

# City of London Corporation: City Fund

Auditor's Annual Report  
Year ending 31 March 2025

September 2025



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 01 Introduction and context

# Introduction

This report brings together a summary of all the work we have undertaken for City of London Corporation – City Fund during 2024-25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of City Fund are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

## Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of City Fund as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

## Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the Court of Common Council which must be considered publicly
- A Public Interest Report (PIR).

## Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether City Fund has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

# Local government – context

Local government has remained under significant pressure in 2024-25

## National

### Past



#### Funding not meeting need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



#### Workforce and governance challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

### Present



#### Financial sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



#### External audit backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

### Future



#### Funding reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



#### Reorganisation and devolution

Many councils in England will be impacted by reorganisation and/or devolution, creating capacity and other challenges in meeting business as usual service delivery.

## Local

The City of London Corporation is the governing body of the Square Mile. It is home to 8,600 residents, with the population increasing to approximately 678,000, daily, with workers in the City. City Fund is one of three main functions managed by the Corporation and plays a central role in supporting the Corporation's statutory functions as the local authority for the Square Mile. City Fund operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and, as such, City Fund's formal decision-making and governance structure constitutes the Court of Common Council, the primary decision-making body supported by a range of committees supporting specific activities. The Corporation has 100 common City Councillors who are elected every four years, by both residents and businesses. The most recent elections were in March 2025. No single party is in overall control, the majority of Councillors (83 in total), are independent candidates.

**It is within this context that we set out our commentary on the Council's value for money arrangements in 2024-25.**

# 02 Executive summary

# Executive summary – our assessment of value for money arrangements

Our overall summary of our value for money assessment of City Fund’s arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023-24 Assessment of arrangements	2024-25 Risk assessment	2024-25 Assessment of arrangements
Financial sustainability	A No significant weaknesses identified but improvement recommendations raised.	No risks of significant weakness identified.	R A significant weakness identified in arrangements in relation to the HRA Reserve Balance and a key recommendation made. We also raised one new improvement recommendation, with one prior year improvement recommendation still to be fully addressed.
Governance	A No significant weaknesses identified but improvement recommendations raised.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, no new improvement recommendations raised. One improvement recommendation from prior year still to be fully addressed.
Improving economy, efficiency and effectiveness	A No significant weaknesses identified but improvement recommendations raised.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified. We have raised one new improvement recommendation.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made or unaddressed from prior year.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made or unaddressed from prior year.



# Executive summary

We set out below the key findings from our commentary on City Fund's arrangements in respect of value for money.



## Financial sustainability

In respect of the general fund, City Fund continues to display a strong financial track record, having underspent by £23.4m in 2024-25 based on the draft outturn position. This allowed City Fund to contribute to, and continue to, strengthen its reserves position. A balanced budget was set for 2025-26, with a further £30.3m contribution to reserves.

Financial gaps exist in the medium-term, however the resilience built up in the reserves position is sufficient to temporarily support the gaps, allowing time for City Fund to identify a solution over the course of the Medium-Term Financial Plan (MTFP).

The HRA reserves position is critically low at £0.034m at the end of 2024-25, due to an in-year deficit position greater than last year, and contrary to the budgeted surplus position. Due to the significance of this matter, we raised a key recommendation which has been accepted by Management. We include further detail on pages 17 and 20.



## Governance

In 2024-25, City Fund carried out reviews of risk management and procurement addressing our previous recommendations, effectively. However, the improvement recommendation raised in the prior year, on complaints data, remains unresolved. Internal audit activity increased and is planned to increase further in the next financial year; however further effort is needed by the organisation to manage Internal Audit recommendations. The Head of Internal Audit's view is that City Fund has a generally effective overall control environment. No issues related to breaches of legislation or professional standards were identified.

Budget setting, budget monitoring and decision-making processes remain consistent with the prior year and continue to be appropriate. We have not identified any specific opportunities for improvement. Overall, governance arrangements are effective.



## Improving economy, efficiency and effectiveness

City Fund introduced performance reporting aligned with its Corporate Plan, though some data gaps remain. While prior recommendations on performance management and procurement were addressed, we make an improvement recommendation around frequency of performance reporting.

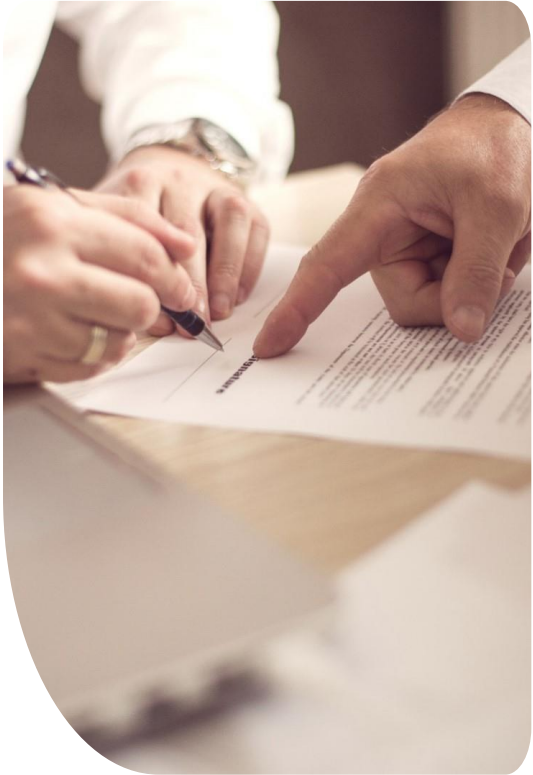
Complaints remain low and an Ofsted inspection of Children's Social Care Services and Early Help took place in September 2024. The Corporation retained their 'Outstanding' rating.

In last year's AAR there was an Improvement recommendation that City Fund should seek to improve arrangements in relation to HRA capital and repairs by undertaking a 'lessons learned' exercise on slippage on Sydenham Hill and York Way projects. City Fund expect to do this in December 2025 and recognises that large projects like the Barbican renewal pose risks. Overall, arrangements in this area are appropriate.



# Executive summary – auditor’s other responsibilities

This page summarises our opinion on City Fund’s financial statements and sets out whether we have used any of the other powers available to us as City Fund’s auditors.

Auditor’s responsibility	2024-25 outcome	
Opinion on the financial statements	Upon completion of our audit of your financial statements, we anticipate issuing an unqualified audit opinion following the Audit and Risk Management Committee meeting on 15 September 2025. Our findings from the audit are included in our Audit Findings Report, as a separate agenda item.	
Use of auditor’s powers	<p>We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.</p> <p>We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.</p>	

# **03 Opinion on the financial statements and use of auditor's powers**

# Opinion on the financial statements

These pages set out the key findings from our audit of City Fund's financial statements, and whether we have used any of the other powers available to us as City Fund's auditors.

## Audit opinion on the financial statements

We plan to issue an unqualified opinion on City Fund's financial statements following the Audit and Risk Management Committee meeting on 15 September 2025. The full opinion will be included in City Fund's Annual Report for 2024-25, which can be obtained from the City of London Corporation's website.

### Grant Thornton provides an independent opinion on whether City Fund's financial statements:

- give a true and fair view of the financial position of City Fund as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of City Fund in accordance with applicable ethical requirements, including the Financial Reporting City Fund's Ethical Standard.

## Findings from the audit of the financial statements

City Fund provided draft accounts on 30 June 2025, in line with the national deadline of 30 June 2025.

Draft financial statements were of a good standard and supported by detailed working papers.

### Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented to City Fund's Audit and Risk Management Committee on 15 September 2025. Requests for this Audit Findings Report should be directed to the City of London Corporation.

# Opinion on the pension fund statements (1)

These pages set out the key findings from our audit of the pension fund financial statements, and whether we have used any of the other powers available to us as City Fund's auditors.

## Audit opinion on the financial statements

We plan to issue an unqualified opinion on the Pension Fund's financial statements following the Audit and Risk Management Committee meeting on 15 September 2025.

