

# **CITY'S CASH**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 MARCH 2015**

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# Annual Report

## 1. Introduction

City's Cash is a fund of the City of London Corporation that can be traced back to the 15th century and has built up from a combination of properties, land, bequests and transfers under statute since that time. Investments in properties, stocks and shares are managed to provide a total return that:

- allows the City to use the income for the provision of services (detailed in section 4), at no cost to the public, that are of importance to Greater London as well as to the City and the whole UK; and
- maintains the asset base so that income will also be available to fund services for the benefit of future generations.

The financial statements have been prepared on the basis of United Kingdom Generally Accepted Accounting Practice (UK GAAP). The City of London Corporation publishes the City's Cash Annual Report and Financial Statements and a 'City's Cash Overview' every year to provide further transparency on its activities.

## 2. Administrative Details

<i>Registered Address</i>	Guildhall, London, EC2P 2EJ
<i>Chief Executive</i>	The Town Clerk of the City of London
<i>Treasurer</i>	The Chamberlain of London
<i>Solicitor</i>	The Comptroller and City Solicitor
<i>Bank</i>	Lloyds TSB Bank plc
<i>Discretionary Fund Managers</i>	Artemis Investment Management; Carnegie Asset Management; GMO (UK) Ltd; M&G Investment Management Ltd; Pyrford International Ruffer LLP; Southeastern Asset Management Inc.;; Standard Life Investments Ltd; Veritas Asset Management LLP; and Wellington Management Co LLP.
<i>Chartered Accountants and Statutory Auditor</i>	Moore Stephens LLP.

## 3. Other City of London Corporation Funds

This annual report and the financial statements only cover City's Cash: this is one of three funds from which the City Corporation pays for its services. The others are City Fund and Bridge House Estates.

City Fund covers the City's activities as a local authority, police authority, and port health authority. The financial statements are published separately.

Bridge House Estates is a registered charity. It was originally set up from bridge taxes, rent and private bequests to deal with the upkeep of London Bridge. The charity now funds the maintenance of Tower, London, Southwark, Millennium and Blackfriars Bridges. As the funds

have been managed effectively over the centuries, BHE now also helps charitable causes across London through the City Bridge Trust with grants between £15m and £20m every year. The annual report and financial statements for this fund are also published separately including a list of grants awarded.

#### **4. Activities of City's Cash**

Returns from investments allow the City Corporation to provide services that:

- are of national benefit through its core objective to promote UK-based financial services, and related professional services, at home and abroad; and
- are of importance to Greater London and its environs as well as to the City itself, for example, work in surrounding boroughs supporting education, training and employment opportunities; numerous green spaces, wholesale markets providing fish (Billingsgate) and meat (Smithfield), schools (City of London School, City of London School for Girls, City of London Freeman's School and the Guildhall School of Music & Drama).

##### *Education*

*Gross Expenditure £70.0m, Gross Income £55.7m, Net Expenditure £14.3m*

The City Corporation maintains three fee paying schools – City of London School, City of London School for Girls (both in the Square Mile), and the City of London Freeman's School (in Surrey). They regularly feature among the UK's top performing schools. In each of these institutions, the City of London Corporation provides scholarships and academic bursaries, including match funding monies raised externally by the schools, to support able students from disadvantaged backgrounds. Over 300 students currently receive support.

The Guildhall School of Music & Drama is owned, funded and managed by the City Corporation. It is an internationally-renowned conservatoire; based in the Barbican, it has over 800 full-time music and drama students and is regulated by the Higher Education Funding Council for England in-line with other higher education institutions.

The City of London Corporation's Education Board was constituted at the meeting of the Court of Common Council on 1 May 2014. The Board is responsible for reviewing the strategy and making recommendations to Committees and the Court as appropriate on the delivery of the City Corporation's vision and strategic objectives in this area. The Board has responsibility for distributing funds allocated to it for educational purposes. In addition it is responsible for the City academy schools and the City Corporation's role as a school sponsor.

##### *Markets*

*Gross Expenditure £11.8m, Gross Income £10.9m, Net Expenditure £0.9m*

The City Corporation runs three wholesale food markets two of which, Billingsgate and Smithfield, are funded by City's Cash. New Spitalfields Market is accounted for in the City Fund. Market tenants pay rent and service charges, which are calculated on a commercial basis. These charges cover the costs of operation, administration and those repairs which are attributable to the tenants. Billingsgate allows buyers to choose from the largest selection of fish in the UK, with an annual turnover of some 22,000 tonnes. Meat has been bought and sold at Smithfield for over 800 years; its magnificent Grade II\* listed surroundings see around 120,000 tonnes of meat pass through each year.

## *Open Spaces*

*Gross Expenditure £21.2m, Gross Income £4.5m, Net Expenditure £16.7m*

The City Corporation looks after almost 11,000 acres of open spaces across London and beyond, including Hampstead Heath and Epping Forest. Some of the sites have been owned and managed since as far back as 1870, protecting them from development and preserving them as a natural resource. They include important wildlife habitats, Sites of Special Scientific Interest, National Nature Reserves and outdoor space for sport, recreation and enjoyment for the public. Annual visits to the open spaces are estimated at over 23 million.

In accordance with statutory requirements a capital project to mitigate the risks of serious flooding from Hampstead Heath Ponds commenced in April 2015. The works are due to take 18 months at a cost of almost £15m.

## *City Representation*

*Gross Expenditure £12.2m, Gross Income £0.7m, Net Expenditure £11.5m*

This expenditure supports the City Corporation's core objective to promote UK-based financial services, and related professional services, at home and abroad. The Lord Mayor's overseas visits programme, amounting to around 90 days abroad each year, fosters trade and makes links at the highest levels of government and industry. The Chairman of the Policy and Resources Committee also visits a number of major global financial centres each year, including New York, Beijing and Mumbai. High profile government and industry delegations are welcomed to Mansion House and Guildhall, often on behalf of the UK government. Events hosted range from small receptions to major national occasions, such as State or Guest of Government visits. The City's diplomatic relationships are also strengthened through the London Diplomatic Corps.

Mansion House is the official residence of the Lord Mayor as the head of the City Corporation and the base for Mayoral activities. City's Cash funds official receptions, banquets, meetings and general hospitality carried out by the City Corporation (as well as the overall running costs of Mansion House and the team based there).

Other important responsibilities include: support for the City Corporation's many and varied civic activities; maintaining the Mayoralty's close ties with livery companies and supporting corporate social responsibility and charitable organisations. The Sheriffs support Lord Mayors during their year of office and Her Majesty's Judges sitting at the Central Criminal Court.

