL REPORT AND FINANCIAL STATEMENTS

Policy and Resources Committee as at 31 March 2013

Chairman

Mark John Boleat

Deputy Chairman

Stuart John Fraser CBE

Aldermen

The Right Hon. The Lord Mayor Roger Gifford

Sir Robert Finch

Sir David Howard Bt MA DSc

Fiona Woolf CBE

Alan Colin Drake Yarrow

Commoners

Kenneth Edwin Ayers MBE *Chief Commoner and Deputy*

Douglas Barrow *Deputy*

John Alfred Bennett *Deputy*

Simon D'Olier Duckworth MA DL

Marianne Bernadette Fredericks

George Marr Flemington Gillon

Charles Edward Lord OBE JP *Deputy*

Jeremy Paul Mayhew MA MBA

Catherine McGuinness MA *Deputy*

Wendy Mead *Deputy*

Hugh Fenton Morris

Joyce Carruthers Nash OBE *Deputy*

Stephen Douglas Quilter BSc (Hons)

Dr Giles Robert Evelyn Shilson *Deputy*

Sir Michael John Snyder *Deputy*

James Richard Tumbridge

Michael Welbank *Deputy*

Ex-Officio

John Alfred Barker OBE *Deputy*

Michael John Cassidy CBE *Deputy*

Raymond Michael Catt

Roger Arthur Holden Chadwick

The Revd. Dr Martin Raymond Dudley

Martin Charles Farr

James Henry George Pollard

John George Stewart Scott JP BA(Hons) FRP SL

John Tomlinson BA MSc

The following were Members of the Committee within the period 1 April 2012 – 31 March 2013, but were no longer on the Committee on 31 March 2013:

Alderman Sir David Lewis MA (Oxon) DL

Robert William Duffield BA M.Litt.(Oxon)

Finance Committee as at 31 March 2013

Chairman

Roger Arthur Holden Chadwick

Deputy Chairman

Raymond Michael Catt

Aldermen

Sir Michael David Bear BSc (Eng) MBA

Jeffrey Richard Evans *Sheriff*

Sir Paul Judge

Neil Graham Morgan Radcliffe

Commoners

George Christopher Abrahams

John Alfred Barker OBE *Deputy*

Nigel Kenneth Challis MA FCA FCSI (Hon)

Dennis Cotgrove BA *Deputy*

Nicolas Cressey

Simon D'Olier Duckworth MA DL

Anthony Noel Eskenzi CBE DSc *Deputy*

Robin Anthony Eve OBE *Deputy*

Kevin Malcolm Everett DSc

The Revd. Stephen Decatur Haines MA *Deputy*

Pauline Ann Halliday OBE *Deputy*

Brian Nicholas Harris

Tom Hoffman LL.B

Robert Charles Hughes-Penney

Wendy Hyde

Alistair John Naisbitt King MSc *Deputy*

Anthony Llewelyn-Davies

Charles Edward Lord OBE JP *Deputy*

Jeremy Paul Mayhew MA MBA

Janet Owen MBE *Deputy*

James Henry George Pollard *Deputy*

Matthew Charles Falco Lombardi Richardson FRP SL

John George Stewart Scott JP BA(Hons)

Ian Christopher Norman Seaton

Dr Giles Robert Evelyn Shilson *Deputy*

Sir Michael John Snyder *Deputy*

David James Thompson

John Tomlinson BA MSc

Ex-Officio

Mark John Boleat

Michael John Cassidy

Stuart John Fraser CBE

BRIDGE HOUSE ESTATES
ANNUAL REPORT AND FINANCIAL STATEMENTS

**Property Investment Board
as at 31 March 2013**

Chairman

Michael John Cassidy CBE *Deputy*

Deputy Chairman

Archibald Duncan Galloway OBE

Aldermen

Sir Robert Finch

Commoners

Kenneth Edwin Ayers MBE *Chief Commoner and Deputy*

Roger Arthur Holden Chadwick

Anthony Noel Eskenzi CBE DSc *Deputy*

Martin Charles Farr

George Marr Flemington Gillon

Brian Nicholas Harris

Michael Hudson

Stanley Keith Knowles MBE *Deputy*

Charles Edward Lord OBE JP *Deputy*

Ex-Officio

Mark John Boleat

Raymond Michael Catt

**Financial Investment Board
as at 31 March 2013**

Chairman

Raymond Michael Catt

Deputy Chairman

James Henry George Pollard

Commoners

Kenneth Edwin Ayers MBE *Chief Commoner and Deputy*

Roger Arthur Holden Chadwick

Simon D'Olier Duckworth MA DL

Anthony Noel Eskenzi CBE DSc *Deputy*

Brian Nicholas Harris

Tom Hoffman LL.B

Robert Picton Seymour Howard *Deputy*

Clare James MA

Anthony Llewelyn-Davies

Charles Edward Lord OBE JP *Deputy*

Jeremy Paul Mayhew MA MBA

Ian Christopher Norman Seaton

Ex-Officio

Stuart John Fraser CBE

BRIDGE HOUSE ESTATES

ANNUAL REPORT AND FINANCIAL STATEMENTS

Planning and Transportation Committee as at 31 March 2013

Chairman

Martin Charles Farr

Deputy Chairman

Michael Welbank *Deputy*

Aldermen

John Garbutt

David Andrew Graves

Dr Andrew Charles Parmley MusM Hon FGS

Commoners

Alex Bain-Stewart MSc JP

John Alfred Barker OBE *Deputy*

John Brewster OBE

John Douglas Chapman *Deputy*

Pollyanna Sarah Davies

The Revd. Dr Martin Raymond Dudley

Peter Gerard Dunphy

Sophie Anne Fernandes

John William Fletcher BSc

Marianne Bernadette Fredericks

Archibald Duncan Galloway OBE

George Marr Flemington Gillon

Tom Hoffman LL.B

Robert Picton Seymour Howard *Deputy*

Michael Hudson

Stanley Keith Knowles MBE *Deputy*

Oliver Wynlayne Lodge TD BSc

Brian Desmond Francis Mooney MA

Sylvia Doreen Moys

John Richard Owen-Ward MBE *Deputy*

Michael Page

Ann Marjorie Francesca Pembroke

James Henry George Pollard *Deputy*

Ian Christopher Norman Seaton

Jeremy Lewis Simons MSc

John Hedley Spanner TD

Angela Mary Starling

Mark Twogood

The following were Members of the Committee within the period 1 April 2012 – 31 March 2013, but were no longer on the Committee on 31 March 2013:

John Richard Cottam White TD

The City Bridge Trust Committee as at 31 March 2013

Chairman

William Harry Dove MBE JP *Deputy*

Deputy Chairman

Wendy Mead *Sheriff and Deputy*

Aldermen

Alison Gowman

Peter Hewitt FCSI FRSA

Commoners

Kenneth Edwin Ayers MBE *Deputy*

Raymond Michael Catt

William Barrie Fraser OBE *Deputy*

The Revd. Stephen Decatur Haines MA *Deputy*

Vivienne Littlechild JP

Charles Edward Lord OBE JP *Deputy*

Jeremy Paul Mayhew MA MBA

Joyce Carruthers Nash OBE *Deputy*

Ian Christopher Norman Seaton

Ex-Officio

The Rt Hon the Lord Mayor Roger Gifford (Alderman)

The following were Members of the Committee within the period 1 April 2012– 31 March 2013, but were no longer on the Committee on 31 March 2013:

John Leslie Bird OBE

Michael Henderson-Begg MBE

BRIDGE HOUSE ESTATES
ANNUAL REPORT AND FINANCIAL STATEMENTS

Social Investment Board
as at 31 March 2013

Chairman

Alderman Peter Hewitt FCSI FRSA

Deputy Chairman

Charles Edward Lord OBE JP *Deputy*

Commoners

Kenneth Edwin Ayers MBE *Chief Commoner and Deputy*

Raymond Michael Catt

Roger Arthur Holden Chadwick

Robert Picton Seymour Howard *Deputy*

Richard David Regan *Deputy*

**CITY'S CASH TRUST FUNDS
FOR THE YEAR ENDED 31 MARCH 2013**

Open Spaces

| | |
|---|----|
| Ashted Common..... | A1 |
| Burnham Beeches | A2 |
| Epping Forest | A3 |
| Hampstead Heath | A4 |
| Highgate Wood and Queen's Park Kilburn | A5 |
| West Ham Park | A6 |
| West Wickham Common and Spring Park Wood, Coulsdon and Other Commons | A7 |
| Sir Thomas Gresham Charity..... | A8 |

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**SUNDRY TRUST FUNDS AND OTHER ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2013**

| | |
|---|----|
| <i>Banking and Investments</i> | B |
| Chamberlain's Banking Accounts | B1 |
| Corporation of London Charities Pool | B2 |
| <i>Open Spaces</i> | C |
| Hampstead Heath Trust | C1 |
| King George's Field..... | C2 |
| <i>Books and Libraries</i> | D |
| Guildhall Library Centenary Fund | D1 |
| <i>Education</i> | E |
| City Educational Trust Fund | E1 |
| The City of London Corporation Combined Relief of Poverty Charity | E2 |
| City of London School Education Trust | E3 |
| City of London Freeman's School Scholarships and Prizes Fund..... | E4 |
| City of London School Bursary Fund..... | E5 |
| City of London School for Girls Bursary Fund | E6 |
| City of London Freeman's School Bursary Fund | E7 |
| <i>Other Trusts and Funds</i> | F |
| Emanuel Hospital* | F1 |
| Sir William Coxen Trust Fund* | F2 |
| Signore Pasquale Favale Bequest | F3 |
| Wilson's Loan Trust | F4 |
| Vickers Dunfee Memorial Benevolent Fund * | F5 |
| City of London Almshouses* | F6 |

*The Annual Reports and Financial Statements for these Trusts are received by the Finance Committee but signed by one of the specific Trustees.