## Consistency report on the financial statements within the Pension Fund Annual Report

The Pension Fund is required to publish its Annual Report by 1 December 2025. We issue an auditor's consistency report which includes our opinion that the 2024/25 Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We have received a draft of the Annual Report from the Pension Fund and are completing our work upon it. We are therefore not yet in a position to give this separate 'consistency' opinion at this time. We anticipate being able to issue our 'consistency' opinion in the forthcoming weeks and ahead of the 1 December Annual Report deadline.

## Grant Thornton provides an independent opinion on whether the Pension Fund's financial statements:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund's assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK); the Code of Audit Practice (2024) published by the National Audit Office; and applicable law. We are independent of the Pension Fund in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Findings from the audit of the Pension Fund financial statements

The Pension Fund provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

# Opinion on the pension fund statements (2)

## Audit Findings Report

We report the detailed findings from our Pension Fund audit in our Audit Findings Report. A final version of our report was presented to the Audit and Risk Management Committee meeting on 15 September. Requests for this Audit Findings Report should be directed to the City of London Corporation.



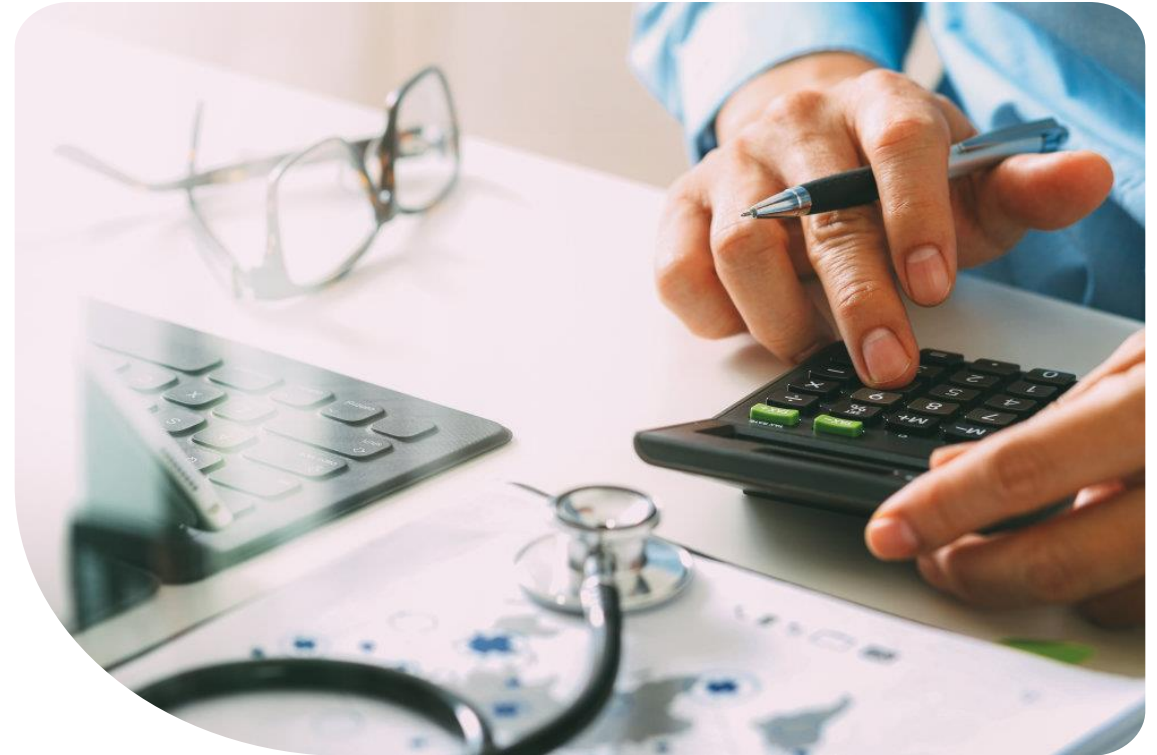
# Other reporting requirements

## Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



# **04 Value for money commentary on arrangements**



# Value for money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether City Fund has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



## Financial sustainability

Arrangements for ensuring City Fund can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium-term (3-5 years).



## Governance

Arrangements for ensuring that City Fund makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way City Fund delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

# Financial sustainability – commentary on arrangements (1)

We considered how City Fund: **Commentary on arrangements**

**Rating**

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

City Fund reported a draft outturn £23.4m underspend for 2024-25, continuing its strong financial track record with regards to the general fund. The position is predominantly due to non-recurring factors, such as higher-than-expected interest on cash balances, therefore these areas are not relied upon within the 2025-26 budget. The outturn position allowed central contingencies of £12m, that were set aside within the budget for unexpected risks, to be transferred to reserves.

City Fund set a balanced budget for 2025-26 which seeks to maintain a healthy balance of reserves. This includes an unallocated general fund reserve of £20m, the minimum balance that has been set for several years. Following the net usage of earmarked reserves for the purposes they have been set aside for, City Fund expects to hold total usable revenue reserves of £283.4m at the end of 2025-26. In context, this is greater than the net revenue budget of £227.7m, for 2025-26, and therefore considered to be a strong position. Assumptions made within the budget, across key income and expenditure streams, are observed to be appropriate based on best available information at the time of setting the budget. The budget monitoring process allows for these to be kept under review and updated through the annual budget setting and Medium-Term Financial Plan (MTFP) process.

While City Fund is projected to achieve a balanced budget in 2025-26 with a £30.3m contribution to reserves, the MTFP estimates that 2026-27 onwards, will fall into a deficit of £59.3m over the remaining 3 years of the MTFP. At this stage it is anticipated that the position may need to be managed through reserves; however, City Fund has built the reserves up over several years and the balances are adequate to support the position temporarily as alternative solutions are identified. The MTFP currently, prudently, assumes a worst-case scenario in respect of sector wide uncertainties in business rate reforms, and the potential impact on funding from this key source.

Unlike the general fund position, the HRA position is significantly more challenged, due to a decline in the position since we raised an improvement recommendation on the HRA balance in the prior year. We have identified a significant weakness in arrangements to achieve budgetary control of the HRA and raised a key recommendation – further details are provided on page 20.

**Red**  
Significant weaknesses in arrangements identified and key recommendation made in relation to HRA position

# Financial sustainability – commentary on arrangements (2)

## We considered how City Fund: Commentary on arrangements

## Rating

<p>plans to bridge its funding gaps and identify achievable savings</p>	<p>City Fund is in the early stages of developing a Transformation Programme aligned with the Fantastic Five Years vision. Several prior year savings programmes are in existence and continue to run, these include the Fundamental Review Savings, Target Operating Model (TOM)/12% savings programmes and Resources and Priorities Refresh Programme (RPR). At the time of setting the budget in February 2025, £4.4m of savings from these programme were still unidentified over the MTFP, of which £2.8m savings were planned to be achieved in 2025-26, and £1.6m in 2026/27. Therefore, to respond to the risk surrounding the MTFP deficit outlook and unidentified savings the Corporation has sought to overhaul its approach by introducing the Transformation Programme. The Corporation will be supported by a Strategic Partner, with expertise in this area, in developing and delivering the phased programme. Identification of an appropriate partner is in progress. Plans for internal governance arrangements to monitor the programme are already in place.</p> <p>Overall, arrangements are in their infancy but demonstrate evidence of the Corporation seeking to take alternative actions to respond to emerging financial pressures, adapting rather than relying on savings from existing sources. In light of newly established arrangements our improvement recommendation from the prior year is no longer relevant – further details provided in relation to prior year IR4 on page 42.</p>	<p><b>Green</b></p> <p>No significant weaknesses or improvement recommendations</p>
<p>plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>The 2025-26 net expenditure budget is £227.7m, compared to a 2024-25 revised net budget of £185.9m, a £41.8m or 22% increase. The increase can predominantly be attributed to inflationary pressures, however growth and investment is observed in specific services where financial pressures are observed. This includes investment in adult social care and children services, homelessness, health &amp; safety officers, and internal audit capacity. There are early indications within the budget that officers and Members may consider reprioritising resources, or reviewing activities undertaken in the future. These discussions are at a very early stages and the current budget and MTFP continues to support a full range of services. City Fund is seeking to place maximising of income generation and delivery of savings at the forefront of its plans to protect its services for as long as possible. The investment observed in the 2025-26 budget is strongly aligned to the corporate objective of 'Providing Excellent Services' within the Corporate Plan 2024-29.</p>	<p><b>Green</b></p> <p>No significant weaknesses or improvement recommendations</p>

