

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



CITY OF LONDON

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

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EXPLANATORY FOREWORD

Introduction

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

Overall Financial Position on the City Fund

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

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

EXPLANATORY FOREWORD

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

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

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

Crossrail

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

EXPLANATORY FOREWORD

2012/13 Revenue Outturn compared to Budget

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

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

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

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

EXPLANATORY FOREWORD

2012/13 Capital Outturn compared to Budget

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

City Fund Total Assets and Liabilities

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

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

Capital Borrowing

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

Pension Liabilities

Police and Judges Pension Schemes

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

City of London Pension Scheme

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

Impact of Economic Climate

EXPLANATORY FOREWORD

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

Risk Management

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

Statement of Responsibilities

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

Website

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The City of London's Responsibilities

The City of London is required to:

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

The Chamberlain's Responsibilities

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

In preparing this Statement of Accounts, the Chamberlain has:

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

The Chamberlain has also:

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

Chamberlain's Certificate

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

OB:sw

Chris Bilsland

Chamberlain of London

Date: 12 July 2013

CITY FUND MOVEMENT IN RESERVES STATEMENT

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

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

CITY FUND BALANCE SHEET

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

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

Obtsw

Chris Bilsland,
Chamberlain of London

Date: 12 July 2013

CITY FUND CASH FLOW STATEMENT

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

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

1. Accounting Policies

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

- **General**

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

- **Accruals of Expenditure and Income**

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

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

- **Cash and Cash Equivalents**

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

- **Contingent Assets**

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

- **Contingent Liabilities**

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

- **Provisions**

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

- **Employee Benefits**

Short-term employee benefits

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

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

Retirement benefit costs

Pension Costs – City of London Staff

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

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

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

Pension Costs – Police Officers and Judges

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

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

Pension Costs - Teachers

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

- **Events After the Reporting Period**

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

Adjusting Events

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

Non-adjusting Events

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

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

- **Financial Instruments**

Financial Assets

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

Held to maturity investments

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

Available for sale financial assets

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

Loans and receivables

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

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

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

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

Financial Liabilities

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

- **Interest Income**

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

- **Government Grants and Other Contributions**

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

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

Revenue

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

Capital

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

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

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

- **Heritage Assets**

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

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

- **Intangible Assets**

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

Long Term Intangible Assets

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

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

Current Intangible Assets

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

- **Inventories**

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

- **Investment Property**

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

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

- **Landfill Allowances Scheme**

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

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

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

- **Leases**

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

Finance Leases

City as Lessee

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

City as Lessor

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

Operating Leases

City as Lessee

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

City as Lessor

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

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

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

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

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

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

- **Overheads**

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

- **Property, Plant and Equipment**

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

Recognition

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

Valuation

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

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

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

Revaluations

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

Impairments

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

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

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

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

De-recognition

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

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

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

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

Depreciation

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

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

Components

Assets other than HRA Dwellings

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

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

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

HRA Dwellings

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

- **Reserves**

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

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

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

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

- **Value Added Tax**

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

- **Social Security Deductions**

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

- **Carbon Reduction Commitment Scheme**

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

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

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

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

3. Critical Judgements in Applying Accounting Policies

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

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

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

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

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

5. Events after the Balance Sheet Date

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

6. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

City Fund Balance

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

Housing Revenue Account (HRA) Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Major Repairs Reserve

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

2012/13

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

2012/13

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

2011/12

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

2011/12

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

7. Transfers (to)/from Earmarked Reserves

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

8. Arts Council England

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

9. Self-Financing Payment

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

10. Other Operating Income and Expenditure

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

11. Financing and Investment Income and Expenditure

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

12. Taxation and Non-Specific Grant Income

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

13. Property, Plant and Equipment

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Movements on Balances Comparative for 2011/2012

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Depreciation

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

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

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

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

Capital Commitments

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Revaluations

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

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

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

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

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

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

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

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

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

14. Heritage Assets

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

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

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

15. Investment Properties

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

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

16. Intangible Assets

Long Term Intangible Assets

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

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

Computer software	3 – 7 years
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Amortisation charges in respect of the value of intangible assets at the start of the year are charged to service revenue accounts.

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

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

Current Intangible Assets

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

17. Capital Expenditure and Capital Financing

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

18. Financial Instruments

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

Categories of Financial Instruments

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

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

Investments

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

Income, Expense, Gains and Losses

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Fair Value of Assets and Liabilities

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

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

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

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

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

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

Credit Risk

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

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

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

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

Liquidity risk

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Market risk

Interest rate risk

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

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

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

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

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

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

Price risk

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

Foreign exchange risk

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

20. Long Term Debtors

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

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

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

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

22. Cash and Cash Equivalents

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

	31 March 2013	31 March 2012
	£m	£m
Cash at bank	<u>14.1</u>	<u>12.5</u>
	<u>14.1</u>	<u>12.5</u>

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

23. Creditors and Receipts in Advance

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

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

24. Usable Reserves

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

25. Unusable Reserves

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

A. Revaluation Reserve

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

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

B. Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties.