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The City of London Corporation
Bridge House Estates and the
Charities

Report to the Audit and Risk
Management Committee on the
year ended 31 March 2013 Audit

The Chairman of the Audit and Risk Management Committee
City of London
PO Box 270
Guildhall
London EC2P 2EJ

11 July 2013

Dear Sir

We have pleasure in setting out in this document our report to the Audit and Risk Management Committee of the City of London for the year ended 31 March 2013, for discussion at the meeting scheduled for 23 July 2013. This report covers the principal matters that have arisen from our audit of Bridge House Estates ("BHE") and the Charities (the City's Cash Trust Funds, Sundry Trust Funds and The City of London Almshouses) (as listed in Appendix 4) for the year ended 31 March 2013.

In summary:

- The major issues, which are summarised in the Executive Summary, have now been addressed and our conclusions are set out in our report.
- There are a number of judgemental areas to which we draw your attention in our report which you should consider carefully.
- In the absence of unforeseen difficulties, officers and Deloitte expect to meet the agreed audit and financial reporting timetable.

We would like to take this opportunity to thank the Chamberlain, Chris Bilsland, Caroline Al-Beyerty and their team for their assistance and co-operation during the course of our audit work.

Heather Bygrave

Senior Statutory Auditor

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| 2. Other issues | 10 |
| 3. Our observations on the “front half” of your annual report | 13 |
| 4. Risk management and internal control systems | 14 |
| 5. Independence | 18 |
| 6. Responsibility statement | 19 |
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| Appendix 2: Important future developments | 22 |
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Executive summary

We have the pleasure in setting out in this document our report to the Audit and Risk Management Committee on the audits of Bridge House Estates and the Charities (the City's Cash Trust Funds, Sundry Trust Funds and The City of London Almshouses) (as listed in Appendix 4) for the year ended 31 March 2013. This report summarises the principal matters that have arisen from our audit for the year ended 31 March 2013.

This summary is not intended to be exhaustive but highlights the most significant matters to which we would like to bring to your attention. It should, therefore, be read in conjunction with the report and the appendices thereto.

| Status | Description | Detail |
|--|--|--------|
| Completion of the audit | | |
| The status of the audit is as expected at this stage of the timetable | <p>The status of the audit is as expected at this stage of the timetable agreed in our audit plan.</p> <p>Items which remain outstanding at the date of this report include:</p> <ul style="list-style-type: none">• Attendance at the closing meeting with the Chamberlain and Audit Panel;• Completion of internal quality review assurance and routine audit procedures;• Review of post balance sheet events; and• Receipt of the signed letters of representation. | n/a |
| Overall view | | |
| We anticipate issuing an unmodified audit opinion on the truth and fairness of the financial statements | <p>On satisfactory completion of the outstanding matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the financial statements.</p> <p>The matters that we have taken into account in forming our overall view are described in the following sections.</p> | n/a |

Executive summary (continued)

| Status | Description | Detail |
|--|---|--|
| ● Risk appropriately addressed G | ● Risk satisfactorily addressed but with unadjusted errors identified A | ● Material unresolved matter R |

Significant audit risks

| | | |
|---|---|------------------|
| <p>There were no significant issues arising from our review of these audit areas</p> | <p>The audit risks which were communicated to you in our audit plan and the conclusion of our audit work thereon are set out below.</p> | <p>Section 1</p> |
| | <p><u>Revaluation of investment property – BHE</u> We have reviewed the adopted valuations in conjunction with our internal specialists and believe the valuations produced for Bridge House Estates as at 31 March 2013 representing an increase of £31.7m or 7.9% from 2011-12 are a reasonable reflection of their market value.</p> | <p>● G</p> |
| | <p><u>Revenue recognition – all entities</u> We have audited the revenue recognised during the year with a specific focus on the completeness of rental income and service charges. We note that rental income decreased during the year primarily due to a decrease in the number of leases which reduced from 313 leases in 2011-12 to 279 leases in 2012-13. This is primarily attributable to vacant properties at 1-5 London Wall Buildings which are currently undergoing renovation to improve the marketability of these properties. We have not identified any issues with the recognition of revenue.</p> | <p>● G</p> |
| | <p><u>Accounting for Scholarships and Bursary Awards – the Schools Charities as marked with an * in Appendix 4</u> We have audited the bursaries awarded during the year with a specific focus on the cut-off point of recording the awards for the summer term. There were no misstatements noted on the bursary awards as these had been accrued for the summer term. However, there were some scholarships which were paid post year end, which should have been accrued at 31 March 2013 in the accounts for The City of London School Bursary Fund and The City of London School for Girls Bursary Fund. The underaccrual on scholarships was immaterial but officers confirmed the errors and these have been adjusted. The details of the adjustments are shown in Appendix 1.</p> | <p>● G</p> |
| | <p><u>Management override of controls – all entities</u> We have focused our work on testing of journals (including the use of computer assisted audit techniques), significant accounting estimates and any unusual transactions, including those with related parties. Our testing did not identify any issues in relation to management override of controls, or the assumptions which have been adopted in determining key accounting judgements.</p> | <p>● G</p> |

Executive summary (continued)

| Status | Description | Detail |
|--|---|-----------|
| Other issues | | |
| A prior year adjustment was noted in The Vickers Dunfee Memorial Benevolent Fund | <p><u>Guildhall Improvement Project (“GIP”)</u></p> <p>We consider that the amounts capitalised in the financial statements of BHE in relation to the Guildhall Improvement Project are appropriate. After discussions, the Officers have agreed to remove the disclosure of the Contingent Liability note in the 2012-13 BHE financial statements as the actual contract with the contractor of GIP and the resulting obligation lies with another entity under the City of London Corporation – City’s Cash.</p> <p><u>VAT – BHE</u></p> <p>The City can recover input tax directly attributable to its exempt business activities where HMRC consider it to be an ‘insignificant’ proportion (less than 5%) of the total VAT incurred on all goods and services purchased for both business and non-business activities. Officers of the City have completed the calculation for the 2012-13 VAT partial exemption return which indicates that there is no breach of the 5% threshold.</p> <p><u>The Vickers Dunfee Memorial Benevolent Fund</u></p> <p>A prior year adjustment has been posted to the Vickers Dunfee Memorial Benevolent Fund. This arose as a result of a review carried out by officers during the year on the Endowment value which had been held historically at a value of £3,322 since the charity was set up in 1927. Officers estimated the value of the endowment held in the Charities Pool to be £139,396 at 31 March 2013. This value was tested for reasonableness by officers by applying long term growth rates to the earliest recorded investment value of £9,759 which was shown in the Charity Commission Scheme Document of 22 December 1961. An adjustment was required to reflect the transfer of £136,074 to the endowment fund from the unrestricted fund. This is just a reclassification of reserves and does not impact net assets in either the current year or prior year. As this reclassification was identified by the Officers prior to the commencement of the audit, it has not been included in Appendix 1.</p> | Section 2 |