# Financial sustainability – commentary on arrangements (3)

**We considered how City Fund:** **Commentary on arrangements**

**Rating**

<p>ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system</p>	<p>City Fund’s financial planning and investment decisions align to the Corporate Plan 2024-29. Other relevant strategies to financial planning decisions include those related to people, climate change, capital and asset management. Climate plans are well developed and established with an overarching Strategy to achieve net zero objectives, between 2020-2027, supported by annual action plans to break this down into specific tasks. The implications are considered within the annual budget, capital programme and MTFP. Strategies in relation to people and asset management are less developed and there is an opportunity to improve the pace of development to ensure that these strategies can be incorporated into financial and non-financial decision-making, in the same way the Climate Strategy is. We raise a new improvement recommendation in relation to the Asset Management Strategy on page 21. Our improvement recommendation in relation to the People Strategy from the prior year remains open, with further details on IR8 (2023-24) page 44.</p> <p>City Fund’s capital programme, underpinned by the Capital Strategy, continues to be challenged. The BAU programme has slippage of £86.9m and the major projects programme has slippage of £64m, £150.9m overall or 33.8% of the budgeted capital programme for 2024-25. The specific projects and causal factors behind the slippage are well understood and articulated within budget monitoring information. To manage the emerging position no new capital proposals were solicited as part of the 2025-26 process, with the programme made up of existing projects. This is supported by £7m held in contingency from 2026-27, maintained each year to provide some small headroom for critical requests to address any unforeseen pressures and a review and re-prioritisation process for all schemes, which aims to ensure the programme remains affordable without reliance on external borrowing. City Fund continues to work towards key priorities via ongoing funding of the Cyclical Works Programme and Barbican Centre to ensure it can aim to maintain appropriate standards with the estate, including housing.</p>	<p><b>Amber</b></p> <p>No significant weaknesses, improvement recommendation made</p>
<p>identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans</p>	<p>Risks identified within the budget are appropriate to the nature of City Fund’s activities, and key challenges in the sector, with no omissions. Importantly, mitigating actions being taken to address risks are clearly articulated to Members. City Fund has made efforts to improve the information presented to Members, providing numerical context to some of these risks where information is available, this responds to a prior year recommendation. The budget continues to include stress-testing and scenario planning on key income assumptions. City Fund has placed specific focus on modelling the impact of transitional relief under potential business rate reforms, resulting in prudent scenario presentation to allow the budget to plan effectively for this imminent, but uncertain, event.</p>	<p><b>Green</b></p> <p>No significant weaknesses or improvement recommendations</p>

# Financial sustainability – key recommendation

## Significant weakness identified in relation to financial sustainability

**Key finding:** In 2023-24 we highlighted the HRA Reserve position as an area for improvement due to the low balance held in context of planned expenditure. However, although the balance was low, it was considered stable. HRA plans for 2024-25 sought to improve the reserve position, by setting a budget that forecast a surplus for the year and increased the reserve position, with medium-term plans building up the reserve over 4 years. However, the HRA has not performed in line with expectation, which has seen a deterioration in the already vulnerable reserve position. With the position no longer being stable, a significant weakness in arrangements to achieve budgetary control of the HRA reserve has been identified.

**Evidence:** The 2023-24 position confirmed that the HRA Reserve was low in the context of the actual expenditure on the HRA Account (£0.309m, which was 2% of expenditure). However, the HRA Reserve remained stable over several years and was forecast to increase over the medium-term. The original 2024-25 budget for the HRA was an in-year surplus of £0.144m, taking the year-end reserve balance to £0.445m. Instead, the HRA deficit of £0.275m for 2024-25, reduces the HRA Reserve balance to £0.034m. The 2025-26 budget is set to produce a small surplus, increasing the reserve by £0.42m. The position is extremely vulnerable to even small variances from assumptions made around variable and volatile line items within the budget. For example, repairs and maintenance expenditure is expected this to be £0.212m less than the 2024-25 actual expenditure, if expenditure costs follow prior year trends then the HRA Reserve would be diminished.

City Fund has recognised the risk within its Risk Register, where it is red-rated, and reported on regularly to Members, as well as through separate Member briefings. A comprehensive review of the HRA has been undertaken in developing a new 10-year plan. This does plan for recovery of the position over the period, however it is based on assumptions relating to rent-generating units which are yet to be completed. This has been an area of under-performance in recent years, contributing to the current position.

**Impact:** Reserves are a finite resource which enable the HRA to protect itself against future uncertainties, risks and unexpected events. Without sufficient reserves City Fund's HRA is not able to remain financially sustainable, it is required to remain in balance or surplus by Statute.

## Key recommendation 1

**KR1:** City Fund must take immediate and urgent actions to secure the future sustainability of the HRA Reserve by seeking to control costs, maximise income, and reassess assumptions, particularly in relation to estimates for repairs and maintenance costs, to ensure they remain realistic. Costs exceeding budget and income less than forecast have the potential to diminish HRA reserves. The current position of City Fund's HRA balance is considered critical.

# Financial sustainability – improvement recommendation

## Area for improvement identified: Identifying and delivering recurrent savings

**Key finding:** For the Housing Strategy to effectively progress its repairs and improvements to the housing stock, City Fund is developing an Asset Management Strategy. A Housing Strategy and supporting action plan is in place, laying the foundations. However, the Asset Management Strategy, which aims to provide a fully costed 5-year plan for the required works, is not yet developed or implemented.

**Evidence:** We are assured, through our discussions with officers, that the development of the Strategy is in progress, but yet to be finalised. Given the vulnerable nature of the HRA Reserve position we feel that pace and priority is required to finalise the Strategy. We would expect arrangements to include a fully costed supporting annual plan and monitoring arrangements.

**Impact:** A lack of fully costed Asset Management Strategy, as pertains to the HRA, could lead to unanticipated emergency repairs and maintenance costs in the medium-term, which have been a significant pressure on the HRA Reserve over several years.

## Improvement recommendation 1

**IR1:** Given the vulnerable nature of the HRA Reserve position we feel that pace and priority is required to finalise the Asset Management Strategy. We would expect this to be supported by a fully costed annual plan and robust monitoring arrangements.

# Grant Thornton insights – learning from others

City Fund has the arrangements we would expect to see in respect of its budget setting processes, but could challenge itself to go further, based on the best arrangements we see across the sector.



## What City Fund is already doing

- City Fund clearly articulates assumptions made in relation to key income and expenditure streams including pay inflation, non-pay inflation, Council Tax increases and impact of business rate reforms. The assumptions made are reasonable based on best available information.
- Reporting provides capital programme monitoring which informs Members of capital performance at organisational level (City Fund), service level and committee level, with supporting narrative on some key projects.



## What others do well

- Present a full suite of assumptions, in relation to key funding streams, namely Council Tax and business rates. Including non-financial assumptions that can impact the budget.
- The most effective capital monitoring arrangements we see breakdown the programme by individual scheme. Including information on individual scheme budgets, budget revisions, in-year slippage and future outlook. This information then allows specific issues to be identified and targeted actions taken.



## City Fund could consider

- Articulating the assumptions made regarding collection rates, on council tax and business rates, within the budget setting information. The benefit of this would be to provide Members with a full suite of information, and opportunity to challenge, across all relevant assumptions related to key funding streams within the budget.
- More detailed monitoring of capital projects at individual scheme level to reflect the emerging pressure and magnitude of the programme. individual budgets, budget revisions, in-year slippage and future outlook. Major Projects alone total £1.1bn over the life of the Capital Programme and have experienced slippage over recent years.