The Remembrancer is one of the City's four Law Officers and the Office is responsible for the maintenance and protection of the City's constitution. He is the City's Parliamentary Agent and the Parliamentary Agent for the Honourable the Irish Society, and the City's Chief of Protocol. The Office acts as a channel of communication between Parliament and the City. In the contemporary context, this means day to day examination of Parliamentary business including examination of and briefing on proposed legislation and amendments to it, regular liaison with the Select Committees of both Houses and contact with officials in Government departments dealing with Parliamentary Bills. Liaison is also maintained with the City Office in Brussels and other Member States' permanent representations in relation to draft EU legislation.

The Remembrancer's Office also organises much of the hospitality referred to above including responsibility for the Lord Mayor's Banquet and elements of the Lord Mayor's Day at Guildhall and the Royal Courts of Justice.

Income is generated from lettings at the Mansion House and charges by the Remembrancer to other City Corporation funds for parliamentary work.

### *Economic Development*

*Gross Expenditure £3.3m, Gross Income £0.4m, Net Expenditure £2.9m*

Economic development work is dedicated to supporting and promoting the City's competitiveness. One of its main aims is to increase the capacity of the wider London community and especially our neighbouring boroughs. This work ranges from encouraging corporate responsibility in City firms to assisting in regeneration work, education, training, skills development and promoting entrepreneurship. The City Corporation also works to establish the best market conditions in which enterprise and innovation can flourish. The City Corporation's Office in Brussels helps to shape legislation that affects UK business and the City's message is put across to decision makers in Westminster and Whitehall. The City leads business delegations on overseas visits and high level inward visits are hosted by the Lord Mayor and Chairman of the Policy and Resources Committee.

### *Management and Administration*

*Gross Expenditure £8.0m, Gross Income £nil, Net Expenditure £8.0m*

These costs primarily relate to support provided to Members by both central and service departments including an apportionment of Guildhall Complex premises expenses; City's Cash external audit fees; treasury management; and depreciation charges in respect of the City's Cash share of capital projects relating to the Guildhall Complex, information systems and other corporate priorities.

### *Grants and Other Activities*

*Gross Expenditure £6.3m, Gross Income £1.0m, Net Expenditure £5.3m*

A number of grants are made from City's Cash each year, usually where organisations have a strong City connection or are involved in a special nationwide activity, including charity and educational activities. The grants can encourage companies to become more involved in their community; assist, support and advise policy makers on health issues affecting the capital; and support organisations that promote our work at home and abroad. In addition grants are made to emergency organisations to assist with the relief of national and international disasters.

The City Corporation owns and maintains the Monument. This 202ft high building attracts over 230,000 visitors a year, braving its 311 steps to enjoy breath-taking views of the City and beyond. It was built in 1671-7 and was designed by Sir Christopher Wren and Robert Hooke to commemorate the Great Fire of London.

## **5. Governance Arrangements**

City's Cash is managed by committees of the City of London Corporation, Membership of the committees is drawn from the Court of Aldermen and the Court of Common Council. Members of the Court of Aldermen and Court of Common Council are elected by registered voters (both residents and workers) within the City of London. In determining appointments to committees, the Court of Aldermen and Court of Common Council will take into consideration any particular expertise and knowledge of the Aldermen and Members.

The decision making processes and financial stewardship of the City of London Corporation are set out in Standing Orders and Financial Regulations respectively. The Standing Orders and Financial Regulations are available on the City Corporation's website at [www.cityoflondon.gov.uk](http://www.cityoflondon.gov.uk).

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.

The Audit and Risk Management Committee monitors and oversees the City's Risk Management Strategy which aligns the key principles of ISO31000: Risk Management Principles and Guidelines, and BS 31100: Risk Management Code of Practice, and defines clearly the roles and responsibilities of officers, senior management and Members. The Strategy emphasises risk management as a key element within the City's systems of corporate governance and establishes a clear system for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level.

The Corporate Risk Register codifies key strategic risks and assigns responsibility for taking action to mitigate each risk to a named Chief Officer.

The Officer 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.

An Audit Review Panel of senior representatives from medium to large audit firms reviews the processes adopted by the incumbent auditor and provides independent confirmation that the audit has been conducted in accordance with International Standards on Auditing (UK and Ireland).

## **6. Financial Review**

As set out in the following table, the Consolidated Income and Expenditure Account records a surplus for the year of £59.3m (2013/14: deficit of £6.1m) on expenditure of £154.4m (2013/14: £149.2m). This surplus is after benefitting from a £14.3m profit on the sale of fixed assets, without which the underlying position would have been a reduced surplus of £45.0m (2013/14: underlying deficit of £13.1m after adjusting for the benefit of £7.0m from profits on sale of fixed assets).

Income and Expenditure for the year ended 31 March 2015:

	2015 Income	2015 Expenditure	2015 Net income / (cost)	2014 Income	2014 Expenditure	2014 Net income / (cost)
	£m	£m	£m	£m	£m	£m
<b>Service / activity</b>						
Property Investment Estate	53.5	15.4	38.1	49.5	16.3	33.2
Non-Property Investments	72.6	3.6	69.0	16.9	3.0	13.9
Education	55.7	70.0	(14.3)	53.0	65.1	(12.1)
Markets	10.9	11.8	(0.9)	10.6	11.1	(0.5)
Open Spaces	4.5	21.2	(16.7)	6.7	23.1	(16.4)
City Representation	0.7	12.2	(11.5)	0.7	11.7	(11.0)
Economic Development	0.4	3.3	(2.9)	0.4	3.3	(2.9)
Management & Administration	-	8.0	(8.0)	-	8.5	(8.5)
Grants and other activities	1.0	6.3	(5.3)	0.7	4.8	(4.1)
Net Pension Scheme Costs	-	2.6	(2.6)	-	2.3	(2.3)
	<b>199.3</b>	<b>154.4</b>		<b>138.5</b>	<b>149.2</b>	
<b>Operating surplus / (deficit)</b>			<b>44.9</b>			<b>(10.7)</b>
Profit on Sale of Fixed Assets			<b>14.3</b>			<b>7.0</b>
Net financing income / (costs) attributable to the pension scheme			<b>0.1</b>			<b>(2.4)</b>
<b>Deficit before taxation</b>			<b>59.3</b>			<b>(6.1)</b>
Taxation			-			-
<b>Surplus / (deficit) for the year</b>			<b>59.3</b>			<b>(6.1)</b>

The favourable movement in the operating position of £55.6m, from a deficit of £10.7m in 2013/14 to a surplus of £44.9m in 2014/15, is largely due to:

- net income from non-property investments (including recognised but unrealised gains) increasing by £55.1m, from £13.9m in 2013/14 to £69.0m in 2014/15. This is mainly the result of managed investment equity funds being transitioned on 31 January 2014 to pooled investment vehicles and, as a consequence, incoming resources now including the gain or loss in fair value for most non-property investments rather than the dividend income. Income generated from these funds since the transition remains within the fund to be reinvested, with City's Cash drawing down income (realising gains) as required;
- an increase of £4.9m in net income from the property investment estate due to a combination of additional rent and lower operating costs;

Partly offset by:

- net expenditure on education increasing by £2.2m mainly due to a depreciation charge for the Guildhall School's new Milton Court facilities. Through the provision of a concert hall, a theatre and other studio uses, this development aims to ensure that the Guildhall School maintains its status as a world class conservatoire of music and performing arts. The higher net expenditure also includes a contribution of £0.5m towards projects in the City Academies and Ridriff Primary School and development of the City's Education Strategy;
- a net expenditure increase of £1.2m on 'grants and other activities' mainly due to a £0.5m contribution to the refurbishment of the Central Criminal Court and £0.5m towards the establishment and development of 'New FinTech UK' a not-for-profit organisation which aims to promote and support the financial technology sector. This is a key growth area, one which has the potential not only to support economic growth, competitiveness and job creation, but also to generate wider public benefit through deploying the innovative technologies developed in the public sector;
- an increase of £0.5m in net expenditure on city representation due to hosting three visiting heads of state during the year, military events marking the 350<sup>th</sup> anniversary of the Royal Marines and the end of UK combat operations in Afghanistan, and increased repairs and maintenance work at the Mansion House.

Recognised but unrealised gains on investment properties and investments with fund managers were £194.4m and £1.9m respectively (2013/14: gains of £196.1m and £34.4m). These gains were partly offset by an actuarial loss on the defined benefit pension scheme of £41.1m (2013/14: loss of £24.5m). When taken together with the surplus for the year of £59.3m, reserves have increased by £214.5m from £1,860.3m to £2,074.8m (2013/14: increase in reserves of £199.9m).

### **Volatility in Surplus / (Deficit) for the Financial Year**

On 1 February 2014 the majority of managed investments were transitioned from segregated to pooled investment vehicles. The income generated by these investment vehicles remains within the funds to be re-invested with City's Cash drawing down income (realising gains) as required.

This change in investment policy required all direct services managed funds to be designated as 'fair value through profit and loss'. As a consequence, incoming resources within the Income and Expenditure Account includes the gain or loss in fair value of all direct services non-property investments rather than the dividend income.

This accounting change has led to even relatively small movements in the markets from one year to the next producing large volatility in the operating surplus or deficit in the Income and Expenditure Account. The following table illustrates this point:

<b><u>Income and Expenditure Account</u></b>	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>
<b>Operating Surplus / (Deficit)</b>	<b>44.9</b>	<b>(10.7)</b>
<b>Deduct:</b>		
Gain in fair value of managed investments (part year impact in 2013/14)	(70.6)	(1.5)
Managed investment income (part year impact in 2013/14)	(2.0)	(15.4)
<b>Operating deficit before managed investment gains / income and profits on the sales of fixed assets</b>	<b>(27.7)</b>	<b>(27.6)</b>

The removal of managed investment gains and income from the 'Operating Surplus/(Deficit)' reduces the movement (volatility) between the years from £55.6m (surplus of £44.9m in 2014/15 compared to the deficit of £10.7m in 2013/14) to £0.1m (£27.7m deficit in 2014/15 less the deficit of £27.6m in 2013/14) which is more reflective of the underlying position on operations.

### **City of London Pension Scheme**

The estimated share of the net liability in the City of London Pension Scheme is included in the City's Cash accounts. The City's Cash share of the deficit is 48% which equates to £240.3m at 31 March 2015 (£196.7m at 31 March 2014)

Prior to 2013/14 this had not been included in the balance sheet as the estimated net deficit in the Pension Scheme is the responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three main funds. Thus City's Cash does not have an exclusive relationship with the City of London Pension Fund and the proportion of the Pension Fund relating to City of London employee members engaged on City's Cash activities is not separately identifiable. Consequently, in accordance with FRS17, the pension arrangements had been treated as a defined contribution scheme in the City's Cash accounts. This meant that only the employer's contributions to the scheme have previously been included in the accounts as they become payable.

However, although the Pension Fund net deficit cannot be attributed precisely between the City of London's three main funds, it is now considered that an apportionment of that deficit and inclusion in the respective balance sheets presents a fairer view of the funds' financial positions than if the deficit were to continue to be excluded. Accordingly an apportionment has been made which is based on employer's annual contributions to the fund.

Further details of the City of London Pension Scheme can be found in Note 16 to the financial statements.

### **Non-property investments – change in accounting treatment**

On 31 January 2014, four of the six equity funds transferred to pooled investment vehicles. A further transfer of segregated funds to pooled investments was made on 3 December 2014. Consequently, income generated by these pooled funds remains within those funds to be reinvested, with City's Cash drawing down income as required. As a consequence, incoming resources within the Income and Expenditure Account now includes the gain or loss in fair value of most non-property investments rather than the dividend income.

The non-property investment portfolio is divided between the following fund managers. All funds are invested in pooled investment vehicles with the exception of funds managed by Ruffer LLP which are held in segregated investments:

Equity

Artemis Investment Management  
Carnegie Asset Management  
GMO (U.K) Ltd  
Southeastern Asset Management Inc.  
Veritas Asset Management LLP  
Wellington Management Co LLP

Multi Asset

LLPRuffer LLP  
Pyrford International  
Standard Life Investments Ltd  
Absolute Return Bonds  
M&G Investment Management Ltd  
Wellington Management Co LLP

**Going Concern**

The City of London Corporation considers City's Cash to be a going concern as set out in note b) of the Statement of Significant Accounting Policies.

**Financial Commitment**

The City of London Corporation has agreed a £50m contribution to Crossrail from City's Cash upon completion of the project. Subject to completion of the works, the contribution will be made in equal instalments during 2018/19 and 2019/20.

**7. Explanation of the Financial Statements**

The financial statements are not governed by any statutory requirements. They have been prepared in accordance with UK GAAP and comparative figures for the previous year have been included.