Executive summary (continued)

| Status | Description | Detail |
|--|--|------------|
| Our observations on the “front half” of your annual report | | |
| The “front half” of your annual report is consistent with the financial statements | <p>Overall the annual reports provide adequate detail to assist the readers in their understanding of the charities.</p> <p>The annual reports include the required disclosures under the Charities SORP 2005.</p> | Section 3 |
| Risk management and internal control systems | | |
| We did not identify any significant deficiencies in the financial reporting systems | <p>Our audit findings did not identify any significant deficiencies in the financial reporting systems.</p> <p>Section 4 sets out the risk management and internal control observations arising from our audit procedures.</p> | Section 4 |
| Independence | | |
| We confirm we comply with APB Revised Ethical Standards for Auditors | Our reporting requirements in respect of independence matters, including fees, are covered in Section 5. | Section 5 |
| Identified misstatements and disclosure misstatements | | |
| There were no unadjusted misstatements or disclosure deficiencies | <p>Audit materiality for BHE was £1.9m (2012 £1.7m). Audit materialities of the Charities are included in Appendix 4.</p> <p>Audit materiality for the other entities was set on the basis of incoming resources or net assets as appropriate.</p> <p>There were no unadjusted misstatements or disclosure deficiencies.</p> | Appendix 1 |
| Significant representations | | |
| We will request management representations | A copy of the representation letters to be signed on behalf of the City and The City of London Almshouses are included at Appendix 5. The letters remain the same as the previous year’s letters. | Appendix 5 |

1. Significant audit risks

Investment properties (BHE)



We believe the internal and external valuations produced for Bridge House Estates as at 31 March 2013 are a reasonable reflection of their market value

BHE has a substantial portfolio of investment properties which are subject to annual revaluation. These properties require the application of specialist valuation assumptions. The current and recent economic volatility has affected property values, generally, and BHE has recorded significant gains and losses over the last 3 years.

All properties are valued in accordance with the Royal Institution of Chartered Surveyors ("RICS") Appraisal and Valuation Manual ("the Red Book"). In March 2013, 54% of the BHE portfolio by capital value was valued externally by Cushman & Wakefield (compared to 58% valued by Montagu Evans in March 2012). The remainder of the portfolio was valued by the City Surveyors' Office.

A summary of the portfolio is shown below:

| Market value at 1 April 2012 | Additions | Disposals | Revaluations | Market value at 31 March 2013 |
|------------------------------|-----------|-----------|--------------|-------------------------------|
| £394.0m | £0.6m | Nil | £31.1m | £425.7m |

The value of investment properties has increased by £31.7million from 2011-12, representing a like-for-like movement of +7.9%.

Deloitte response

Central London Office Market Commentary

Conditions within the London property market continue to improve. Leasing take-up rose by 2.6m sq ft, boosted by Google's 800,000 sq ft purchase at King's Cross Central. Availability rose by 8% to 17.9m sq ft, which remains at 9% below the long-term average. There is 9.0m sq ft under construction, one-third of which is already pre-let. Prime yields remained stable as investors continued to focus on Central London opportunities.

The Investment Property Databank ("IPD") index reports changes in capital values of various property types. Reported movements in Central London in the year to 31st March 2013 are summarised in the table below, and demonstrate that the performance of the BHE estate (like for like movement of 7.9%) is broadly in line with the London property market as BHE estate is spread across these 3 locations / property types:

| Property Type | Change in Capital Value |
|--------------------------------|-------------------------|
| Central & Inner London offices | +4.43% |
| City offices | +1.39% |
| Central London standard shops | +8.48% |

There have been a range of valuation increases across the portfolio for various reasons including improved market conditions since March 2012 for prime assets and value gains derived via the pursuit of active asset management opportunities, which have in many instances, increased capital values.

Certain investments have outperformed IPD and increased in value, due to active asset management by the long leaseholder, a good example of which is demonstrated by Friars House. In this instance a comprehensive refurbishment and pre-let has increased the capital value of the ground lease interest by c. 50%.

1. Significant audit risks (continued)

Investment properties (BHE) (Continued)

Deloitte response

Whilst we note that Friars House has performed extremely well and the value of £5.7m (2012: £3.8m) is reasonable as at 31 March 2013, we recommend that its valuation is monitored in the coming year. This is because the valuation contains assumptions about the future head lease income which has not yet transpired.

Work performed:

We have evaluated BHE's arrangements for updating valuations, including the operation of its rolling programme of reviews and the qualifications, relevant experience and independence of the specialists utilised to carry out the valuations.

We involved valuation specialists from Deloitte as part of the engagement team to assist in our review of the valuation of investment properties in view of the size of this portfolio. We noted that the process followed in preparation of the valuations appears to be reasonable.

Our procedures performed identified that £454,000 had been double counted on the BHE balance sheet, whereby the City had recognised the full market value of investment properties whilst also recognising the lease incentive balance separately under debtors. Based on the guidance provided in the Charities SORP and UK GAAP accounting standard, UITF Abstract 28, lease incentives should be deducted from the investment property year end valuation so that the sum of investment properties and the lease incentive asset equates to the market value established in accordance with the Red Book.

An adjustment of £454,000 was made by officers as detailed in Appendix 1.

We believe the internal and external valuations produced for Bridge House Estates as at 31 March 2013 are a reasonable reflection of their market value, and are correctly recognised in the Annual Report following the audit adjustment.

1. Significant audit risks (continued)

Revenue recognition (All entities)

● G

Our testing has not identified any issues with the recognition of revenue

Under ISA 240 (UK and Ireland) there is a presumption that each audit should recognise that potential fraud in revenue recognition is a significant risk. For BHE this has been identified as the completeness of rental income and service charges given its large property portfolio. Within each of the Charities, completeness of income has been identified as the specific risk.

Deloitte response

BHE

We have held discussions with the officers to refresh our understanding of the process for recording rental income and service charges.

We reviewed the completeness of rental income and service charges given BHE's large property portfolio by performing the following procedures:

- Substantive analytical procedures have been performed on the investment property income balance with expectations based upon original budget figures;
- We selected a sample of new leases entered into 2012-13, tracing from original lease documentation through to the general ledger to verify that rental and service charge amounts had been billed in accordance with the terms of the lease and these amounts were accurately recorded in the correct period, and
- We note that rental income decreased during the year primarily due to a decrease in the number of leases which reduced from 313 leases in 2011-12 to 279 leases in 2012-13. This is primarily attributable to vacant properties at 1-5 London Wall Buildings which are currently undergoing renovation to improve the marketability of these properties.

We have not identified any issues with the recognition of revenue.

Charities

The material revenue stream for the Charities is investment income from units invested in the Charities Pool.

We have audited the completeness and accuracy of allocation of investment income from the Charities Pool by performing the following procedures:

- Confirmed opening units held in the Charities Pool to prior year signed accounts and verified all movements during the year to supporting documentation;
- Consulted with our internal Financial Investment Specialists team;
- Agreed samples of income to investment manager statements;
- Checked the accuracy of officer's calculations; and
- Re-performed the allocation split.

No issues were noted with our testing.

1. Significant audit risks (continued)

Accounting for bursary awards (the Schools Charities as marked with an * in Appendix 4)

● G

Our testing has not identified any issues with the recognition of revenue

In the prior year a review was performed of the commitment terms for a number of bursary awards. The assessment showed that there are a variety of terms and conditions attached to the bursary awards given by the schools. These include the statements that the awards are subject to annual review, that they are subject to sufficient funds being available and that they are subject to satisfactory conduct of the pupil in the view of the school head. The applicants are also duty bound to advise the schools of any change of circumstances.

It was concluded that the bursary could be withdrawn by the school following each annual assessment and therefore the funding commitment over the total bursary should not be recognised on the date of award. However, as the academic year end for each school is not coterminous with the financial year end 31 March, the funding commitment for the summer term should be recognised in the annual financial statements.

The Charities affected by the accounting for bursary awards are:

- City of London School Education Trust;
- Charities ICW City of London Freeman's School;
- City of London School Bursary Fund;
- City of London School for Girls Bursary Fund; and
- City of London Freeman's School Bursary Fund.

Deloitte response

We have held discussions with officers to determine that there has been no change in the terms and conditions attached to the bursary awards and that the recognition should be on annual basis in line with the school year for the reasons outlined above.

For a sample of bursaries we have requested the award letters and reviewed the terms and conditions attached, to determine whether the award has been treated correctly.

There were no misstatements noted on the bursary awards as these had been accrued for the summer term. However, there were some scholarships which were paid post year end, which should have been accrued at 31 March 2013 in the accounts for The City of London School Bursary Fund and The City of London School for Girls Bursary Fund. The underaccrual on scholarships was immaterial but officers confirmed the misstatement and these have been adjusted. The details of the adjustments are shown in Appendix 1.

1. Significant audit risks (continued)

Management override of controls (All entities)

● G

Our testing did not identify any issues with officers bias

Under auditing standards the risk of management override is explicitly identified as a non-rebuttable significant risk. Therefore specific procedures are required to evaluate officers' processes for addressing estimation uncertainty, unusual transactions, related party transactions and the use of journals.