# Governance – commentary on arrangements (1)

We considered how City Fund: **Commentary on arrangements**

Fund:

**Rating**

monitors and assesses risk and how City Fund gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

City Fund's risk management approach is overseen by the Audit and Risk Management Committee. During 2024-25 there was extensive activity in this area as a new Risk Management Strategy and Policy were agreed, and regular reporting to Committee continued. This reporting showed alignment with the issues in the organisation and evidence of regular review. The new activity around the Strategy and Policy meant that our improvement recommendations from 2023-24 regarding this area are now discharged.

Internal Audit delivered 611 days of work, an increase from 425 in 2023-24. The Corporation increased resources in the Internal Audit plan and anticipates delivering a higher level of days in 2025-26. We made an improvement recommendation last year around Internal Audit resource and the decision to increase Internal Audit resources mean that the recommendation is discharged.

The Head of Internal Audit's view is that City Fund has a general effective overall control environment, however within this several 'limited assurance' rated reviews were raised (10 of 24 overall). Discussions with Internal Audit confirm that in many cases improvements, in line with the recommendations, have already been made. In general, the areas receiving these ratings are stand alone operations and have not impacted the Corporation-wide opinion on the control environment. Consistency in the application of controls was a common theme within these reviews.

There has been progress in the implementation of Internal Audit recommendations, from 92 at the end of 2024-25 to 65 at June 2025, though City Fund needs to recognise that, given there will be more audit work completed, this could result in more recommendations requiring additional efforts to respond to, alongside existing recommendations.

City Fund has an Anti-Fraud and Corruption Strategy, which is due to be updated later in the year in line with City Fund's response to a 2023-24 improvement recommendation. There is regular detailed reporting on this to the Audit and Risk Management Committee. For the first half of 2024-25 42 investigations were completed compared to 34 in the same period in the previous year. Social housing tenancy fraud has the highest notional value. The team also reviewed right to buy housing application fraud, blue badge fraud, corporate investigations, council tax investigations and whistle blowing disclosures. This represents active and wide-ranging arrangements.

Overall, the Corporation effectively monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. However, improvement recommendation from last year is retained as we have not seen evidence of progress in relation to improving data for complaints monitoring, refer to prior year IR15 (2023-24) page 48.

**Amber**  
No significant weaknesses, improvement recommendations unaddressed from prior year

# Governance – commentary on arrangements (2)

We considered how City Fund: **Commentary on arrangements**

**Rating**

<p>approaches and carries out its annual budget setting process</p>	<p>The budget setting process for 2025-26 remains consistent with the prior year. We identified no recommendations or opportunities for improvement in the prior year, owing to the well-established and robust process in place and this remains the case for the 2025-26 process. The budget setting process includes adequate time for, and comprehensive engagement with, budget holders, Members, the public and other appropriate stakeholders. This is predominantly achieved through the Star Chambers process, as well ‘deep dive sessions’ between Finance and service teams, Executive Leadership Board (ELB) workshops, Policy and Resources Committee away days and reviews by Efficiency and Performance Working Party (EPWP). Each of these adds a layer of challenge and scrutiny, focussed on ensuring the robustness of the budget proposed for the year ahead.</p>	<p><b>Green</b> No significant weaknesses or improvement recommendations</p>
<p>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>Financial performance continues to be monitored sufficiently regularly (at least quarterly) through a variety of channels including Chief Officer monthly meetings, departmental and service committees, the Resources Allocation Sub-Committee and Finance Committee. The information is presented in sufficient detail for Members and officers to understand key pressures, causes and subsequent actions to respond. As such, the information allows Members to effectively hold individual departments to account as required. A protocol is in place to ensure that any year-end overspends by department are met within following year budgets, unless an exception is approved by the Chairs of the Policy and Resources and Finance Committees. A similar protocol applies to carrying forward year-end underspends.</p> <p>There is sufficient skill and capacity within the Finance team to support the financial reporting, budget setting and audit processes. The team is fully staffed within their structure, having focussed on recruitment over several years. All staff are permanent members of the team who are experienced in these processes.</p> <p>City Fund report on Treasury Management in line with the CIPFA Code on Treasury Management, this includes an annual Treasury Management Strategy and Investment Plan, a mid-year report on Treasury Management activity and an annual report on Treasury Management performance. Our discussions with officers identified a discrepancy between the Financial Regulations within the Constitution and the Treasury Management Strategy. The relevant section of the Financial Regulations sets out that the Finance Committee does not receive the regular monitoring, where as the Strategy expects this. The Council therefore intend to update the working within the Strategy so the two align going forward.</p>	<p><b>Green</b> No significant weaknesses or improvement recommendations</p>

# Governance – commentary on arrangements (3)

We considered how City Fund: **Commentary on arrangements**

**Rating**

<b>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</b>	<p>City Fund has appropriate arrangements in place to ensure that Members making decisions have the necessary information. Reports show background to decisions and why decisions are required and give details on implications.</p> <p>The Audit and Risk Management Committee has a key part in City Fund’s governance approach. It meets regularly and covers external and internal audit, risk management, counter fraud and approval of City Fund and City’s Estate Statements of Accounts. Member input and engagement is high and there are independent members (i.e. people who are not elected Members of the Corporation). The Committee has an annual report which looks at the range of the Committees activities which was reported to Committee and to the Court of Common Council in 2024-25. The report included a review of the Committees effectiveness which highlighted some improvements that could be made in training of and support to members, which are being taken forwards and addressed in 2025-26.</p> <p>City Fund ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance. No recommendations have been raised in this area.</p>	<p><b>Green</b></p> <p>No significant weaknesses or improvement recommendations</p>
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# Governance – commentary on arrangements (4)

We considered how City Fund: **Commentary on arrangements**

**Rating**

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour

City Fund has arrangements in place to report significant changes in government policy and legislation to Members via reports to its Committees and Member training, the latter of which has been enhanced. The organisation has reviewed processes around standards of Member behaviour with the result being implementation of a new process for reviewing complaints and training.

In 2024-25 the Corporation published an independent review of member behaviour, carried out by the Local Government Association (LGA) in late 2023. This found no generalised problem but suggested a series of positive actions, several of which have already been taken. During the year the Panel of Independent Persons and the Member Development and Standards Committee consider standards and investigations. In October 2024, the Court of Common Council received a report, the first of what is intended to be an annual process, on the activity of the Panel of Independent Persons which included an update on their work on standards complaints. The Panel received 11 complaints in the 14-month period the report covers. Given that the Corporation has 125 Members this is not a high number of complaints. A number of the complaints related to behaviour, which the actions following from the LGA review will be seeking to improve.

In 2024-25 two procurement improvement recommendations were made relating to maximising compliance with the new Procurement Act 2023 and updating internal procurements policies. During 2024-25 City Fund carried out a Strategic Procurement Review which identified that the approach should be more strategic and creative, with greater consideration of risk, consistency in contract management, clarity in roles and responsibilities between the central Commercial Services team and the departments and simplifying complex governance arrangements to reduce delays. City Fund is taking action on each of these recommendations, with some already delivered, and will also shortly be producing a revised version of the Procurement Code, which contributes to delivering the required improvements. An addendum to the existing Code has been in place to ensure that City Fund is compliant with the new Act, which came into effect in February 2025, while the Code is revised in full. The two improvement recommendations are discharged, as a result of the work undertaken to date.

City Fund monitors and ensures appropriate standards around legislative, regulatory requirements and Member behaviour. Overall, arrangements are effective, and therefore no recommendations have been raised in this area.

**Green**  
No significant weaknesses or improvement recommendations

# Improving economy, efficiency and effectiveness – commentary on arrangements (1)

We considered how City Fund: **Commentary on arrangements**

**Rating**

uses financial and performance information to assess performance to identify areas for improvement

City Fund introduced new reporting to Members showing performance against indicators from the Corporate Plan, with a view to evolving techniques and metrics over time, making iterative improvements. There are a small number of indicators where data is missing but, nevertheless, the changes made to date discharge the improvement recommendation made in 2022-23 – that City Fund should draw upon existing expertise, software and tools in developing its Performance Management Framework to ensure good practice can be replicated to City Fund-wide approach (IR24 page 51). We have raised a narrower improvement recommendation, based on the updated arrangements that reporting should be made to Members with greater frequency than the current planned schedule of annual reporting, refer to page 30. We recognise that officers do receive information frequently and that the extension of this to Members is part of the iterative improvement work that City Fund seeks to achieve.

