

<b>Committee(s):</b> Audit and Risk Management Committee Finance Committee	<b>Date(s):</b> 3 November 2020 10 November 2020
<b>Subject:</b> City's Cash Trust Funds and Sundry Trust Funds Annual Reports and Financial Statements 2019/20	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> Steven Reynolds, Group Accountant	

### Summary

This report seeks approval for:

- the Annual Reports and Financial Statements for the City's Cash Trust Funds (not City's Cash itself which will be covered under a separate report) for the year ended 31 March 2020, these are listed at Annex 1; and
- the Annual Reports and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2020, these are listed at Annex 2.

The external auditor, BDO LLP is intending to issue an unqualified audit opinion and their report, including recommendations, is attached at Annex 3. The City of London Education Trust is due to be wound up and accordingly the financial statements have not been prepared on a going concern basis. To recognise this position the audit opinion includes an "emphasis of matter", although it should be noted that the opinion remains unqualified.

The financial statements of City's Cash Trust Funds and the Sundry Trusts for the year ended 31 March 2020 have been prepared in accordance with the Charities Statement of Recommended Practice (SORP) in accordance with the Financial Reporting Standard 102 (FRS 102).

The City's Cash Trust Funds held total funds of £54.4m as at 31 March 2020, which is £7.1m (11.5%) less than a year earlier (*paragraphs 7 to 10*).

The Sundry Trust Funds held total funds of £23.0m as at 31 March 2020, which is £3.5m (13.2%) less than a year earlier (*paragraph 11*).

The reduction in funds noted above, amounting to £10.6m, is largely due to the fall in the value of investments as a result of the impact of the Covid-19 on the financial markets during February and March 2020.

### Recommendations

The Audit and Risk Management Committee is requested to:

- note that the external auditor BDO LLP intends to give an unqualified audit opinion;

- consider the contents of the Audit Management Report issued by BDO LLP; and
- recommend approval of the Annual Reports and Financial Statements for the City's Cash Trust Funds and the Annual Reports and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2020 to the Finance Committee.

The Finance Committee is requested to:

- note that the external auditor BDO LLP intends to give an unqualified audit opinion;
- consider the contents of the Audit Management Report issued by BDO LLP; and
- delegate approval of the Annual Reports and Financial Statements for the City's Cash Trust Funds and the Annual Reports and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2020 to the Chairman and Deputy Chairman, taking account of any observations from the Audit and Risk Management Committee on 3 November.

## **Main Report**

### **Current Position**

1. The 2019/20 Annual Report and Financial Statements for City's Cash Trust Funds (not City's Cash itself which will be covered under a separate report) and the Sundry Trust Funds are listed at Annexes 1 and 2 respectively.
2. The external auditor BDO LLP intends to give an unqualified opinion on the Annual Reports and Financial Statements of the City's Cash Trust Funds and the Sundry Trust Funds and has issued the draft Audit Management Report set out in Annex 3. We are pleased to report that no accounting changes were required to the financial statements of the Sundry Trusts. However, some immaterial unadjusted items relating to the consolidated City's Cash Trust Funds were identified and set out on page 25 and pages 28-30. Ordinarily, even though immaterial, these would be adjusted in their individual financial statements and those of City's Cash but were not due to the late timing of these being identified.
3. Regarding the City of London Education Trust, this charity is due to be wound up and accordingly the financial statements have not been prepared on a going concern basis. To recognise this position and the enhanced disclosures within the financial statements, the audit opinion includes an "emphasis of matter", although it should be noted that the opinion remains unqualified.
4. The report from BDO LLP notes on page 34 that no significant or other deficiencies in internal control have been identified.
5. The Audit Management Report will be distributed to all Members of the Court of Common Council for information. Representatives from BDO LLP will attend the Audit and Risk Management Committee to present their report and to clarify any points or issues.
6. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts met on 23 October 2020 to review the processes adopted by BDO LLP and the Panel

intends to certify that those processes were in accordance with the prescribed auditing standards.