Deloitte response

We have focused our work on testing of journals, significant accounting estimates and any unusual transactions, including those with related parties.

We have used computer assisted audit techniques to select our samples for testing of journals covering both manual and automated journals. We placed particular focus on manual journals which exhibit certain key identifying characteristics such as large revenue entries reversed after quarter end, entries with round numbers or recurring ending digits and large income statement entries posted before quarter end to name a few. Except for an internal control observation point surrounding the review and authorisation of journals discussed further in Section 4 below, we did not identify any other issues.

Our consideration of key accounting estimates focused on the significant judgements identified separately above as areas of audit risk.

We considered through our detailed planning procedures and substantive procedures whether there were any transactions where the business rationale was not clear. We did not identify any such transactions.

2. Other issues

We identified the following issues in our planning document, in addition to the significant risks detailed in Section 1:

Guildhall Improvement Project (GIP) & Bovis Claims

Background

Bovis were the main contractors for the Guildhall Improvement Project which undertook refurbishment works to the North Wing, the Old Library and the Old Museum. The practical completion certificate for this project was issued in February 2010 by the contract administrator, therefore providing Bovis with six months to submit their final claim for costs incurred. There has been minimal communication from Bovis since practical completion to substantiate their initial claim of £89.2 million. The City has engaged Northcroft, a consultant quantity surveyor, to provide an assessment of the potential future costs, and has accrued for the additional expenditure in line with the estimate provided by them.

City's Cash was the entity that contracted with Bovis and settled the invoices relating to the construction. A portion of this cost was then re-charged to BHE and City Fund.

We continue to identify this area as an area of focus as final negotiations could have a material impact on the financial statements.

Deloitte Response

We met with officers to update our understanding for the level of the accrual in City's Cash. As BHE capitalises its share of the GIP costs, any movement in the accrual made in City's Cash would result in a portion being recharged to BHE impacting the cost of the asset.

We have corroborated these discussions through examination of supporting documentation from third parties, including any updated reports from Northcroft, to assess whether the cost of the asset is appropriate.

After discussions, the Officers have agreed to remove the disclosure of the Contingent Liability note in the 2012-13 BHE financial statements as the actual contract with the contractor of GIP and the resulting obligation lies with another entity under the City of London Corporation – City's Cash.

We consider that the amounts recognised in BHE's financial statements are appropriate. They will, however, require regular review and reconsideration as discussions with Bovis progress to ensure that they remain materially correct.

2. Other issues (continued)

VAT (BHE)

Background

The City can recover input tax directly attributable to its exempt business activities where HMRC consider it to be an 'insignificant' proportion of the total VAT incurred ('insignificant' means that this input tax is less than 5% of the total VAT incurred on all goods and services purchased for both business and non-business activities).

The City is required to undertake a calculation for the VAT year ending 31 March 2013 to confirm that its input tax relating to exempt supplies did not exceed the 5% de minimis limit. The exempt input tax percentage has been calculated at 4.67%.

Officers have confirmed that they are satisfied with the calculation and that they do not expect a breach of the 5% de minimis level, however a number of errors were identified and corrected by the City during preparation of the 2012-13 calculation.

Deloitte response

We have reviewed the City's partial exemption calculation for 2012-13 in conjunction with our internal VAT specialists. The calculation of the 2012-13 VAT partial exemption return shows that the input tax relating to exempt supplies did not exceed the 5% de minimis limit.

We conclude that the methodology applied to the partial exemption calculation for 2012-13 is reasonable in establishing that a breach of the 5% de minimis level has not occurred.

Whilst we consider the calculation to be reasonable, we have not undertaken a detailed line-by-line review of the calculation. However, we have performed a review of the calculation on a sample basis and no errors were noted on the samples tested.

Confirmation that the calculation is accurate is included as a non-standard representation in the management representation letter. In addition, we have also raised the following recommendations.

To assist the City in its VAT compliance and to reduce the potential for errors or a breach of the 5% de minimis level occurring in future years, we recommend the following:

- The procedures for in-year monitoring continue to be developed;
- The development of partial exemption forecasting for future years is explored although it is recognised that the significant and unpredictable nature of some of the City's property transactions could compromise the accuracy of forecasts;
- Continuing to liaise with and instruct finance personnel, to minimise the likelihood of errors in VAT treatment – particularly in relation to income;
- In addition to the Group Accountant and the graduate trainee, one other individual be involved in the preparation and oversight of COL's partial exemption calculations to provide resilience;
- Subscriptions to VAT technical updates to be maintained for all personnel in the City involved in VAT accounting; and

2. Other issues (continued)

In addition to the issues above, we identified one further issue during performance of our audit procedures which is detailed below.

Prior period adjustment – The Vickers Dunfee Memorial Benevolent Fund

Background

A prior year adjustment has been posted to the Vickers Dunfee Memorial Benevolent Fund. This arose as a result of a review carried out by officers during the year on the Endowment value which had been held historically at a value of £3,322 since the charity was set up in 1927. Officers estimated the value of the endowment held in the Charities Pool to be £139,396 at 31 March 2013. This value was tested for reasonableness by officers by applying long term growth rates to the earliest recorded investment value of £9,759 which was shown in the Charity Commission Scheme Document of 22 December 1961. An adjustment was required to reflect the transfer of £136,074 to the endowment fund from the unrestricted fund. This is just a reclassification of reserves and does not impact net assets in either the current year or prior year. As this reclassification was identified by the Officers prior to the commencement of the audit, it has not been included in Appendix 1.

Deloitte response

We concur and agree with the assumptions and adjustment to the endowment fund.

3. Our observations on the “front half” of your annual report

We are required to read the “front half” of your annual report to consider consistency with the financial statements and any apparent misstatements. The following section summarises the regulatory requirements for narrative reporting applicable to charities subject to statutory audit in the UK along with other key areas of focus for the Financial Reporting Council:

Charities SORP

The trustees' annual report should provide a fair review of the charity's structure, aims, objectives, activities and performance to summarise what the charity has achieved in the year and what impact it has made.

The annual reports explain to the reader the basis for the charities and the way they carry out their business.

The annual reports include detailed information on aims, achievements, performance against charitable objectives and future plans.

We have completed a Charity SORP checklist to ensure that BHE's and the Charities financial statements contain the required disclosures.

Risk disclosures

The Charity Commission guidance requires that charities produce a risk management statement.

The disclosures in the annual reports explain the risk management processes put in place by the Trustee(s).

However, Section C4 of the Charity Commission's 'Charity and Risk Management (CC26)' guidance recommends the inclusion of a description of the major risks faced by larger charities or those with more complex activities as best practice. This is currently not disclosed in the annual report of Bridge House Estates.

Public Benefit Reporting

The Charity Commission published in 2008 guidance on public benefit reporting which stated that public benefit is an integral part of what every charity does and should be integrated into any overall report of the charity's activities and performance during the year.

The annual reports include a public benefit statement confirming that the Trustee(s) have referred to the Charity Commission guidance on public benefit when reviewing aims and objectives and when making future plans and setting policy.

Remuneration

“The Government continues to have concerns about the disconnect between how the largest companies perform and the rewards that are on offer.”

Vince Cable September 2011

The BHE Annual Report explains that members of the City of London Corporation are unpaid and do not receive allowances in respect of City of London Corporation activities in the City.

As required by the Charity SORP the number of staff earning more than £60,000 is disclosed.

None of the Charities have staff earning more than £60,000. This has been appropriately disclosed.

4. Risk management and internal control systems

Our audit approach in relation to internal control was set out in our 'Briefing on audit matters' and our planning report circulated to you in December 2012.

Risk management and control observations

In addition to the recommendations provided in relation to significant audit risks, we also identified a number of risk management and control observations, the most significant of which are detailed below.

VAT

Prior year observation

The City encountered difficulties in completing the VAT partial exemption claim to fit with the audit timetable, due to the death of the highly experienced VAT accountant.

The calculation of the finalised claim for 2011-2012 was performed by a contractor and was received late in the audit process. We recommended the City should ensure that the knowledge gained from this temporary role is adequately captured and utilised in planning for future years and the timetable is again revisited.

Current year update

The City has recruited a Group Accountant for VAT, Research, Technical and Projects, and he is rapidly gaining knowledge and experience from the VAT Consultant. In addition, the City has recruited a Graduate Trainee assistant for the Group Accountant to assist on the VAT matters and is also recruiting a Senior Accountant to his team. The City decided to retain the services of the VAT consultant to ensure a smooth handover of duties and the consultant is currently still part of the team. The consultant undertook the Partial Exemption calculation this year, passing on his experience to the Group Accountant along the way. The calculation has been performed in a very precise manner, drawing on last year's experience and advice from PwC. The exempt input tax percentage has been calculated at 4.67%. Officers have confirmed that they are satisfied with the calculation and that they do not expect a breach of the 5% de minimis level.