In line with the position reported in our work last year City Fund is focussing on improving data quality. It has a new Digital, Data and Technology Strategy and also recognised the practical improvements it can make, for example with actions to carry out data cleansing and improve data integrity as part of the Housing Strategy.

City Fund has arrangements to use information to assess performance and identify improvement areas – around fees and charges as part of the Transformation Programme, and in the early discussions on budget changes in City Fund’s Star Chamber. City Fund’s view is that in many situations the organisation sits as an outlier due to its low population, but where appropriate benchmarking information is being utilised.

Overall, City Fund is using financial and performance information to assess performance and to identify areas for improvement effectively.

**Amber**  
No significant weaknesses, improvement recommendations made

# Improving economy, efficiency and effectiveness – commentary on arrangements (2)

**We considered how City Fund:** **Commentary on arrangements**

**Rating**

<p><b>evaluates the services it provides to assess performance and identify areas for improvement</b></p>	<p>City Fund has a good record in low numbers and good outcomes from complaints raised through the Ombudsman's service. There were two complaints in 2024-25 and one was upheld. This is below the median measured by population for local authorities.</p> <p>An Ofsted inspection of Children's Social Care Services and Early Help took place in September 2024 and the Corporation retained its outstanding rating.</p> <p>City Fund set itself a series of actions in relation to its Housing Service and is largely making progress on these, having delivered 9 of the 11 tasks set out, the main exceptions being the items related to data quality where we provide insight on the previous page.</p> <p>City Fund evaluates the services it provides to assess performance and identify areas for improvement effectively. No specific recommendations are made in relation to this area.</p>	<p><b>Green</b></p> <p>No significant weaknesses or improvement recommendations</p>
<p><b>ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives</b></p>	<p>City Fund plans and carries out its work with partners, includes partnering with the Greater London Authority to build the new London museum; working with banks and the Home Office on cyber fraud; and working with health policing and neighbouring authorities in supporting vulnerable people and engages in depth with local businesses on its budget and resource allocation. These are monitored and governed through the Corporate Plan monitoring process and the Corporation's committee governance processes. For residents, City Fund held a series of City Question Times and produced information showing how it has responded to points raised at these events.</p> <p>As an example of arrangements with partners, City Fund reviewed how its partnerships with Business Improvement Districts (BID) have worked, given there has been some time elapsed since the BIDs were set up. City Fund identified some improvements in the partnerships such as reporting back against success criteria, clearer understanding of roles, and better co-ordination. The actions taken included setting up a strategic Board and quarterly lunches, a BID representative on the Corporations Destination City Advisory Board and an offer of administrative support to BID chairs</p> <p>City Fund ensures it delivers its role within significant partnerships and engages with stakeholders it has identified in order to assess whether it is meeting its objectives effectively. No recommendations have been raised in this area.</p>	<p><b>Green</b></p> <p>No significant weaknesses or improvement recommendations</p>

# Improving economy, efficiency and effectiveness – commentary on arrangements (3)

We considered how City Fund: **Commentary on arrangements**

**Rating**

<p>commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>City Fund has completed the majority of the identified actions designed to improve its procurement strategies and operations during 2024-25 and will complete implementation of the remainder in 2025-26. These actions arose, in part, from our 2023-24 improvement recommendation to standardise contract management arrangements to maximise compliance, transparency and efficiency. City Fund’s Strategic Procurement Review identified work it intends to carry out to improve this, and the new model of working is being consulted on internally. On the basis that this work is near completion this improvement recommendation is closed.</p> <p>A 2023-24 improvement recommendation was raised that City Fund should seek to improve arrangements in relation to HRA capital and repairs by undertaking a ‘lessons learned, exercise on slippage on Sydenham Hill and York Way projects. City Fund expects to do this in December 2025 as part of a standard project management approach.</p> <p>City Fund has major projects such as the Barbican renewal programme, estimated at £230m, and has an awareness of the risks that come with uncommon projects, such as this. These were clearly articulated to Members at the point of approval of the programme budget and included consideration of the financial impact of closure of the centre and the focus on sustaining, or generating income workstreams, meaning the project may not make a surplus. Several elements of the project are still being finalised as the 10-year plan for the operating model for the centre is in progress. This will provide a firmer basis for future decisions and as it progresses City Fund will need to consider, and plan for, common issues that can occur with large and complex projects, learning lessons from similar projects at the Corporation and other local authorities.</p> <p>Overall, City Fund commissions and procures services effectively. No recommendations have been raised in this area.</p>	<p><b>Green</b></p> <p>No significant weaknesses or improvement recommendations</p>
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# Improving economy, efficiency and effectiveness – improvement recommendation

## Area for improvement: performance reporting

**Key finding:** City Fund can enhance the impact of performance information by providing more information to Members in-year.

**Evidence:** City Fund produced an extensive set of measures of performance which it intends to publish annually to show performance against the Corporate Plan. During the year officers receive and use performance information to manage the operations of City Fund, in line with delegated authorities. Because the information to Members will be published annually this may mean public accountability of Members for some performance issues may not be as effective as it could be. It is recommended that selected indicators are reported to Members in-year.

**Impact:** Member accountability for the overall management of City Fund performance is weakened while this is not being reported.

## Improvement recommendation 2

**IR2:** City Fund should report selected performance indicators to Members at a public decision-making meeting in-year.

# Pension Fund (1)

City Fund is the administering authority for the City of London Pension Fund. As part of our VfM work we are required to consider City Fund’s arrangements in respect of the Pension Fund.

We considered how City Fund: **Commentary on arrangements**

Rating

<b>Financial sustainability:</b> sufficiency of funds to meet liabilities	<p>The Pension Fund is revalued every three years by an independent actuary, to assess future liabilities and set employers’ contribution rates. The most recent formal valuation, as at 31 March 2022, assessed the whole Pension Fund as having a £35m deficit, meaning its liabilities were 98% funded by the assets held. The Fund’s Funding Strategy Statement compels it to adjust the level of required employer to fund the deficit over a maximum period of 11 years. Based on the initial 2022 valuation employer contribution rates were 18.5%, current contribution rates derived are 21%. These secondary rate contributions agreed with individual employers were set at the 31 March 2022 valuation to restore the Fund to a funding position of 100% over a recovery period of no longer than 11 years. Therefore, plans are in place to respond to the estimated position.</p>	<b>Amber</b>  No significant weaknesses, improvement recommendations made
<b>Governance:</b> appropriateness of governance arrangements	<p>The Fund’s governance arrangements consist of a Pensions Committee and Local Government Pensions Board. The Pensions Committee has delegated responsibility to manage the Pension Fund and is the decision-making body and they support the Local Government Pensions Board in their role to ensure compliance with LGPS regulations and legislation and to ensure the effective and efficient governance and administration of the Fund. The two meet sufficiently regularly, the Committee quarterly and the Board bi-annually in 2024-25. Standing agenda items and ad hoc reports cover a range of issues in relation to risk, performance and compliance.</p> <p>The Administration Team achieved 90% or more, against its KPI targets, for the full 2024-25 period. Risks are appropriately mitigated or managed, and this is clearly articulated through the Pension Fund risk registers, where following mitigating actions taken no risks are considered to be red-rated by the Fund.</p> <p>The Government published its ‘Fit for Future’ consultation response in May 2025. This confirmed that funds should have all their assets under pool management by 31 March 2026. Regular updates are being provided to the Pensions Committee, this includes information on the planned development of a Pooling Transition Plan, however there is currently no formalised plan in place to achieve 100% pooling of pension investment assets by the required date. As at July 2025 56% of investment are managed by the London CIV Pool, or other pooled management arrangements, with an additional outstanding 4% commitment to the LCIV Renewable Infrastructure Fund. This is an increase from 31 March 2024, where only 36% of funds were managed under pooled arrangements.</p>	

# Pension Fund (2)



## Pension Fund Pooling

Some London Authority Funds are around 60-70% pooled at the same date, therefore with the additional 4% commitment outstanding the City of London Pension Fund is aligned. However, there are still a significant proportion of assets to transfer in a short period of time. The Pension Fund will need to move at pace to achieve this. The requirements are part of a Bill, and are not yet written into statute, therefore any legal and regulatory consequences of failing to achieve the deadline are currently uncertain.