The City's Cash financial statements consist of the following:

- Consolidated Income and Expenditure Account showing all resources available and all expenditure incurred,
- Consolidated Balance Sheet setting out the assets, liabilities and funds of City's Cash,
- Direct Services Balance Sheet – comprises the assets, liabilities and funds of the services and activities which are provided directly from City's Cash and excludes the separate entities listed below,
- Consolidated Statement of Total Recognised Gains and Losses which includes the profit or loss for the period together with other recognised gains and losses and reconciles to the total movement in reserves,
- Consolidated Cash Flow Statement showing the movement of cash for the year, and
- Notes to the financial statements explaining the accounting policies adopted and explanations of figures contained in the financial statements.

The following separate entities have been consolidated with the main City's Cash accounts:

- Registered charities which are managed and funded by the City Corporation:
  - Ashted Common,
  - Burnham Beeches,
  - Epping Forest,
  - Hampstead Heath
  - Hampstead Heath Trust,
  - Highgate Wood and Queen's Park Kilburn,
  - West Ham Park,
  - West Wickham Common, Spring Park Wood and Coulsdon and other Commons, and
  - Sir Thomas Gresham Charity.

- City Re Limited - a wholly owned subsidiary company whose principal activity is to provide re-insurance protection. The company was incorporated in Guernsey, registration number 52816, and the Directors' Report and Financial Statements are available at [www.cityoflondon.gov.uk](http://www.cityoflondon.gov.uk). The company allows the City to share in underwriting profits with a known capped downside financial risk of £250,000 per claim.

## **8. Disclosure of Information to Moore Stephens**

At the date of approval of this report, the City of London Corporation confirms that:

- so far as it is aware, there is no relevant audit information of which Moore Stephens is unaware; and
- it has taken all the steps that it ought to have taken in order to make itself aware of any relevant audit information and to establish that Moore Stephens are aware of that information.

## **9. Responsibilities of the City of London Corporation for the Annual Report and Financial Statements**

The City of London Corporation is responsible for preparing the Annual Report and Financial Statements for each financial year in accordance with applicable law and regulations. The City of London Corporation has elected to prepare the financial statements in accordance with UK GAAP (United Kingdom Accounting Standards and applicable law). The financial statements would not be approved by the City of London Corporation unless it is satisfied that they give a true and fair view of the state of affairs of the organisation and of the surplus or deficit of the organisation for that period. In preparing these financial statements, the City of London Corporation has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- stated whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

The City of London Corporation is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the organisation and enable it to ensure that the financial statements comply with applicable law and regulations. It is also responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

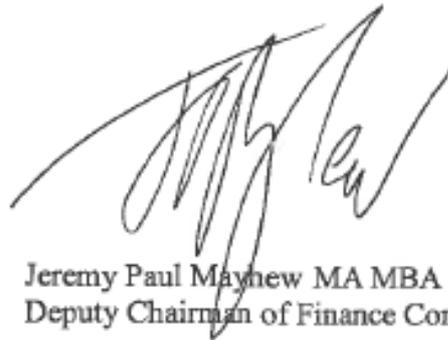
The City of London Corporation is responsible for the maintenance and integrity of the corporate and financial information included in its website.

## Adoption of the Annual Report and Financial Statements

At a meeting of the Finance Committee held at Guildhall on 17 November 2015, the financial statements of City's Cash were approved on behalf of the Court of Common Council.



Roger A. H. Chadwick  
Chairman of Finance Committee



Jeremy Paul Mayhew MA MBA  
Deputy Chairman of Finance Committee

Guildhall, London.  
17 November 2015

## **Independent Auditor's Report to the City of London Corporation**

We have audited the financial statements of the portion of the City of London Corporation called City's Cash for the year ended 31 March 2015 which comprise the Consolidated Income and Expenditure Account, Consolidated Balance Sheet, Direct Services Balance Sheet, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 25. The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the City of London Corporation in accordance with our terms of engagement. Our audit work has been undertaken so that we might state to the City of London Corporation those matters we have agreed to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the City of London Corporation for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of Chamberlain and auditors***

As explained more fully in the Responsibilities of the City of London Corporation set out on page 10, the Chamberlain of the City of London Corporation is responsible for the preparation of the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### ***Scope of the audit of the financial statements***

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group and the Corporation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group and City's Cash affairs as at 31 March 2015 and of the group's surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

*Moore Stephens LLP*

26 November 2015

Moore Stephens LLP  
Chartered Accountants and Statutory Auditor  
150 Aldersgate Street  
London  
EC1A 4AB

## Report of the Audit Review Panel to the Right Honourable the Lord Mayor, Aldermen and Livery of the several Companies of the City of London in Common Hall assembled

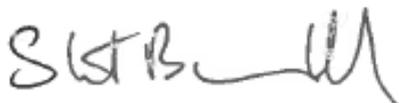
We, whose names are hereunto subscribed, the Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts, elected by the Livery of London in Common Hall assembled on 24 June 2013, 24 June 2014 and 25 June 2015 pursuant to Act 11, George 1, Cap 18, an Act for regulating elections within the City of London, etc., do report as follows:

We have reviewed the processes adopted by Moore Stephens LLP for the audit of City's Cash for the period from 1 April 2014 to 31 March 2015.

In our view the audit of the financial statements has been conducted in accordance with auditing procedures as stated on pages 12 and 13.

This report is made solely to the above named addressees. Our work has been undertaken to enable us to make this report and for no other purpose.

S. Barnsdall



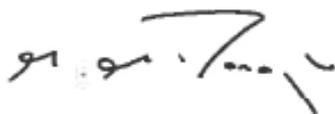
H. A. Bygrave



A. Francis



M. McDonagh



P. Watts



The Moore Stephens LLP Public Sector Partner, Nicholas Bennett, is also a member of the Audit Review Panel. However, as the role of the Panel is to provide independent confirmation that the processes adopted by Moore Stephens LLP have been conducted in accordance with auditing procedures, it is not appropriate for Nicholas Bennett to sign the report.