The consultant also proposes to set up simplified procedures so that the Group Accountant can monitor the position on a quarterly basis as accurately as possible, thereby enabling him to advise officers of any concerns he may have at an early stage. However, we appreciate that it is difficult to accurately forecast future periods, given the City's perspective on property issues and management. The City's resilience with regard to VAT matters is thus enhanced this year.

Please see page 11 for recommendations.

The officers concur with the recommendations set out on page 11, most of which are already being progressed.

4. Risk management and internal control systems (continued)

| Approval of journals | |
|-------------------------------|---|
| Prior year observation | <p>The City introduced a new system in 2011-12 whereby all journal lines that have a value over £100,000 are retrospectively reviewed by a more senior member of staff. This was introduced following recommendations in previous years, to reduce the risk of errors arising from inappropriate journals going undetected. In the past we also noted that journals can be the means by which an individual might seek to hide fraud or commit fraud through manipulation of reported financial information. We reviewed the authorisation process in 2011-12 as part of our journals testing and no issues were noted.</p> |
| Current year update | <p>Current year testing of journals identified that the authorisation process was put in place; however, there are instances where this has been inconsistently followed. Two of our samples were not substantiated with evidence of authorisation although the entries were appropriate. We recommend that all officers maintain evidence of their reviews / authorisation via the sign off forms which indicate that the journal has been reviewed and approved, to ensure compliance with the controls in place in the journals review process.</p> |

4. Risk management and internal control systems (continued)

Investment Property Ownership

Current year observation

Testing of investment properties in BHE identified that no title deeds were held for 8 properties with a total valuation of £35.6m as at 31 March 2013. We had to perform alternative procedures such as verifying that rental income was derived from these properties to gain assurance that these properties were held by BHE. In particular, for one property (34 Engate Street, value £575k) there were no reasonable means by which BHE's ownership could be verified. We could not obtain evidence from the land registry and there were no title deeds in existence. Additionally there was no evidence of receipt of rental income in the current year, as the most recent lease agreement came to an end in June 2012 and was not subsequently renewed. We noted that negotiations for the granting of a new lease are on-going.

Lack of evidence to confirm ownership may potentially result in the recognition of assets on the balance sheet that the entity does not have rights to, resulting in an overstatement of the investment property balance. Therefore we recommend that there should be sufficient appropriate ownership evidence available in order that the ownership of all investment properties (across all entities) can be satisfactorily verified.

We note that a programme of title registration commenced in 1999, initially focusing on properties within the City boundaries. The next phase of the programme will cover the Open Spaces followed by properties outside the City boundaries. We note that the 34 Engate Street property is located outside the City boundaries in Lewisham. However, Officers are satisfied that they own the title to this property as they have collected rental income on this property until the expiry of the lease in June 2012 and there were no property disposals during the year. Furthermore, there hasn't been any challenge of ownership arising from previous sales of properties. We agree with management's justification and are satisfied given the inclusion of a specific representation confirming ownership of this property in the management representation letter. We support the City in continuing with the programme of title registration.

Officers comments

It is not unusual for organisations such as the City, which have a long history of land ownership, to own real property without having title registered at HM Land Registry or to be in possession of title deeds and documents. A significant amount of property was gifted or granted to the City some hundreds of years ago and in these cases, for example, no conventional title deeds would have been drawn up. The City is, however, continuing with its programme of title registration, albeit presently in respect of properties within the City boundaries.

In 1999 the Property Sub-Committee approved the City Surveyor's programme of researching and registering the City's unregistered freehold titles to its land holdings within the City. This programme is integral to the City fulfilling its property asset management responsibilities, while also taking account of Land Registry's target of achieving a comprehensive land register by 2017. Since the start of the registration project, title to 86 properties in the City has been registered as at February 2013.

4. Risk management and internal control systems (continued)

Open Spaces Capitalisation Policy

Current year observation

We note that the current capitalisation policy for all open space charities is £50,000. If this policy is applied for some of the smaller open space charities this could potentially result in material (refer appendix 4) capital items not being appropriately capitalised in accordance with accounting standards.

We understand that Officers do not anticipate spending material amounts on fixed assets for the Open Spaces Charities, and as such it is unlikely that material items which meet the definition of a fixed asset would be significant in any one year.

We recommend that the capitalisation spend is monitored in the smaller charities on an annual basis so that a material fixed asset is not expensed within the accounts.

Officers comments

At present there is no reference to the £50,000 capitalisation threshold in the accounting policy note of the Open Spaces charities. We will update the financial statement note to include this policy. In our opinion, it would not be pragmatic to administer an arrangement which has different thresholds for different services. Therefore, we propose to maintain the policy of having costs capitalised in accordance with a clearly stated policy.

5. Independence

As part of our obligations under International Standards on Auditing (UK & Ireland) and the Companies Act, we are required to report to you on the matters listed below.

| Confirmation | |
|---|---|
| We confirm we comply with APB Revised Ethical Standards for Auditors | We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised. |

| Non-audit services | | | | | | | |
|---|---|--|------------------------------------|--------------------|--|-----------------------------------|--|
| We confirm that our independence is not compromised by our provision of non-audit services | <p>In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the company's policy for the supply of non-audit services or of any apparent breach of that policy.</p> <p>We apply the following safeguards to eliminate identified threats to independence or reduce them to an acceptable level are as follows:</p> <table border="1"> <thead> <tr> <th>Service provided</th> <th>Identified threats to independence</th> <th>Safeguards applied</th> </tr> </thead> <tbody> <tr> <td>Advice provided by Deloitte Real Estate (DRE) in relation to leasing matters</td> <td>Self-review and management threat</td> <td>We have discussed independence issues with officers in the current year. This work is performed by an independent partner and does not have a material impact on the valuation of the asset portfolio.</td> </tr> </tbody> </table> | Service provided | Identified threats to independence | Safeguards applied | Advice provided by Deloitte Real Estate (DRE) in relation to leasing matters | Self-review and management threat | We have discussed independence issues with officers in the current year. This work is performed by an independent partner and does not have a material impact on the valuation of the asset portfolio. |
| Service provided | Identified threats to independence | Safeguards applied | | | | | |
| Advice provided by Deloitte Real Estate (DRE) in relation to leasing matters | Self-review and management threat | We have discussed independence issues with officers in the current year. This work is performed by an independent partner and does not have a material impact on the valuation of the asset portfolio. | | | | | |

| Fees | |
|---|---|
| The level of non-audit fees is within appropriate guidelines | An analysis of professional fees earned by Deloitte in the period from 1 April 2012 to 31 March 2013 is included in Appendix 3. |

6. Responsibility statement

This report should be read in conjunction with the "Briefing on audit matters" circulated to you in our audit plan dated 3 December 2012 and sets out those audit matters of governance interest which came to our attention during the audit. Our audit was not designed to identify all matters that may be relevant to the board and this report is not necessarily a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the City of London Corporation, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Deloitte LLP

Chartered Accountants

St Albans

11 July 2013

Appendix 1: Audit adjustments

Uncorrected misstatements

No uncorrected misstatements have been identified up to the date of this report.

Recorded audit adjustments

Officers have adjusted all misstatements identified in excess of our clearly trivial threshold (set at 5% of materiality). We report all individual identified recorded audit adjustments in excess of £96,000 for Bridge House Estates and other identified misstatements in aggregate adjusted by officers in the table below.

| | | Credit/ (charge) to current year income statement £'000 | Increase/ (decrease) in net assets £'000 | Increase/ (decrease) total funds £'000 | Increase/ (decrease) in turnover £'000 |
|--|-----|--|---|---|---|
| Factual misstatements | | | | | |
| Bridge House Estates | | | | | |
| Investment Property Value | [1] | - | (454) | - | - |
| Revaluation Movement | [1] | - | - | 454 | - |
| Charities | | | | | |
| Epping Forest – accruals | [2] | - | 196 | - | - |
| Epping Forest – cash | [2] | - | (196) | - | - |
| Hampstead Heath – cash | [3] | - | 20 | - | - |
| Hampstead Heath – creditor | [3] | - | (20) | - | - |
| Hampstead Heath – grant received | [4] | (15) | - | - | - |
| Hampstead Heath – fixed assets | [4] | - | (15) | - | - |
| The City of London School Bursary Fund – scholarships | [5] | 13 | - | - | - |
| The City of London School Bursary Fund – accruals | [5] | - | - | (13) | - |
| City of London School for Girls Bursary Fund – scholarships | [5] | 5 | - | - | - |
| City of London School for Girls Bursary Fund – accruals | [5] | - | - | (5) | - |
| The City of London School Bursary Fund – Permanent endowment | [6] | - | - | 119 | - |
| The City of London School Bursary Fund – Expendable endowment | [6] | - | - | (119) | - |

[1] As per Charities SORP and UK GAAP, UITF Abstract 28 states that where a lease incentive has been provided, the amount at which the property is reported should be (to avoid double counting) the open market value less the lease incentive reported as a separate asset. Testing revealed that only the movement between the prior year and current year balance had been excluded. However the total year end lease incentive balance should have been excluded. An adjustment for the difference was agreed with officers and corrected.