We considered how City Fund:	Commentary on arrangements	Rating
Improving economy, efficiency and effectiveness: annual report findings	<p>We considered arrangements for implementing some key work streams and the impact on the Fund Administration teams. For 2024-25 these include:</p> <ul style="list-style-type: none"><li>• <b>Implementing the McCloud remedy</b> – Implementation requires lots of complex calculations so could potentially impact heavily on administration teams. Updates are brought to the Pension Committee via the Pensions Administrators’ update. The latest update at July 2025 confirms that the Fund is well-progressed with implementing the remedy and has a plan for continuing to do so on a systematic basis. Further updates are planned to the Committee as the implementation progresses.</li><li>• <b>Preparing for the Pensions Dashboard</b> – The department for Work and Pensions (DWP) designed an online platform (Pensions Dashboard), public sector schemes are required to be connected by October 2025. Updates on progress are also provided via the Pensions Administrators’ update. The Pensions Office have appointed an Integrated Service Provider (ISP) to allow connection to the national digital architecture and testing of the system is currently underway. Therefore, the Fund is on track to achieve connection by the target date.</li><li>• <b>Preparing and maintaining a Funding Strategy Statement</b> – In January 2025 the SAB, CIPFA and MHCLG produced “Guidance for Preparing and maintaining a Funding Strategy Statement (FSS)”. The Fund met with their actuary in July 2025 to discuss the new FSS requirements with them. The FSS will be updated as part of the 2025 valuation process. Therefore, a planned timeline is in place to implement the requirements.</li></ul>	<p><b>Amber</b></p> <p>No significant weaknesses, improvement recommendations made</p>

# **05 Summary of value for money recommendations raised in 2024-25**

# Key recommendation raised in 2024-25

Key recommendation	Relates to	Management actions
KR1  City Fund must take immediate and urgent actions to secure the future sustainability of the HRA Reserve by seeking to control costs, maximise income, and reassess assumptions, particularly in relation to estimates for repairs and maintenance costs, to ensure they remain realistic. Costs exceeding budget and income less than forecast have the potential to diminish HRA reserves. The current position of City Fund’s HRA balance is considered critical.	Financial sustainability	<p><b>Actions:</b> The Housing Revenue Account is at a pivotal point, needing decisive changes to ensure its sustainability and effective delivery.</p> <p>Revised capital financing plans have reduced borrowing needs, giving around £1.1m in annual headroom by Year 3. This extra capacity will help rebuild reserve balances as well as support health &amp; safety posts over the next three years.</p> <p>The HRA's delivery model is being reassessed to ensure it remains efficient and adaptable.</p> <p>Stronger monitoring is being introduced for housing unit delivery, with enhanced reporting and accountability to meet targets and quickly address issues.</p> <p>Given previous weaknesses, new measures are being implemented to enhance budget oversight, including real-time tracking, early warnings, clear escalation, and empowering managers to stop or adjust spending if necessary.</p> <p>Together, these steps aim to strengthen the HRA’s financial resilience, improve delivery, and ensure robust oversight going forward.</p> <p><b>Responsible Officer:</b> Peta Caine</p> <p><b>Due Date:</b> June 2026</p>

# Improvement recommendations raised in 2024-25

	Recommendation	Relates to	Management actions
IR1	Given the vulnerable nature of the HRA Reserve position we feel that pace and priority is required to finalise the Asset Management Strategy. We would expect this to be supported by a fully costed annual plan and robust monitoring arrangements.	Financial sustainability	<p><b>Actions:</b> The Asset Management Strategy will be finalised once the results of the current stock condition survey are received and reviewed at the end of this financial year 2025/26.</p> <p><b>Responsible Officer:</b> Director of Housing</p> <p><b>Due Date:</b> June 2026</p>
IR2	City Fund should report selected performance indicators to Members at a public decision-making meeting in-year.	3Es	<p><b>Actions:</b> Reporting of performance measures already takes place through a number of mechanisms to service committees, grand committees and the Court of Common Council, via departmental and institutional Business Plans, Annual Governance Statement (City Fund) and major projects and portfolios, all of which will include City Fund components. We adhere to the rules in terms of what is and isn't reported in public. Reporting is set to increase as greater scrutiny is being rolled out e.g. in-year reporting of BPs to Committees which will increase the reporting already taking place. The approach is part of an ongoing process to improve performance management across the organisation, ensuring we do not reinforce siloes, increase bureaucracy and/or reporting burden. As a result, the reporting mechanisms are part of our existing governance and activities rather than having City Fund Performance reporting in isolation, and we believe that the current arrangements already meet the intent of the recommendation.</p> <p><b>Responsible Officer:</b> Corporate Strategy Team, Barbara Hook</p> <p><b>Due Date:</b> Already in Place</p>

# 06 Appendices



# Appendix A: Responsibilities of City Fund

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

City Fund's Chamberlain is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chamberlain is required to comply with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. In preparing the financial statements, the Chamberlain is responsible for assessing City Fund's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by City Fund will no longer be provided.

City Fund is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of City Fund’s value for money arrangements.

## Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of City Fund’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

## Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

## Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

**A range of different recommendations can be raised by City Fund’s auditors as follows:**

**Statutory recommendations** – recommendations to City Fund under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

**Key recommendations** – the actions which should be taken by City Fund where significant weaknesses are identified within arrangements.

**Improvement recommendations** – actions which are not a result of us identifying significant weaknesses in City Fund’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment	
Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Court of Common Council or relevant committees
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

# Appendix C: Follow up of prior year improvement recommendations (1)

	Prior recommendation	Raised	Progress	Current position	Further action
IR1	City Fund should, in collaboration with Members, review business rate assumptions to ensure they are realistic in the medium-term.	2023-24	City Fund has undertaken scenario planning and included details of the analysis within the budget setting information, specifically in relation to the impact of potential transitional relief and business rates reforms. The approved budget and MTFP assumes a worst-case scenario, that no support will be received, and so financial planning is undertaken on a cautious and prudent basis in order to effectively plan for future financial sustainability.	Recommendation addressed	No
IR2	City Fund should review its assumptions in relation to the Barbican Capital and Cyclical Works Programme to ensure that it is affordable in the medium-term. Prior to embarking on any additional works included in the financial planning City Fund will need to address Internal Audit's concerns around controls in the repairs programme.	2023-24	<p>The first phase of the Barbican Renewal Programme is included within City Fund's Capital Programme. These works total £307m (including an estimate for risk). City Fund is only able to fund the first stage of the Barbican Renewal and this initial phase of the works was approved by the Court of Common Council on 5 December 2024, with the project due to start in 2025-26. When Members approved the decision to invest in the first phase of Barbican centre renewal works, they included a condition to bring back a 10-year plan. This is in development and will be a key mechanism for determining funding of later phases of the programme.</p> <p>Sustainable funding for cyclical works has been incorporated into future years from 2028-29, as approved by Court of Common Council on 7 March 2024. This approach is designed to prevent similar challenges to those at the Barbican Centre, where a substantial amount of funding has been required with immediacy, to address critical repairs and upgrades. As such lessons have been learned and applied to future works. Members were informed that capital programmes have been reduced to accommodate the budgeting of the ongoing Cyclical Works Programme.</p>	Recommendation addressed	No