## Consolidated Income and Expenditure Account

For the year ended 31 March 2015

	Notes	2015 £m	2014 £m
<b>Income</b>			
Investment Income - Managed Funds and Property	1	55.5	64.9
Gain in fair value of non-property investments	8	70.6	1.5
Education		55.7	53.0
Markets		10.9	10.6
Open Spaces		4.5	6.7
City Representation		0.7	0.7
Economic Development		0.4	0.4
Other activities		1.0	0.7
<b>Total Income</b>		<b>199.3</b>	<b>138.5</b>
<b>Expenditure</b>			
Investments - Management Costs and Property Operating Expenditure	2	19.0	19.3
Education		70.0	65.1
Markets		11.8	11.1
Open Spaces		21.2	23.1
City Representation		12.2	11.7
Economic Development		3.3	3.3
Management and Administration		8.0	8.5
Grants and other activities		6.3	4.8
Net pension scheme costs	16	2.6	2.3
<b>Total Expenditure</b>	2, 3 and 4	<b>154.4</b>	<b>149.2</b>
<b>Operating surplus / (deficit) *</b>		<b>44.9</b>	<b>(10.7)</b>
Profit on Sale of Fixed Assets		14.3	7.0
Net financing income / (costs) attributable to the pension scheme	16	0.1	(2.4)
<b>Surplus / (deficit) before taxation</b>		<b>59.3</b>	<b>(6.1)</b>
Taxation	5	-	-
<b>Surplus / (deficit) for the financial year</b>		<b>59.3</b>	<b>(6.1)</b>

\* Large movements in the operating surpluses/(deficits) for the year reflect the requirement to include recognised, but unrealised, gains or losses on non-property investments which are sensitive to movements in the financial markets. The underlying operating position is set out on page 7 of the Annual Report under the section 'Volatility in Surplus/(Deficit) for the Financial Year'.

All amounts relate to continuing operations.  
The notes on pages 19 to 61 form part of these financial statements.

# Consolidated Balance Sheet

At 31 March 2015

	Notes	2015 £m	2014 £m
<b>Fixed Assets</b>			
Investment properties	6	1,318.0	1,120.0
Tangible assets	6	175.9	174.5
Heritage assets	7	182.2	182.2
Non-property investments	8	627.1	568.6
Intangible assets	9	1.1	-
<b>Total Fixed Assets</b>		<b>2,304.3</b>	<b>2,045.3</b>
<b>Current Assets</b>			
Stocks - finished goods	11	0.3	0.3
Debtors	12	22.4	31.2
Non-property investments	8	105.3	81.8
Cash at bank and in hand		22.1	13.8
<b>Total Current Assets</b>		<b>150.1</b>	<b>127.1</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>57.4</b>	<b>46.7</b>
<b>Deferred income</b>	14	<b>80.4</b>	<b>66.8</b>
<b>Net Current Assets</b>		<b>12.3</b>	<b>13.6</b>
<b>Total Assets less Current Liabilities</b>		<b>2,316.6</b>	<b>2,058.9</b>
<b>Provisions for liabilities</b>	15	<b>1.5</b>	<b>1.9</b>
<b>Net Assets excluding pension liability</b>		<b>2,315.1</b>	<b>2,057.0</b>
<b>Defined benefit pension scheme liability</b>	16	<b>240.3</b>	<b>196.7</b>
<b>Net Assets</b>		<b>2,074.8</b>	<b>1,860.3</b>
<b>Capital and Reserves</b>			
Operational Capital Reserve		177.0	174.5
Heritage Assets Reserve		182.2	182.2
Income Generating Fund		1,945.1	1,688.6
Working Capital Fund		10.8	11.7
Pension Reserve	16	(240.3)	(196.7)
<b>Total Capital Employed</b>	17	<b>2,074.8</b>	<b>1,860.3</b>

Authorised for issue 17 November 2015



Dr Peter Kane, Chamberlain of London

# Direct Services Balance Sheet

At 31 March 2015

	Notes	2015 £m	2014 £m
<b>Fixed Assets</b>			
Investment properties	6	1,318.0	1,120.0
Tangible assets	6	163.2	165.9
Heritage assets	7	181.9	181.8
Non-Property investments	8	595.7	540.1
Intangible assets	9	1.1	-
Investment in subsidiary		0.5	0.5
<b>Total Fixed Assets</b>		<b>2,260.4</b>	<b>2,008.3</b>
<b>Current Assets</b>			
Stocks - finished goods	11	0.3	0.3
Debtors	12	22.0	30.6
Non-Property investments	8	105.3	81.0
Cash at bank and in hand		15.9	8.6
<b>Total Current Assets</b>		<b>143.5</b>	<b>120.5</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>53.7</b>	44.0
<b>Deferred income</b>	14	<b>75.6</b>	61.8
<b>Net Current Assets</b>		<b>14.2</b>	14.7
<b>Total Assets less Current Liabilities</b>		<b>2,274.6</b>	2,023.0
<b>Defined benefit pension scheme liability</b>	16	<b>205.2</b>	168.6
<b>Net Assets</b>		<b>2,069.4</b>	1,854.4
<b>Capital and Reserves</b>			
Operational Capital Reserve		164.3	165.9
Heritage Assets Reserve		181.9	181.8
Income Generating Fund		1,894.2	1,660.6
Working Capital Fund		34.2	14.7
Pension Reserve	16	(205.2)	(168.6)
<b>Total Capital Employed</b>	17	<b>2,069.4</b>	1,854.4

Authorised for issue 17 November 2015



Dr Peter Kane, Chamberlain of London

The Direct Services Balance Sheet includes those services directly provided by the City's Cash fund of the City of London Corporation. It excludes the subsidiaries which form part of the Consolidated Statements.

## Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 March 2015

	Notes	2015 £m	2014 £m
<b>Surplus / (deficit) for the financial year</b>		<b>59.3</b>	<b>(6.1)</b>
<b>Unrealised gains</b>			
Gain on revaluation of investment properties	6	194.4	196.1
Gain on revaluation of listed investments	8	1.9	34.4
Actuarial gain / (loss) on defined benefit pension scheme	16	(41.1)	(24.5)
<b>Total unrealised gains</b>		<b>155.2</b>	<b>206.0</b>
<b>Total gains recognised for the year</b>		<b>214.5</b>	<b>199.9</b>

## Consolidated Cash Flow Statement

For the year ended 31 March 2015

	Notes	2015 £m	2014 £m
<b>Net cash (outflow) / inflow from operating activities</b>	18	<b>(1.1)</b>	<b>(25.6)</b>
Returns on investments	19	2.0	15.4
Capital transactions and financial investment	20	30.9	11.1
<b>Cash inflow before management of liquid resources</b>		<b>31.8</b>	<b>0.9</b>
Management of liquid resources	21	(23.5)	8.4
<b>(Decrease) / increase in cash in the year</b>		<b>8.3</b>	<b>9.3</b>

## Statement of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are summarised below. They have all been applied consistently throughout the year and to the comparative figures in dealing with items which are considered material in relation to the City's Cash financial statements.

### a) **Basis of preparation**

The City of London Corporation has chosen to prepare the City's Cash financial statements on the basis of United Kingdom Generally Accepted Accounting Practice (UK GAAP). using the historical cost convention modified to include the revaluation of certain financial assets and liabilities.