[2] Correction of an overaccrual for works being undertaken at Epping Forest.

Appendix 1: Audit adjustments (continued)

Recorded audit adjustments (continued)

[3] Correction of a misallocated payment.

[4] Correction of an overpayment of grant from City's Cash due to overaccrual. This was reversed by officers post year end.

[5] As per Charities SORP, grant liabilities should be recognised when an obligation arises. Testing revealed that an additional accrual for scholarships was required for The City of London Bursary Fund and The City of London Schools for Girls Bursary Fund. An adjustment was agreed with officers and corrected and details are shown as in the above table.

[6] The accounts of The City of London School Bursary Fund included a transfer for £118,595 from the expendable endowment fund to the permanent endowment. As there has been no change in the status of the endowment fund this was considered incorrect. An adjustment was agreed with officers and has been corrected.

Disclosure misstatements

Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements.

There are no significant disclosure misstatements that we consider require consideration by the committee.

Appendix 2: Important future developments

For reference, the following developments may impact Bridge House Estates and the Charities.

Summary updates

Digital Giving

It is recognised that the current gift aid system presents a number of obstacles to charities using new fundraising channels in the digital age such as text donations.

The Government launched a consultation on “Digital Giving” on 3 July 2013 with the aim of introducing proposals to make it easier to claim Gift Aid on donations to charity made through digital channels. The consultation document seeks specific proposals about the administration of Gift Aid, in particular changes to the Gift Aid declaration and allowing non-charity intermediaries a greater role in operating Gift Aid than currently. It also asks for views on aspects of a universal Gift Aid declaration database, and on other barriers charities may experience in attracting Gift Aid on donations.

Responses to the consultation are requested by 20 September 2013 and The Government would like to hear from charities, intermediaries, donors and any other interested parties by then with the aim of introducing new legislation in Finance Bill 2014 and/or 2015.

Approved alterations to listed buildings

There is a change to remove the VAT zero rate for approved alterations to protected buildings. This will apply to both listed residential dwellings as well as listed buildings used for charitable and other residential purposes. It does not apply to supplies of repairs and maintenance which are already subject to VAT.

Energy saving materials in charity buildings

At present, the installation of energy saving materials in buildings used for non-business purposes by charities qualifies for the 5% rate of VAT. Legislation to remove the relief from such work (and hence to make it liable to VAT at the standard rate) is to be introduced in the Finance Bill 2013. The 5% rate will continue to be available for energy saving materials installed in residential accommodation (including that owned and operated by charities).

VAT cost-sharing exemption

The VAT cost-sharing exemption is a provision in EU law that allows businesses and organisations making VAT exempt and/or non-business supplies to form cost-sharing groups to achieve cost savings and economies of scale whilst reducing the burden of irrecoverable VAT. The Government is planning to introduce this provision into UK legislation. Currently, the irrecoverable VAT creates a barrier to the sharing of costs and services by these businesses and organisations. The cost-sharing exemption aims to remove this barrier in certain circumstances.

Appendix 2: Important future developments (continued)

Summary updates

Changes to pensions legislation

New legislation will soon come into effect requiring businesses to automatically enrol their new employees into a qualifying pension scheme. These new duties, designed to increase levels of workplace pension saving, are being staged in between 1 October 2012 to 1 February 2017 - starting with larger employers first.

The duties will apply to a new tranche of employers on a monthly basis. By 1 January 2014, any employer with 350 or more staff on its books will be obliged to enrol those employees who are eligible into a Qualifying Pension Scheme. The phasing will apply to employers with less than 350 staff over the remaining period to 1 February 2017, more information is available at: <http://www.legislation.gov.uk/ukxi/2010/4/regulation/4/made>

Eligible employees must be auto-enrolled into a Qualifying Pension Scheme that provides minimum levels of benefits. Where the employer uses a defined contribution arrangement, the employer will have to ensure that a least a minimum level of contributions are paid. The minimum level of contributions will be phased in rising to 8% of Qualifying Earnings, of which the employer will have to pay at least 3%. Qualifying Earnings are earnings between £5,564 and £42,475.

Although this impacts on an employer's pension provision, it is not just a pension's issue. Achieving compliance is likely to require changes to payroll, HR and communications processes. Proactive planning now can help employers identify what they need to do to comply with the new duties as well as what options are available to mitigate any increase in costs and disruption to existing business processes.

Charity Commission publications

In March 2013 the Charity Commission published an independent research report into "**charities and social investment**". The research aimed to explore the regulatory risks, challenges and opportunities facing charities and gain insight into the likely development of the social investment market over the next 5 years.

The Charity Commission issued advice in February 2013 in its **Safer giving alert** reminding charities how to minimise the risk posed by bogus fundraising collectors. The advice includes reminding charities to collect back promptly from volunteer collectors any official material, such as identity badges, collecting tins, etc.

The Charity Commission published guidance in January 2013 to "**help trustees protect their charities from abuse for extremist purposes**". The guide explains trustees' duty to prevent their charity being used to promote extremist views and the toolkit also suggests steps trustees can take to minimise risks associated with particular activities, such as organising public events and debates and circulating information. It is aimed at charities hosting regular events involving external speakers and those with educational purposes that distribute material and information.

The Charity Commission has published a checklist in December 2012 for Trustee Boards entitled **Big Board Talk - 15 questions Trustees need to ask**. The checklist is designed to be used as a template to help structure discussion or prompt agenda items at board meetings, away days or planning meetings. The areas of focus are strategy, financial health, governance and making the best of resources.

Appendix 2: Important future developments (continued)

Summary updates

New UK GAAP

FRS 102 “The Financial Reporting Standard Applicable in the UK and Ireland” was published in March 2013 and replaces current UK GAAP.

For periods beginning on or after 1 January 2015, charities will need to move to FRS 102. However, the FRSSE will continue to be an option for those within its scope, regardless of whether they currently adopt it. The option to move to EU-adopted IFRSs or FRS 101 remains unavailable to charities.

A new Charities SORP will assist in interpretation of the new standard, with consultation expected during the summer of 2013. It is not expected that early adoption of the SORP or FRS 102 will be possible. The revised SORP will be modular in approach and amongst other changes is expected to set out a simplified SOFA, and place greater emphasis on the disclosures relating to risk management and going concern in the trustees report.

The most significant changes are expected to be in the areas of cash flows, donated income, accounting for grants, investment property, listed investments, financial instruments, and foreign currency.

Appendix 3: Independence – fees charged during the year

The professional fees earned by Deloitte in the year ended 31 March 2013 across all Bridge House Estates and the Charities are as follows.

We have not included those fees earned by Deloitte in respect of the Corporation of London City's Cash and City Fund entities as these will be separately reported to the Audit and Risk Management Committee:

| | Current year £ | Prior year £ |
|--|-------------------|-----------------|
| Audit of Corporation of London Charity entities: | | |
| Bridge House Estates & the Charities | 41,514 | 41,514 |
| Charities one-off fee for reorganisation | n/a | 6,100 |
| Total audit fees | 41,514 | 47,614 |
| Other services | | |
| Deloitte Real Estate services*: | | |
| Bridge House Estates | 5,000 | 6,500 |
| Total non-audit services | 5,000 | 6,500 |
| Total fees | 46,514 | 54,114 |

* The Deloitte Real Estate services relate to planning and development services comprising of consultancy advice and sales of real estate for development.

Appendix 4: List of entities

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

Detailed planning and risk assessments were carried out for each entity and the key risks and other issues we identified during the audit have been discussed in the body of the report above. Our testing was particularly focused on investments, income completeness and grants.

With the exception of the matters referred to in the main body of the report, there were no major issues encountered during our testing, however we do note that there are procedures remaining to be completed which are detailed in the executive summary.

* The following Charities (collectively known as 'the Schools Charities' for the purposes of this report) are affected by the significant audit risk – Accounting for bursary awards in Section 1 of this report.