# Appendix C: Follow up of prior year improvement recommendations (2)

	Prior recommendation	Raised	Progress	Current position	Further action
IR3	<p>City Fund should review its HRA assumptions to ensure the medium-term outlook is realistic and sustainable. Detailed analysis of demand, total cost and unit cost factors would be useful in supporting this review. The review should specifically consider estimates around capital, repairs and income. In reviewing the repairs element of the HRA City Fund has the opportunity to identify successful examples elsewhere in the sector and apply to their own challenges.</p> <p>Following internal and external Housing Service and HRA reviews City Fund should develop detailed action plans to progress recommendations and monitor these effectively to completion.</p>	2023-24	<p>We reviewed the assumptions made within the 2025-26 HRA budget and although they are deemed reasonable based on the available information at the time of setting the budget, the fragile position of the HRA Reserve balance means the assumptions, and the emerging position, will need to be kept under close review, as the position is vulnerable to even the smallest variances from expectation. A significant weakness in arrangements as a result of the position has been identified and the need to keep assumptions under review incorporated into the Key Recommendation associated with this weakness.</p> <p>A new 10-year HRA forecast has been developed which includes the results consultancy work to review of the full cost of Golden Lane Estate improvements, as well as latest estimates of wider estate renewal costs.</p>	Recommendation superseded	See our <b>Key Recommendation KR1</b> (page 20)

# Appendix C: Follow up of prior year improvement recommendations (3)

	Prior recommendation	Raised	Progress	Current position	Further action
IR4	<p>As City Fund continues to develop savings via the RPR process and Project Management System procurement it should seek to improve arrangements by:</p> <ul style="list-style-type: none"><li>Analysing the ability of the RPR to fully mitigate gaps in the MTFP and present this to Members.</li><li>Develop a savings monitoring framework to effectively track savings delivery via the RPR and present this to Members alongside budget monitoring.</li><li>Producing a cost-benefit analysis of the proposed Project Management System, considering savings it could feasibly deliver in the RPR and MTFP.</li></ul>	2023-24	<p>The previous 12% savings target, Fundamental Savings Review and RPR Programmes are being amalgamated and replaced with the Transformation Programme therefore this recommendation is somewhat superseded.</p> <p>City Fund is in the process of seeking a Strategic Business Partner to support all aspects of the Transformation Programme and has set out the proposed governance process of monitoring the Programme. Therefore, progress has been made towards improving the savings programme itself, although delivery and monitoring remains in a transition period. We will review the new arrangements for effectiveness in 2025-26, once established and embedding.</p>	Recommendation superseded	<p>Not for 2024-25. We will review this area as part of our 2025-26 work when new arrangements are implemented.</p>

# Appendix C: Follow up of prior year improvement recommendations (4)

	Prior recommendation	Raised	Progress	Current position	Further action
IR5	City Fund should develop a Delivery Framework to support the Housing Strategy to ensure its aims can be successfully delivered, operationally. The Framework should include clear actions, responsible individuals, to metrics to measure success of outcomes and a framework for monitoring performance.	2023-24	<p>Supporting Action Plan for 2025-26 is developed, it includes clear Action, Milestones, Timescales, Responsible Officer Lead, Expected Outcomes and KPIs to measure success.</p> <p>We are yet to observe monitoring of the plan taking place, however as the plan relates to 2025-26 this is to be expected. We will keep a watching brief to ensure those arrangements are in place in our 2025-26 work.</p>	Recommendation addressed	No
IR6	City Fund should undertake detailed analysis of the causal demand, unit cost, total cost and supply side factors impacting social care and present these to Members to inform the response to mitigating the pressures being observed.	2023-24	<p>Reporting should reflect risk, overall City Fund's outturn position is a positive position, of underspend, therefore we are satisfied that the level of reporting does not require additional detail, especially in this area. However, despite limited detailed reporting it is clear that City Fund has undertaken analysis in both Adult and Children's Social Care, Commissioning Overview Reports for both areas were presented to Community and Children's Committee in November 2024. The reports focus on Commissioning and Quality Assurance (QA) arrangements which includes analysis of demand, costs and the nature of the individual services and contracts. Each report results in an action plan which will now need to be effectively monitored, this has not yet been observed at the Committee, we might expect this to be undertaken every 6-12 months and so will keep a watching brief in 2025-26.</p>	Recommendation addressed	No

# Appendix C: Follow up of prior year improvement recommendations (5)

	Prior recommendation	Raised	Progress	Current position	Further action
IR7	City Fund should undertake targeted research into appropriate temporary accommodation solutions which respond to demand, supply and cost factors causing pressures in this service	2023-24	The Emergency & Temporary Accommodation Placements – Stage 1 Strategy Report and Stage 2 Award Report went to Finance Committee, P&P Sub Committee, HRS Sub-Committee and Court Of Common Council in June 2024. Although no further research has been undertaken the actions taken to date and the underspends in the budget have been sufficient to ensure that the financial position, overall, has not been compromised by pressures in this area.	Recommendation addressed	No
IR8	City Fund should ensure the People Strategy is completed in full so it can begin to embed. It is important a People Plan is developed to translate the strategic objectives into tangible actions to achieve them. A framework will be required to ensure progress of the actions within the Plan are effectively monitored.	2023-24	The most up to date version of the Strategy obtained continues to be from March 2024, therefore no changes observed since prior year work. There remains an opportunity to complete the Strategy. In addition, we are yet to identify a supporting plan (similar to those observed for the Climate and Housing Strategies).	Recommendation not addressed	To review again in 2025/26



# Appendix C: Follow up of prior year improvement recommendations (6)

	Prior recommendation	Raised	Progress	Current position	Further action
IR9	City Fund consider reviewing its investment portfolio across long- and short-term instruments to balance liquidity with securing higher returns to protect the medium-term financial position.	2023-24	City Fund continues to follow CIPFA's Treasury Management Code of Practise which prioritises security and liquidity over yield. The Treasury Management Strategy allows for investments up to three years, and during 2024-25 City Fund entered into a two-year fixed term deal at competitive rates (when the Bank Base Rate stood at 5.25%). City Fund confirms that the capital values of the bond funds – particularly the short-dated bond funds – can be volatile over the short-term but they are expected to produce higher returns over the longer-term. Therefore, City Fund deliberately allocates a small portion of the overall portfolio to these investments – an amount that can sustainably be invested over the medium-term. Whilst officers will continue to look for suitable opportunities to invest over the longer-term, the primary objectives will remain the security and liquidity, to meet the funding needs of the City Fund over the short to medium-term. Therefore, we are satisfied that City Fund has kept the position under review and taken decisions in line with its strategy to balance its priorities/objectives.	Recommendation addressed	No
IR10	City Fund should seek to improve arrangements in relation to HRA capital and repairs by undertaking a 'lessons learned, exercise on slippage on Sydenham Hill and New York Way projects. In addition, it should review current capital and repairs reserve forecasts for optimism bias and affordability.	2023-24	City Fund awaits completion of York Way project in quarter 4 of the financial year 2025-26 to undertake this review.	Recommendation not addressed (but not yet due)	To review again in 2025/26

# Appendix C: Follow up of prior year improvement recommendations (7)

	Prior recommendation	Raised	Progress	Current position	Further action
IR11	City Fund should prioritise the renewal of the Anti-Fraud and Corruption Strategy in 2024-25.	2023-24	City Fund have reported to the July 2025 Audit and Risk Management Committee on the new strategy. This set the vision and four strategic pillars, which are foundations to the Strategy, which is being revised. The Strategy is expected to cover the period 2025-2028 and respond to the failure to prevent offences that become statute on 01 September 2025, under the Economic Crime & Corporate Transparency Act 2023. Although the Strategy has not yet been fully developed, we acknowledge the progress made, the point remains open to be re-reviewed in 2025/26 .	Recommendation in progress	To review again in 2025/26
IR12	City Fund should engage Internal Audit to undertake a comprehensive review of risk management arrangements following changes made in 2023-24 and 2024-25. This proactive step will ensure that risk management processes are robust and effective across City Fund, aligning with best practices and promoting a culture of strong risk governance	2023-24	Internal Audit produced a thematic report on Risk Management giving 'Limited Assurance'. However, the Head of Internal Audit confirmed that this conclusion reflected the earlier part of the 2024-25 year and that subsequent action has been taken, via updates to the Strategy, Policy and Risk Appetite, which responds to their concerns in the latter half of the year.	Recommendation addressed	No