### b) **Going Concern**

In the opinion of the Corporation, City's Cash is a going concern for the foreseeable future as it annually receives considerable income from its property and non-property investments. This income is considered in the context of a rolling medium term financial forecast to ensure that services are affordable and sustainable. Cash and liquid investments are monitored and maintained at a level to ensure that sufficient resources are available to finance any in-year deficits.

### c) **Consolidation**

The City's Cash financial statements consolidate the financial results of the services provided directly, including ceremonial, schools and markets; City Re Ltd. a wholly-owned subsidiary whose principal activity is to provide re-insurance protection; trust funds in respect of seven open spaces; and the Sir Thomas Gresham Charity. In the case of charities and trusts, the overriding rationale for consolidation of the trusts is that the City of London Corporation is the Trustee and thereby effectively exercises control over the trusts' activities.

### d) **Income and expenditure**

The accounts of City's Cash 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 City's Cash.
- 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 City's Cash.
- 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 stocks 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 is accounted for as income 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.

e) **Deferred income**

Grants and contributions relating to fixed assets are treated as deferred income and released to the Consolidated Income and Expenditure Account over the expected useful lives of the assets concerned.

Lease premiums relating to operating leases are treated as deferred income and released to revenue over the life of the lease.

f) **Government Grants and Other Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations for purposes other than capital expenditure (see note e above) are recognised as income at the date that the conditions of entitlement to the grant/contribution are satisfied, when 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.

g) **Tangible fixed assets – operational properties, infrastructure, plant and equipment**

These are assets held and used for the direct delivery of services. In accordance with Financial Reporting Standard 15: Tangible Fixed Assets are carried at historic cost less depreciation on a straight line basis to write off their costs over their estimated useful lives. Depreciation is charged from the year following that of acquisition. Land is not depreciated.

Typical asset lives are as follows:

	Years
Buildings - freehold	10 to 50
Plant and Machinery (including the following components):	
Plant	10 to 20
Furniture and Equipment	3 to 15
Vehicles	3 to 10

Assets costing less than £50,000 are generally charged to the Consolidated Income and Expenditure Account in full in the year of purchase, although assets which cost less than £50,000 individually may be grouped together and capitalised.

h) **Tangible fixed assets – Freehold investment properties**

These are assets held to earn rental income and/or for capital appreciation which are revalued annually to open market value. The value of investment properties as at 1 April 2011, the date of transition to UK GAAP for the City's Cash financial statements, was included in the revaluation reserve as at that date. With effect from 1 April 2011, annual gains or losses on individual properties have been transferred to the property revaluation reserve unless:

- a surplus is reversing a previous impairment loss or revaluation decrease charged to the Consolidated Income and Expenditure Account in which case it is credited to expenditure to the extent of the loss or decrease previously charged there for the same asset; or

- a deficit exceeds the balance on the reserve for the same asset in which case the excess is charged to the Consolidated Income and Expenditure Account.

Depreciation is not provided in respect of freehold investment properties.

i) **Assets under construction**

Payments made to contractors for works completed to date are included within fixed assets pending the asset being recognised as operational. No depreciation is charged on such assets.

j) **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 to undertake a significant reorganisation, or a significant adverse change in the statutory or other regulatory environment. An annual assessment takes place as to whether there is any indication that property assets may be impaired.

An impairment loss on investment property is recognised in the property revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset, and thereafter to the Consolidated Income and Expenditure Account. The reversal of an impairment loss on investment property, previously recognised in the Consolidated Income and Expenditure Account, 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 property revaluation reserve.

An impairment loss on operational assets or heritage assets would be recognised in the Consolidated Income and Expenditure Account. The reversal of an impairment loss on operational or heritage property, previously recognised in the Consolidated Income and Expenditure Account, will not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

k) **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 the Consolidated Income and Expenditure Account.

l) **Heritage Assets**

City's Cash heritage assets largely comprise art and sculpture treasures valued, in accordance with Financial Reporting Standard 30, at cost, or where cost cannot be readily identified, on the basis of available information, as a proxy for cost.

As heritage assets have indeterminate lives and potentially high residual values, no depreciation is charged. All expenditure on subsequent preservation, conservation, accessibility, etc. is charged directly to the Consolidated Income and Expenditure Account.

m) **Non-property Investment Assets**

Non-property investment assets are held in accordance with the investment policy set by the City of London Corporation. FTSE 100 Company investments are valued at the Stock Exchange Trading System (SETS) price at 31 March. Other quoted investments are valued at the middle market price at the close of business on 31 March. Unquoted investments are included at a valuation advised by the Fund Managers.

On 1 February 2014 the investment policy changed to reflect the transition of equity funds held by City's Cash to Pooled Investment Vehicles. At the point of transition, City's Cash designated all non-property investment assets, equity together with multi asset and fixed interest funds, as 'fair value through profit and loss.' The designation has been made on the basis that the non-property investment assets are equity instruments with a quoted price in an active market which are managed on a fair value basis. As a consequence, different accounting policies apply for City's Cash for the period to 31 January 2014 and from 1 February 2014.

There has been no change in the non-property investments held by consolidating entities which are accounted for as 'available for sale' financial assets.

Accounting Policy to 31 January 2014

Non-property investment assets held to 31 January 2014 have been accounted for as 'available for sale' financial assets.

Investment income is accounted for on an accruals basis. The net gain or loss on non-property investments shown in the Consolidated Income and Expenditure Account represents the differences between the historic cost on acquisition or the market value at the start of the year, compared with the market value at the date of disposal or at the 31 January. Gains or losses for the period are transferred to or from the Investment Revaluation Reserve.

Accounting Policy post 31 January 2014

From 1 February 2014 non-property investment assets have been accounted for at 'fair value through profit and loss'.

Income generated by non-property investment assets remains within the fund to be reinvested, with City's Cash drawing down income (realising gains or losses) as required. As a consequence, from 1 February 2014 incoming resources within the Income and Expenditure Account includes the gain or loss in fair value on all non-property investments rather than the dividend income.

n) **Intangible Assets**

Intangible assets comprise computer systems and software licences which are capitalised at cost and reflected within the financial statements at amortised historic cost.

Amortisation is 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 3 to 7 years.

Amortisation charges are charged to service revenue accounts.

o) **Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. City's Cash did not have any finance leases as at 31 March 2015. All other leases are classified as operating leases.

*Operating leases*  
City's Cash as lessee

Rentals payable are charged to revenue on a straight-line basis 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's Cash 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, premiums, etc), unless another systematic and rational basis is more representative of the time pattern in which the benefits derived from the leased asset are diminished.