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

	2012/13	2011/12
	£m	£m
Balance at 1 April		(1,286.3)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	20.6	20.4
Revaluation gains on Property, Plant and Equipment	(5.8)	(6.6)
Amortisation of intangible assets	0.2	0.2
Revenue expenditure funded from capital under statute	2.3	11.7
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	59.8	137.7
	77.1	163.4
Adjusting amounts written out of the Revaluation Reserve	(2.1)	(1.1)
Net written out amount of the cost of non-current assets consumed in the year		75.0
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(10.3)	(200.4)
Use of the Major Repairs Reserve to finance new capital expenditure	(1.3)	(11.6)
Capital grants, contributions and donations credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(7.4)	(9.2)
Application of grants to capital financing from the Capital Grants Unapplied Account	(0.7)	(0.9)
Capital expenditure charged against the City Fund and HRA balances	(1.8)	(0.9)
		(21.5)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(51.3)
Museum of London finance lease and loan principle		0.6
Balance at 31 March		(1,364.7)

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

C. Pension Reserve

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

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

D. Collection Fund Adjustment Account

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

E. Accumulated Absences Account

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

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

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

The cash flows from operating activities include the following item:

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

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

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

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

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

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

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Committee Income and Expenditure 2012/13

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

1. Revenue expenditure funded from capital under statute

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Committee Income and Expenditure 2011/12

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

1. Revenue expenditure funded from capital under statute

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis

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

2012/13

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

2011/12

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

30. **Trading Operations**

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

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

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

31. **Agency Services**

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

32. **Members' Allowances**

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

33. **Remuneration of Senior Employees**

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

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

Table 1 – Remuneration in bands

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Notes to Senior Officers and Relevant Police Officers Remuneration Disclosures

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

34. Exit Packages

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

35. Audit and Inspection Fees

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

36. Dedicated Schools Grant

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

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

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

37. Non Distributed Costs

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

39. Grants and Contributions Received in Advance

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

Long Term

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

Short Term

Revenue Grants Receipts in Advance

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

40. Related Party Transactions

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

Standing Orders

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

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

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

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

Disclosure

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

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

During 2012/13 the following transactions were disclosed;

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

Related Party Transactions with the Museum of London

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

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

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

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

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

Related Party Transactions Disclosed Elsewhere in the Accounts

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

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

Precepts from other Authorities

Pension Fund

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

41. Leases

Finance Leases

City as Lessee

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

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

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

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

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

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

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

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

City as Lessor

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Operating Leases

City as Lessee

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

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

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

City as Lessor

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

42. Impairment Losses and Reversals

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

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

43. City of London Pension Scheme

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

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

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

Assets and Liabilities in Relation to Retirement Benefits

a. Reconciliation of present value of the scheme liabilities

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

b. Reconciliation of fair value of the scheme assets

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

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

Scheme History

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

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

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

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

Basis for Estimating Assets and Liabilities

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

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

History of Experience Gains and Losses

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

44. **The Teachers' Pension Scheme**

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

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

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

45. **The Police Pension Scheme**

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

31 March 2013 31 March 2012

Mortality assumptions:

Life expectancy in years from age 65

Retiring today

Men	21.6	21.5
Women	24.2	24.1

Retiring in 20 years

Men	23.5	23.4
Women	26.0	25.9

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

Reconciliation of present value of the scheme liabilities

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

Scheme History

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

History of Experience Gains and Losses

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

46. Judges Pension Scheme

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

Reconciliation of present value of the scheme liabilities

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

Scheme History

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

History of Experience Gains and Losses

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

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

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

NOTES TO THE CITY FUND FINANCIAL STATEMENTS

48. Trust Funds

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

2012/13

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

2011/12

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

HOUSING REVENUE ACCOUNT

for the year ended 31 March 2013

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

Income and Expenditure Statement

2011/12		Notes	2012/13	
£m			£m	£m
	Expenditure			
4.0	Repairs and maintenance		3.7	
5.9	Supervision and management		5.7	
0.5	Negative HRA Subsidy payable	1	0.0	
2.1	Depreciation of non-current assets		2.3	
(8.0)	Revaluation gain on HRA dwellings		(4.3)	
10.9	Settlement payment to Government for HRA self-financing		0.0	
0.0	Movement in the allowance for bad debts	2	0.1	
15.4	Total Expenditure			7.5
	Income			
(8.2)	Dwelling rents		(8.9)	
(1.6)	Non-dwelling rents		(1.6)	
(2.6)	Charges for services and facilities		(2.8)	
(0.1)	Contributions towards expenditure		(0.2)	
(12.5)	Total Income			(13.5)
2.9	Net Expenditure/(Income) of HRA Services as included in the Comprehensive Income and Expenditure Statement			(6.0)
0.0	HRA share of Corporate and Democratic Core			0.1
2.9	Net Expenditure/(Income) of HRA Services			(5.9)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(0.2)	Interest and investment income			(0.1)
2.7	(Surplus)/Deficit for the year on HRA Services			(6.0)