# Appendix C: Follow up of prior year improvement recommendations (8)

	Prior recommendation	Raised	Progress	Current position	Further action
IR13	City Fund should undertake more frequent monitoring of the progress of recommendations from the Zurich review of risk management arrangements at the Audit & Risk Management Committee until they are fully completed	2023-24	Risk Management Strategy, Policy and Risk Appetite have all been updated, together with ongoing reports on Risk Management being taken to the Audit and Risk Committee. These actioned the recommendations from the Zurich review and therefore discharges the recommendation effectively.	Recommendation addressed	No
IR14	<p>To ensure that decision makers are provided with appropriate assurances from Internal Audit the below is required:</p> <ol style="list-style-type: none"> <li>1. continued close monitoring of resourcing via the Internal Audit Dashboard and liaison with officers and Members should further challenges emerge.</li> <li>2. additional investment to continue to build resilience into the team and ensure delivery is maintained in the short-term, and aspirations of growth deliverable in the medium-term.</li> <li>3. development of formalised 3-year Strategic Audit Plan, which will be aided by continued training and recruitment at Senior Auditor level.</li> </ol>	2023-24	The 2024-25 audit plan delivered 611 days, up from 425 in the prior year. Resources are committed to increase this number further in 2025-26. The Strategic Audit Plan has been produced.	Recommendation addressed	No

# Appendix C: Follow up of prior year improvement recommendations (9)

	Prior recommendation	Raised	Progress	Current position	Further action
IR15	City Fund should improve capacity, processes and systems within the Governance and Member Services department to ensure consistency and availability of complaints handling performance data.	2023-24	As at November 2024 a report was submitted to the officer Senior Leadership Team to consider proposals to improve the design of complaints management processes, including enhanced resourcing arrangements. No further update has been provided and we have not been made aware of any further data issues in this area.	Recommendation unaddressed	To review again in 2025/26
IR16	City Fund should maximise the possibility of compliance with the new Procurement Act 2023 and updated internal procurements policies, by developing targeted formalised training in respect of these documents.	2023-24	City Fund carried out training and intends to do further training as part of business-as-usual operations.	Recommendation addressed	No

# Appendix C: Follow up of prior year improvement recommendations (10)

	Prior recommendation	Raised	Progress	Current position	Further action
IR17	City Fund should establish clear and well-defined processes for staff to follow when procuring or commissioning services, in particular when dealing with waivers. This should include the documentation of standardised procurement processes, incorporating clear guidelines for waivers	2023-24	A Strategic Procurement Review was undertaken which identified improvements to be made, many of which are being implemented via the new Procurement Code, reflecting the change in legislation which came into effect at the end of February 2025.	Recommendation addressed	No
IR18	City Fund should seek to standardise contract management arrangements, policies and procedures across the organisation to maximise compliance, transparency and efficiency	2023-24	Arrangements to respond to IR17 are also relevant here – A Strategic Procurement Review was undertaken which identified improvements to be made, many of which are being implemented via the new Procurement Code, reflecting the change in legislation which came into effect at the end of February 2025.	Recommendation addressed	No

# Appendix C: Follow up of prior year improvement recommendations (11)

	Prior recommendation	Raised	Progress	Current position	Further action
IR19	City Fund should update the budget setting process to provide additional detail to Members, specifically in relation to assumptions and risks. (including quantification of risks, ensuring completeness of risks and collection rate assumptions for Council Tax and Business Rates estimates)	2022-23	<p>We have not identified information in relation to collection rate assumptions within the budget for 2025-26. Given there is no specific financial sustainability risk identified in our work we closed this recommendation and included as an insight (page 22) as a consideration for the future, should the financial risk profile of City Fund change.</p> <p>City Fund has made efforts to improve the information presented to Members related to budget risk, providing numerical context to some of the risks identified where information is available. We have noted that the risks identified appear to be complete, with no obvious omissions.</p>	Partially addressed	No – should financial risk profile of City Fund change this can be reconsidered
IR20	City Fund should review its arrangements for monitoring the HRA including reviewing performance more frequently, more detailed information provided to Members regarding performance and monitoring consistently undertaken by the most relevant committee.	2022-23	Members have been made aware of the risks to the HRA through regular Risk Register updates to Finance Committee and Community and Children's Committee, a separate Members Briefing in September 2024, an update on the 10-year plan at the Policy and Resources Committee away day in July 2025 and followed by reports to the relevant Committees in the autumn. In addition to this a Power BI dashboard has been developed relating to Major Housing Projects, the reporting covers financial and non-financial performance at project level. These are being reported to the Housing Management and Almhouses Sub-Committee on a quarterly basis.	Recommendation addressed	No

# Appendix C: Follow up of prior year improvement recommendations (12)

	Prior recommendation	Raised	Progress	Current position	Further action
IR21	Improve efficiency in the HRA Capital Programme by shifting focus of repairs and maintenance programme to more proactive and pre-planned approach.	2022-23	Updates from officers confirm that a stock condition survey has been commissioned and a draft 10-year investment plan developed, subject to funding being identified. We have still identified a reliance on emergency repairs, which has been a factor in the significant weakness observed in the HRA Reserve position.	Recommendation now superseded and encompassed in our Key Recommendation KR1	See <b>Key Recommendation KR1</b> (page 20)
IR22	<p>City Fund should continue to review and make iterative improvements to its Risk Management Strategy including:</p> <ul style="list-style-type: none"> <li>Mapping risks within the Corporate Risk Register to objectives within the Corporate Plan.</li> <li>Understanding the cause of risks being carried above City Fund's risk appetite, reviewing the risk appetite itself to ensure it remains realistic and/or implementing additional mitigations to reduce risk levels.</li> <li>Reviewing risks to ensure completeness, notably consideration of the risks associated with the ERP system implementation.</li> </ul>	2022-23	During 2024-25 a new Risk Management Strategy 2024-2029 was endorsed, a supporting Risk Management Policy updated and agreed, and a revised approach to risk appetite devised, with a draft risk appetite statement taken to Court of Common Council in May 2025 for approval. Corporate risks have been examined through the lens of the Corporate Plan outcomes – this also factored into the work on risk appetite. The Chief Officer Risk Management Group (CORMG) continues to meet regularly to discuss and review risk management in the City of London Corporation, including corporate and new and emerging risks. We confirmed that ERP implementation is in the appropriate risk register, no further omissions have been noted.	Recommendation addressed	No

# Appendix C: Follow up of prior year improvement recommendations (13)

	Prior recommendation	Raised	Progress	Current position	Further action
IR23	<p>Internal Audit</p> <p>1. Working with Internal Audit to develop a formal action plan and tracker, overseen by Members, to formally monitor the progress of outstanding recommendations.</p> <p>2. Reviewing the issues raised in reviews rated 'limited assurance' to determine if the findings are more pervasive than the individual services they relate to.</p>	2022-23	<p>1. This is now reported consistently as part quarterly Internal Audit Updates to Audit and Risk Committee.</p> <p>2. Internal Audit produced thematic reports to provide the relevant information to Members and officers.</p>	Recommendation addressed	No
IR24	<p>City Fund should draw upon existing expertise, software and tools in developing its Performance Management Framework to ensure good practice can be replicated to City Fund-wide approach. Notable good practice already in use in a specific area of the organisation is the Power Bi Dashboard mechanism used to monitor climate change performance.</p>	2022-23	City Fund has begun producing PI information which is reported to Members.	Recommendation now superseded by IR2	See <b>Improvement Recommendation IR1</b> (page 21)
IR25	<p>City Fund should review its unit cost benchmarking position to determine if there is potential for efficiencies within these service blocks, or if they are comfortable with the comparative unit costs due to variations in statistical nearest neighbours' priorities, as part of their acknowledged interest in the greater use of benchmarking.</p>	2022-23	City Fund uses benchmarking data in fees and charges as part of the Transformation Programme, and in the Star Chambers process, where applicable. Sources used include LG Inform.	Recommendation addressed	No





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