Lease Incentives

Benefits received and receivable as an incentive to sign a lease are spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

p) **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.

q) **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.

r) **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. Provisions are charged as an expense to the Comprehensive Income and Expenditure Account 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. 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.

s) **Cash**

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

t) **Stocks of Finished Goods**

Stocks of finished goods are valued at the lower of cost or net realisable value.

u) **Pension Costs**

Non-Teaching Staff

The City of London Corporation operates a funded defined benefit pension scheme for its staff employed on activities relating to its three funds (i.e. City Fund, City's Cash and Bridge House Estates). The scheme is based on final salary and length of service on retirement. Changes to the Scheme came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the Scheme before the changes took effect.

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. City's Cash does not have an exclusive relationship with the City of London Pension Fund. Although the proportion of the Pension Fund that relates to City of London employee members engaged on City's Cash is not separately identifiable, a share of the total Pension Fund has been allocated to City's Cash based on employer's pension contributions paid into the Fund by City's Cash as a proportion of total employer's contributions paid.

For the defined benefit scheme the amounts charged in resources expended are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Income and Expenditure Account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on the assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

The assets of the scheme are held separately from those in City's Cash, and are invested by independent fund managers appointed by the Corporation of London. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis by a qualified actuary using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after net assets on the face of the balance sheet.

Barnett Waddingham, an independent actuary, carried out the latest triennial actuarial assessment of the scheme as at 31 March 2013, on an FRS 17 basis using the projected unit method. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020.

#### Pension Costs – Teachers

The payment of pensions to former teachers is the responsibility of Teachers' Pensions (formerly Teachers Pensions Agency). Consequently the teachers' pension fund contributions, together with the employer's contributions, are paid by the City of London to Teachers' Pensions. The Teachers' Pension Scheme is administered by Capita on behalf of the Department for Education 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's Cash accounts for the purposes of FRS17 with no liability for the future payment of benefits recognised in the Balance Sheet. The pension cost charged to the accounts is the contribution rate set by the Department for Education on the basis of a notional fund.

#### v) **Statutory Deductions from Pay**

The City of London Corporation accounts centrally for salary and wage deductions. Consequently, the City's Cash accounts treat all sums due to the HMRC as having been paid.

#### w) **Foreign Currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the Balance Sheet date and the gains or losses on translation are written on / off to revenue account.

#### x) **Tax**

The City of London Corporation is a single legal entity and legislation treats it as a local authority for tax purposes. VAT is recovered from HMRC on supplies received, and paid to HMRC on supplies made. All transactions are therefore included without VAT. The City of London Corporation is exempt from income and corporation tax.

City Re Limited, a wholly-owned subsidiary of the City of London Corporation in its City's Cash capacity, conforms to the tax requirements for Guernsey companies.

y) **Overheads**

The costs of support service overheads, with the exception of expenditure on corporate and democratic activities, are generally apportioned between all services 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 are apportioned on the basis of the office area utilised by each service.

z) **Reserves**

A number of reserves are held as endowment funds or restricted funds received by the City Corporation for specified purposes as set out in note 17.

aa) **Critical Judgements in Applying Accounting Policies**

In applying accounting policies the City Corporation has to make certain judgements about complex transactions or those involving uncertainty about future events. Apart from those disclosed in this Statement of Significant Accounting Policies and those involving estimations (see note bb), 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.

bb) **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:

(i) ***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 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 pension liabilities of £10.7m. 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 note 16 on pages 46 to 52.

(ii) ***Property Valuations***

The carrying values of investment properties and heritage assets are primarily dependent on judgements of such variables as the state of the markets, location, condition of the properties/assets, indices etc. Valuation is an inexact science with assessments provided by different surveyors/experts 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 and heritage assets would result in a reduction to reserves of £13.0m and £1.8m respectively. Conversely, a 1% increase in value would have the opposite effect.

However, the risk of material adjustments is mitigated by using the experience and knowledge of professional chartered surveyors/experts, 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.

## Notes to the Financial Statements

### 1. Income

#### Investment Income

Investment income relating to property and non-property investments comprises:

	2015 £m	2014 £m
Dividends from non-property investments and interest on fund balances	2.0	15.4
Rentals, service charges and dilapidations income	53.5	49.5
<b>Total investment income *</b>	<b>55.5</b>	<b>64.9</b>

The reduction in dividend income is due to managed investment equity funds being transitioned on 31 January 2014 to pooled investment vehicles. As such, income generated from these funds since the transition remains within the fund to be reinvested, with City's Cash drawing down income (realising gains) as required.

\* Rent receivable in 2014/15 in respect of operating leases was £44.5m (2013/14: £42.4m).

#### Education Income

Includes tuition fees, grants, donations and charges for the use of facilities.

#### Markets Income

Markets income includes rent and service charges from tenants and charges for the use of facilities.

#### Open Spaces Income

Income from government grants, other grants and donations and fees for the use of facilities.

## 2. Expenditure

### Investment Management Costs

Expenses relating to property and non-property investments comprise:

	2015 £m	2014 £m
Non-property investments - management fees paid to fund managers	3.6	3.0
Property investment expenses	15.4	16.3
<b>Total Investment Management Costs</b>	<b>19.0</b>	<b>19.3</b>

Property investment expenses comprise staff costs, repairs and maintenance costs, property running costs and professional fees relating to the management of the investment property portfolio.

### Depreciation

The operating deficit is stated after charging depreciation amounting to £7.1m (2013/14: £5.0m).

### Operating Lease Rentals

During the year of account City's Cash spent £0.6m on operating lease rentals in respect of premises (2013/14: £0.6m).

### Auditor's remuneration

Remuneration to the external auditor (Moore Stephens LLP) for audit services relating to the year of account amounted to £88,200 (2013/14: £94,660). No other fees were payable to Moore Stephens LLP for non-audit services during the year (2013/14: nil).

### Members expenses

Members do not receive any remuneration from the City of London Corporation for undertaking their duties. However, Members may claim travelling expenses in respect of activities outside the City and receive allowances in accordance with a scale when attending a conference or activity on behalf of the City of London Corporation. These costs totaling £8,400 (2013/14: £10,100) across all of the City's activities, were met in full by City's Cash.

### 3. Staff numbers and costs

Officers employed by the City of London Corporation work on a number of the City of London Corporation's activities. The table below sets out the number of full-time equivalent staff charged directly to City's Cash and their remuneration costs.