Movement on the HRA Statement

2011/12		Notes	2012/13	
£m			£m	£m
(4.4)	Balance on the HRA at the end of the previous year			(4.5)
2.7	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement		(6.0)	
(2.8)	Adjustments between accounting basis and funding basis under statute	3	4.5	
(0.1)	Increase in year on the HRA			(1.5)
(4.5)	Balance on the HRA at the end of the current year			(6.0)

HOUSING REVENUE ACCOUNT

for the year ended 31 March 2013

1. Housing Subsidy

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

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

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

2. Provision for Bad and Doubtful Debts

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

3. Adjustments between Accounting Basis and Funding Basis under Statute

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

HOUSING REVENUE ACCOUNT
for the year ended 31 March 2013

4. Housing Stock

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

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

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

5. Arrears of Rent, Service and Other Charges

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

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

HOUSING REVENUE ACCOUNT

for the year ended 31 March 2013

6. HRA Fixed Assets

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

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

HOUSING REVENUE ACCOUNT

for the year ended 31 March 2013

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

7. Major Repairs Reserve

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

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

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

HOUSING REVENUE ACCOUNT

for the year ended 31 March 2013

8. HRA Capital Expenditure

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

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

9. Interest Charges

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

COLLECTION FUND

for the year ended 31 March 2013

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

REVENUE ACCOUNT

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

NOTES TO THE COLLECTION FUND

1. Income from Business Rates

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

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

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

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

NOTES TO THE COLLECTION FUND

2. Calculation of Council Tax

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

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

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

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

NOTES TO THE COLLECTION FUND

3. Tax Bases 2012/13

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

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

4. Cost of Collection Allowances

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

5. City Offset

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

6. Council Tax Precepts and Demands on the Collection Fund

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

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

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

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

Accounting Policies

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

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

CITY OF LONDON PENSION FUND

Actuarial Valuation

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

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

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

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

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

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

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

CITY OF LONDON PENSION FUND

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

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

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

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

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

CITY OF LONDON PENSION FUND

Fund Account for the year ended 31 March 2013

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

Net Assets Statement as at 31 March 2013

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

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

NOTES TO THE CITY OF LONDON PENSION FUND

1. Membership of the Fund

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

NOTES TO THE CITY OF LONDON PENSION FUND

2. Contributions

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

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

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

NOTES TO THE CITY OF LONDON PENSION FUND

3. Benefits

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

	2012/13	2011/12
	£m	£m
Benefits Paid Comprises		
Scheduled Bodies	35.2	33.4
Admitted Bodies	0.2	0.2
	<u>35.4</u>	<u>33.6</u>

4. Payments to and on account of leavers

	2012/13	2011/12
	£m	£m
Individual Transfers Out	<u>1.0</u>	<u>1.8</u>

5. Administrative expenses

	2012/13	2011/12
	£m	£m
Central administration	0.4	0.3
Computer costs	0.1	0.1
	<u>0.5</u>	<u>0.4</u>

6. Audit Fees

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

NOTES TO THE CITY OF LONDON PENSION FUND

7. Income from investments

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

8. Investment Management Expenses

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

NOTES TO THE CITY OF LONDON PENSION FUND

9. Investment assets

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

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

NOTES TO THE CITY OF LONDON PENSION FUND

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

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

10. Fair Value of Financial Instruments

a. Classification of Financial Instruments

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

b. Net (Gains) and Losses on Financial Instruments

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

c. Fair Value

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

d. Valuation of Financial Instruments Carried at Fair Value

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

Level 1

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

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

Level 2

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

Level 3

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

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

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

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

NOTES TO THE CITY OF LONDON PENSION FUND

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

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

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

Value as at 31 March 2013

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

NOTES TO THE CITY OF LONDON PENSION FUND

Value as at 31 March
2012

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

NOTES TO THE CITY OF LONDON PENSION FUND

11. Movements in Investment Assets

Movements in Investment Assets 2012/13

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

Movements in Investment Assets 2011/12

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

12. Risk and Risk Management

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

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

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

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

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

13. Sensitivity Analysis

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

Potential Market Movements

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

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

Price Risk 31 March 2013

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

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

NOTES TO THE CITY OF LONDON PENSION FUND

Currency Risk

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

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

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

Potential Market Movements

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

Price Risk 31 March 2012

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

Currency Risk

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

14. Independent Custodian

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

15. Current assets

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

16. Statement of Investment Principles

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

17. Funded Obligation of the Overall Pension Fund

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

POLICE PENSION FUND

Police Pension Fund Account for the year ended 31 March 2013

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

Net Assets Statement as at 31 March

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

NOTES TO THE POLICE PENSION FUND

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

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

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

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

Date:

Date:

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

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

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

GLOSSARY

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

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

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

the actuarial assumptions have changed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY

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

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

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

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

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