Appendix 4: List of entities (continued)

| Activities | Incoming resources £ | Surplus/ (Deficit) £ | Net Assets £ | Materiality £ |
|---|-------------------------|----------------------------|-----------------|------------------|
| Bridge House Estates | 43,200,000 | 89,600,000 | 959,600,000 | 1,900,000 |
| Corporation of London Charities Pool Investments pool for Sundry Trusts | 4,292,922 | 5,726,433 | 18,418,005 | 552,540 |
| Hampstead Heath Trust Fund To manage Hampstead Heath | 1,127,754 | 3,182,959 | 26,907,318 | 807,220 |
| Guildhall Library Centenary Fund Education and training, to provide library, archives, museum, and gallery services | 545 | 2,137 | 19,836 | 595 |
| City Educational Trust Fund Grants for education | 103,228 | 306,532 | 3,193,843 | 95,815 |
| City of London School Education Trust* Advancing education | 1,363 | (8,172) | 5,187 | 95,815 |
| The City of London Corporation Combined Relief of Poverty Charity Relief of poverty | 3,964 | 10,211 | 142,621 | 4,279 |
| Charities Administered in Connection with The City of London Freemen's School * To provide prizes in various subjects | 10,332 | 13,291 | 151,908 | 456 |
| City of London School Bursary Fund* Promotion of education through scholarships and prizes | 220,288 | 454,861 | 2,927,235 | 88,217 |
| City of London School for Girls Bursary Fund* Promotion of education through bursaries | 552,251 | 183,063 | 3,530,505 | 106,061 |
| City of London Freemen's School Bursary Fund* Promotion of education through bursaries | 18,792 | 74,237 | 676,595 | 20,298 |
| Emanuel Hospital Payment of pensions of poor people | 54,592 | 213,753 | 2,054,433 | 61,633 |
| Sir William Coxen Trust Fund Income applied for the benefit of Orthopaedic Hospitals | 111,815 | 375,867 | 2,381,506 | 71,445 |

Appendix 4: List of entities (continued)

| Activities | Incoming resources £ | Surplus/ (Deficit) £ | Net Assets £ | Materiality £ |
|---|-------------------------|----------------------------|-----------------|------------------|
| Signore Pasquale Favale Bequest To provide marriage dowries | 321 | 973 | 11,422 | 343 |
| Samuel Wilson's Loan Trust Grants loans to young people at a low rate of interest | 54,180 | 218,981 | 1,834,781 | 55,043 |
| Vickers Dunfee Memorial Benevolent Fund Relief for distressed past and present Members of the City of London Police | 5,328 | 5,298 | 58,674 | 5,439 |
| King George's Field – City of London Open space for sports, games and recreation | 22,419 | - | - | 1,121 |
| The City of London Almshouses Almshouses for poor or aged people | 324,954 | 28,375 | 1,249,055 | 37,472 |
| Sir Thomas Gresham Charity To provide a programme of public lectures | 36,496 | 67 | 535 | 1,825 |
| Ashted Common Preservation of the common at Ashted | 563,849 | - | - | 19,082 |
| Burnham Beeches Preservation of the Open Space known as Burnham Beeches | 939,947 | (3,349) | 837,883 | 27,067 |
| Epping Forest Preservation of Epping Forest in perpetuity | 7,010,713 | 562,120 | 6,471,222 | 138,405 |
| Hampstead Heath Preservation of Hampstead Heath for the recreation and enjoyment of the public | 8,436,216 | (173,634) | 27,958,984 | 155,814 |
| Highgate Wood and Queen's Park Kilburn Preservation of the Open Spaces known as Highgate Wood and Queen's Park Kilburn | 1,334,403 | (5,553) | 421,257 | 36,294 |
| West Ham Park To maintain and preserve the Open Space known as West Ham Park | 1,430,079 | 9,140 | 149,380 | 38,516 |
| West Wickham Common and Spring Parks Wood, Coulsdon and other Commons Preservation of West Wickham Common and Spring Parks Wood, Coulsdon and other Commons | 1,355,775 | - | - | 36,590 |

Appendix 5: Management representation letters – Bridge House Estates and the Charities

Included in this appendix are two management representation letters, one for Bridge House Estates and the Charities and a separate letter for The City of London Almshouses, a registered social landlord which requires a management representation letter referring to the Housing Act 1996.

Bridge House Estates and the Charities

Note: Non-standard representations have been included in points 6 and 12 to 18 and are consistent with the prior year. These are highlighted in yellow for reference. Appendix 1 & 2 are not shown as the information is provided elsewhere within this document.

The Chamberlain of London
City of London
PO Box 270
Guildhall
London EC2P 2EJ

Date: [xx] July 2013

Our Ref: HAB/SRC/LC

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Bridge House Estates (“BHE”) and the Charities (as listed at Appendix 2) for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of these charities as of 31 March 2013 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the applicable accounting framework and the Charities Act 2011.

We acknowledge as trustees our responsibilities for preparing financial statements for the charities which give a true and fair view and for making accurate representations to you.

We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework and the Charities Act 2011 which give a true and fair view, as set out in the terms of the audit engagement letter.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of FRS8 “Related party disclosures”.

Appendix 5: Management representation letters (continued) – Bridge House Estates and the Charities

4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in Appendix 1 to this letter.
6. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to liquidate the charities or cease trading as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the charities' ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
7. Having considered our income streams and based on officers' close monitoring of donations, response rates and appeals for funds we are satisfied that the total value of income as reported is not materially misstated.
8. All grants, donations and other incoming resources, the receipt of which is subject to specific restrictions, terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
9. All constructive obligations for grants meeting the conditions set out in FRS 12 "Provisions, Contingent Liabilities and Contingent Assets" and the Charities SORP have been recognised in the financial statements.
10. We have drawn to your attention all correspondence and notes of meetings with regulators, including, any serious incident reports.
11. We consider there to be appropriate controls in place to ensure overseas payments are applied for charitable purposes.
12. Except as disclosed in Note 16 to the BHE accounts, as at 31 March 2013 there were no significant capital commitments contracted for by any of the charities.
13. The charities have satisfactory title to all assets and there are no liens or encumbrances on the charities assets.
14. We are of the opinion that the property valuations at 31 March 2013 as updated from the internal valuations at 31 March 2012 are not materially misstated. It is our opinion that the property listing provided by the City of London is complete and includes all properties owned by the City of London. Furthermore, we are not aware of any current disputes regarding ownership of any properties within our current portfolio.

Appendix 5: Management representation letters (continued) – Bridge House Estates and the Charities

15. We are the opinion that the costs involved in the reconstruction or analysis of past accounting records of heritage assets (bridges) or in valuation are onerous compared with the additional benefit derived by users of the accounts in assessing the trustees' stewardship of the assets.
16. In our professional opinion, the input tax relating to exempt supplies is not expected to exceed the 5% de minimis limit for the years ended 31 March 2011, 31 March 2012, 31 March 2013 and as such, the City expects to be able to recover any of the input tax relating to exempt supplies.
17. That the split of venture capital investments recognised in BHE accounts, being 28% of the fund held by City's Cash, BHE and the Pension Fund, represents an accurate allocation to BHE.
18. We have satisfactory title to all assets and there are no liens or encumbrances on the entity's assets and assets pledged as collateral. We confirm that we own satisfactory title to 34 Engate Street, Lewisham.

Information provided

19. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
20. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
21. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
22. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
23. We are not aware of any material fraud or suspected fraud that affects the entity or group and involves:
 - (i). officers;
 - (ii). employees who have significant roles in internal control; or
 - (iii). others where the fraud could have a material effect on the financial statements.

Appendix 5: Management representation letters (continued) – Bridge House Estates and the Charities

24. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations and contractual agreements whose effects should be considered when preparing financial statements.
25. We have disclosed to you the identity of the charities' related parties and all the related party relationships and transactions of which we are aware.
26. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. On the basis of legal advice we have set them out in the attachment with our estimates of their potential effect. No other claims in connection with litigation have been or are expected to be received.
27. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

We confirm that the above representations are made on the basis of adequate enquiries of officers and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of the Trustees

Appendix 5: Management representation letters (continued) – The City of London Almshouses

The City of London Almshouses

The Chamberlain of London
City of London
PO Box 270
Guildhall
London
EC2P 2EJ

Date: [xx] July 2013

Our Ref: HAB/SRC/LC

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of The City of London Almshouses for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the final statements give a true and fair view of the financial position of this charity as of 31 March 2013 and of the results of its operations, other recognised gains and losses and cash flows for the year then ended in accordance with the applicable accounting framework and the Charities Act 2011 and the Housing Act 1996.