### **City's Cash Trust Funds**

7. The City's Cash Trust Funds comprise eight open space charitable funds, the Sir Thomas Gresham Trust Fund and Keats House as listed in Annex 1.
8. These Trusts ended the year with net outgoing resources of £0.8m (2018/19: net outgoing resources of £0.1m) which comprised the following:
  - Incoming resources of £23.2m:
    - funding from the City of London totalling £17.4m (2018/19: £16.5m) and;
    - income of £5.8m (2018/19: £6.7m) from investments and charitable and voluntary sources;
  - Resources expended of £24.0m:
    - charitable expenditure of £23.8m (2018/19: £23.1m) on the running of the open spaces, Gresham Almshouses and Keats House; and
    - support services costs of £0.2m (2018/19: £0.2m).
9. Managed investments, held mainly by Hampstead Heath, suffered an unrealised net loss in market value of £6.3m (19.5%) (2018/19: net loss of £0.2m (0.4%)), reducing them to £26.1m. The valuations are linked to the UK stock market, which experienced a significant fall during February and March 2020 as a result of the Coronavirus (COVID-19) pandemic.
10. At 31 March 2020, City's Cash Trust Funds held total reserves of £54.4m (2018/19: £61.5m) which represents a decrease of £7.1m compared to a year earlier. Again, this fall reflects the reduction in value of invested funds due to the impact of Covid-19 in February and March 2020.

### **Sundry Trust Funds**

11. The Sundry Trust Funds comprise the separate charitable funds listed at Annex 2. Excluding the Charities Pool (which is an investment vehicle for the other charities), the remaining 15 Trusts:
  - received income of £2.4m (2018/19: £2.4m) of which £0.9m was from investments (2018/19: £0.9m);
  - incurred charitable expenditure of £1.6m (2018/19: £1.7m) including:
    - £1.3m (2018/19: £1.3m) comprising 315 grants and 65 bursaries paid to individuals or organisations (2018/19: 295 grants and 62 bursaries); and
    - £0.3m towards the running costs of the City of London Almshouses (2018/19: £0.4m);

- incurred governance and administration costs of £0.1m mainly due to fund manager costs (2018/19: £0m);
- had unrealised losses of £4.2m (19.5%) from managed investments (2018/19: £0.3m losses (0.2%)) reducing them to £18.4m; The valuations are linked to the UK stock market, which experienced a significant fall during February and March 2020 as a result of the Coronavirus (COVID-19) pandemic; and
- held total funds of £23.0m as at 31 March 2020 (2018/19: £26.5m), a decrease of £3.5m (13.2%) from a year earlier. Again, this fall reflects the reduction in value of invested funds due to the impact of Covid-19 in February and March 2020.

### **Approval of the Financial Statements**

12. It is recommended that the Finance Committee approve delegated authority for the Chairman and Deputy Chairman of the Finance Committee to approve and sign the financial statements on behalf of the Court of Common Council, taking account of any observations from the Audit and Risk Management Committee on 3 November.

### **Annexes**

- Annex 1 – List of City's Cash Trust Funds
- Annex 2 – List of Sundry Trusts
- Annex 3 – BDO Audit Management Report

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**CITY'S CASH TRUST FUNDS**

*Open Spaces*

Ashted Common

Burnham Beeches

Epping Forest

Hampstead Heath

Hampstead Heath Trust (subsidiary of above)

Highgate wood and Queen's Park Kilburn

West Ham Park

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

*Other*

Sir Thomas Gresham Charity

Keats House

**SUNDRY TRUSTS**

*Investments*

Corporation of London Charities Pool

*Open Spaces*

King George's Field

*Books and Libraries*

Guildhall Library Centenary Fund

*Education*

City Educational Trust Fund

The City of London Corporation Combined Relief of Poverty Charity

City of London School Education Trust

Charities Administered ICW The City of London Freemen's School

City of London School Bursary Fund

City of London School for Girls Bursary Fund

City of London Freemen's School Bursary Fund

The City of London Corporation Combined Education Charity

*Other trusts and funds*

Emanuel Hospital

Sir William Coxen Trust Fund

Wilson's Loan Trust

Vickers Dunfee Memorial Benevolent Fund

City of London Almshouses