We acknowledge as trustee our responsibility for preparing financial statements for the charity which give a true and fair view and for making accurate representations to you.

We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework and the Charities Act 2011 and the Housing Act 1996 which give a true and fair view, as set out in the terms of the audit engagement letter.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of FRS8 “Related party disclosures”.
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.

Appendix 5: Management representation letters (continued) – The City of London Almshouses

6. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to liquidate the charity or cease trading as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the charity's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
7. Having considered our income streams and based on management's close monitoring of donations, response rates and appeals for funds we are satisfied that the total value of income as reported is not materially misstated.
8. All grants, donations and other incoming resources, the receipt of which is subject to specific restrictions, terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
9. All constructive obligations for grants meeting the conditions set out in FRS 12 "Provisions, Contingent Liabilities and Contingent Assets" and the Charities SORP have been recognised in the financial statements.
10. We have drawn to your attention all correspondence and notes of meetings with regulators, including, any serious incident reports.
11. We consider there to be appropriate controls in place to ensure overseas payments are applied for charitable purposes.
12. Except as disclosed in the notes to the Almshouses accounts, as at 31 March 2013 there were no significant capital commitments contracted for by the charity.
13. The charity has satisfactory title to all assets and there are no liens or encumbrances on the charity's assets.
14. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

Information provided

15. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
16. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

Appendix 5: Management representation letters (continued) – The City of London Almshouses

17. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
18. We are not aware of any fraud or suspected fraud that affects the entity or group and involves:
 - (iv). management;
 - (v). employees who have significant roles in internal control; or
 - (vi). others where the fraud could have a material effect on the financial statements.
19. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
20. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations and contractual agreements whose effects should be considered when preparing financial statements
21. We have disclosed to you the identity of the charity's related parties and all the related party relationships and transactions of which we are aware.
22. No claims in connection with litigation have been or are expected to be received.
23. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of the Trustee

The City of London Corporation

Appendix 6: Additional resources available to you

Additional information on current and future technical developments

Life is change. Growth is optional



The challenges facing the charity and not for profit sector are putting organisations under pressure to do more with less and engage on public service delivery and deliver more for their partners and donors. Finding new ways of working with and benefitting from supporters, large and small, is therefore essential.

The donor landscape is changing and corporate partnerships which were typically based on the company simply raising cash for the charity now need to be richer, deeper and mutually beneficial relationships. Harnessing the expertise and insight of a business partner can have a more dramatic impact than traditional financial support.

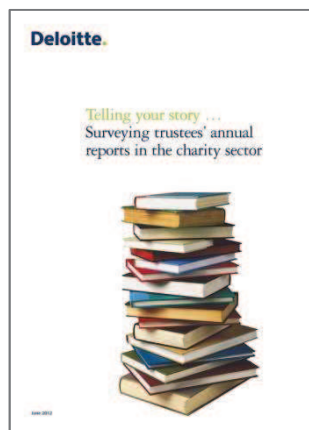
Similarly, individual donors are becoming increasingly insistent on seeing tangible results for how their money is spent. Charities therefore need to give evidence of successful outcomes while driving down costs and communicating effectively with the public.

The publication can be found via:

https://www.deloitte.com/view/en_GB/uk/industries/charities-not-for-profit/8c7fb432dcbd1310VgnVCM3000001c56f00aRCRD.htm#.UctR3o1s69w.e.mail

Additional information on current and future technical developments

Telling Your Story - Surveying Trustees' Annual Reports in the charity sector



As the pressure has increased on charities to report more effectively on the impact of their achievements, the way they 'tell their story', has become more critical and attracted more interest amongst the users of Annual Reports.

It is surprising however, that even now some major charities fail to connect effectively with the users of the annual report of trustees.

Competition for donors is fierce and an accessible, appealing report clearly demonstrating the achievements of the charity and its value to the wider society is likely to draw more interest.

Times are hard; only charities with not just a story to tell but who tell it well are likely to succeed with others may fail.

As the pressure has increased on charities to report more effectively on the impact of their achievements, the way they 'tell their story', has become more critical and attracted more interest amongst the users of Annual Reports.

We have recently published "Telling Your Story - Surveying Trustees' Annual Reports in the charity sector"

The publication can be found via:

https://www.deloitte.com/view/en_GB/uk/industries/charities-not-for-profit/03187f0e25648310VgnVCM2000001b56f00aRCRD.htm#.UctQZlrSXRg.e.mail. Alternatively, please speak to Heather Bygrave who will provide you with copies or add you to our mailing list.

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Audit and Risk Management Work Programme 2013/14

(Additions since the last meeting shown in italics)

| Date | Items |
|--------------|--|
| 23 Jul 2013 | <ul style="list-style-type: none"> • Audited 2012/13 City Fund and Pension Fund Financial Statements together with Deloitte's report thereon • Audited 2012/13 Bridge House Estates and Sundry Trusts Financial Statements together with Deloitte's report thereon |
| 17 Sept 2013 | <ul style="list-style-type: none"> • Internal Audit Progress Report • Internal audit recommendations follow-up report • Anti-Fraud & Investigation Update report • Risk Management Update • Strategic Risk 1 – Failure to respond to a terrorist attack • Internal Audit – Customer Service Review • Strategic Risk 13 – Public Order and Protest |
| 15 Oct 2013 | <ul style="list-style-type: none"> • Independent Review of Risk Management Strategy and Handbook • Strategic Risk Review 8 – Reputational Risk • Strategic Risk Review 10 – Adverse Political Developments • Internal Audit Planning 2014/15 • Planning Governance Review • Audited 2012/13 City's Cash and City's Cash Trust Funds Financial Statements together with Deloitte's report thereon |
| 11 Dec 2013 | <ul style="list-style-type: none"> • Deloitte's Annual Audit Letter on the City Fund and Pension Fund Financial Statements • Deloitte's annual audit plan for City Fund Financial Statements including agreement of the audit fee • Deloitte's annual audit plan for the Pension Fund Financial Statements including agreement of the audit fee • External Audit - annual audit plan for the Non Local Authority Funds including agreement of the audit fee • Internal Audit Progress Report • Internal audit recommendations follow-up report • Anti-Fraud & Investigation Update report • Risk Management Update |

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Audit and Risk Management Work Programme 2014

| Date | Items |
|------------|--|
| 28 January | <ul style="list-style-type: none"> • Strategic Risk Review - SR3 Financial Stability • Strategic Risk Review - SR14 Longer term financial viability • Committee Effectiveness Review – annual update |
| 4 March | <ul style="list-style-type: none"> • 2014/15 Internal audit plan • Internal Audit Progress Report • Internal audit recommendations follow-up report • Investigation Update report • Risk Management Update • Strategic Risk Review - SR4 Planning Policy • Strategic Risk Review - SR5 Flooding in the City • Annual Governance Statement - methodology |
| 13 May | <ul style="list-style-type: none"> • Internal Audit Progress Report • Internal audit recommendations follow-up report • Anti-Fraud & Investigation Update report • Risk Management Update • Strategic Risk Review - SR2 Supporting the Business City • Strategic Risk Review - SR6 Project Risk • Head of Internal Audit Opinion and Annual report • HMIC Police Inspections Summary report • Annual Governance Statement – 2013/14 • Private Member meeting with Head of Internal Audit |
| 22 July | <ul style="list-style-type: none"> • Audited 2013/14 City Fund and Pension Fund Financial Statements together with Deloitte's report thereon • Audited 2013/14 Bridge House Estates and Sundry Trusts Financial Statements together with Deloitte's report thereon • Audited 2013/14 City's Cash and City's Cash Trust Funds Financial Statements together with Moore Stephens report thereon |

| | |
|-------------|--|
| 9 September | <ul style="list-style-type: none"> • Internal Audit Progress Report • Internal audit recommendations follow-up report • Investigations Update report • Risk Management Update • 2 Strategic Risk Reviews – tbc |
| 4 November | <ul style="list-style-type: none"> • Internal Audit Planning for 2014/14 • 2 Strategic Risk Reviews – tbc |
| 8 December | <ul style="list-style-type: none"> • Deloitte's Annual Audit Letter on the City Fund and Pension Fund Financial Statements <ul style="list-style-type: none"> • Deloitte's annual audit plan for City Fund Financial Statements including agreement of the audit fee • Deloitte's annual audit plan for the Pension Fund Financial Statements including agreement of the audit fee • Moore Stephens - annual audit plan for the Non Local Authority Funds including agreement of the audit fee • Internal Audit Progress Report • Internal audit recommendations follow-up report • Anti-Fraud & Investigation Update report • Risk Management Update |

Agenda Item 11

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