The number of employees was:	2015 FTE	2014 FTE
Investment properties	17.0	17.2
Education	608.9	597.4
Markets	101.3	101.0
Open spaces	299.6	301.8
City representation	65.5	64.5
Grants and other activities	9.9	8.9
Support Services	239.9	228.2
<b>Total</b>	<b>1,342.1</b>	<b>1,319.0</b>

Their remuneration comprised:	Gross Pay £m	National Insurance £m	Pension Contribution £m	2015 £m	2014 £m
Investment Management	0.4	-	0.1	0.5	0.6
Education	31.7	2.6	4.4	38.7	36.8
Markets	3.3	0.2	0.5	4.0	3.9
Open spaces	8.8	0.7	1.4	10.9	11.0
City representation	2.8	0.2	0.4	3.4	3.5
Grants and other activities	0.5	0.1	0.0	0.6	0.6
Support Services	9.5	0.8	1.4	11.7	11.7
<b>Total</b>	<b>57.0</b>	<b>4.6</b>	<b>8.2</b>	<b>69.8</b>	<b>68.1</b>

#### 4. Remuneration of senior employees

The number of staff earning more than £60,000 in bands of £10,000 is set out in table 1 below.

**Table 1 - Remuneration in Bands**

Salary Range  £	Wholly charged to City's Cash		Partially Charged to City's Cash	
	2014/15	2013/14	2014/15	2013/14
60,000 - 69,999	64	58	45	44
70,000 - 79,999	17	19	12	14
80,000 - 89,999	1	1	2	0
90,000 - 99,999	0	2	7	8
100,000 - 109,999	5	3	6	4
110,000 - 119,999	2	2	2	1
120,000 - 129,999	1	4	2	3
130,000 - 139,999	4	3	0	1
140,000 - 149,999	0	0	2	1
150,000 - 159,999	1	0	1	0
160,000 - 169,999	0	1	0	0
180,000 - 189,999	0	0	0	1
200,000 - 209,999	0	0	0	1
220,000 - 229,999	1	0	1	0

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

To provide consistency with the disclosure in the City Fund Financial Statements, tables 2 and 3 set out information for 2014/15 and 2013/14 respectively in accordance with Regulation 7 of the Accounts and Audit Regulations 2012.

**Table 2 - 2014/15 remuneration for those senior employees required to be disclosed individually**

Post Title	Name	Notes	Proportion charged to City's Cash activities where less than 100%	Salary (including fees and allowances)	Bonus	Expenses	Benefits in kind	Total Remuneration excluding pension contributions 2014/15	Pension Contributions	Total Remuneration including Pension Contributions 2014/15
			%	£000	£000	£000	£000	£000	£000	£000
<b>Salary is £150,000 or more a year</b>										
Town Clerk and Chief Executive	J. Barradell	i	40	89	0	0	0	89	16	105
Chamberlain - retired 5 May 2014	C. Bilsland	i	35	6	0	0	0	6	0	6
Chamberlain - started 31 March 2014	P. Kane	i	35	55	0	0	0	55	10	65
<b>Salary is between £50,000 and £150,000</b>										
Deputy Town Clerk	-	i	40	50	1	0	0	51	9	60
Director of Culture, Heritage & Libraries	-	i	5	5	0	0	0	5	1	6
Comptroller & City Solicitor	-	i	25	35	0	0	0	35	6	41
City Surveyor	-	i	45	63	2	0	0	65	0	65
Head City of London School	-			136	0	0	70	206	22	228
Headmaster City of London Freemen's School	-			129	0	0	0	129	21	150
Headmistress City of London School for Girls - left 30 April 2014	-			11	0	0	0	11	0	11
Headmistress City of London School for Girls - started 23 April 2014	-			103	0	0	52	155	17	172
Remembrancer	-			131	0	0	0	131	23	154
Principal of the Guildhall School of Music & Drama	-			130	2	0	38	170	0	170
Private Secretary & Chief of Staff to the Lord Mayor	-			109	3	0	0	112	0	112
Director of Markets & Consumer Protection	-	i	45	46	5	0	0	51	9	60
Director of Open Spaces	-	i	70	66	2	0	15	83	13	96
				1,164	15	0	175	1,354	147	1,501

**Table 3 - 2013/14 remuneration for those senior employees required to be disclosed individually**

Post Title	Name	Notes	Proportion charged to City's Cash activities where less than 100%	Salary (including fees and allowances)	Bonus	Expenses	Benefits in kind	Total Remuneration excluding pension contributions 2013/14	Pension Contributions	Total Remuneration including Pension Contributions 2013/14
			%	£000	£000	£000	£000	£000	£000	£000
<b>Salary is £150,000 or more a year</b>										
Town Clerk and Chief Executive	J. Barradell	i	35	73	0	0	0	73	13	86
Chamberlain	C. Bilsland	i	30	52	2	0	0	54	1	55
<b>Salary is between £50,000 and £150,000</b>										
Deputy Town Clerk	-	i	35	43	0	0	0	43	7	50
Director of Culture, Heritage & Libraries	-	i	5	5	0	0	0	5	1	6
Comptroller & City Solicitor	-	i	30	40	0	0	0	40	7	47
City Surveyor	-	i	50	70	2	0	0	72	1	73
Headmaster City of London School - left 31 December 2013	-			100	0	0	45	145	0	145
Acting Headmaster City of London School - started 1 January 2014	-			27	0	0	0	27	4	31
Headmaster City of London Freeman's School	-			127	0	0	0	127	21	148
Headmistress City of London School for Girls	-			129	0	0	56	185	21	206
Remembrancer	-			129	0	1	0	130	23	153
Principal of the Guildhall School of Music & Drama	-			133	4	0	22	159	0	159
Private Secretary & Chief of Staff to the Lord Mayor	-			108	3	0	0	111	0	111
Director of Markets & Consumer Protection	-	i	35	35	0	0	0	35	6	41
Director of Open Spaces	-	i	75	74	2	0	14	90	14	104
				1,145	13	1	137	1,296	119	1,415

## Note to remuneration for senior employees disclosures

- i. These officers provide services for the City of London Corporation's local authority and non-local authority activities. The remuneration included in tables 2 and 3 above relates to the proportion charged to City's Cash activities. The annualised salary for each of these officers is shown in table 4 below.
- ii. No payments were made in 2014/15 or 2013/14 for compensation for loss of office.

**Table 4 - Annualised Salaries**

<b>Post Title</b>	<b>Annualised Salary 2014/15 £000</b>	<b>Annualised Salary 2013/14 £000</b>
Town Clerk and Chief Executive	222	208
Chamberlain *	175	175
Comptroller & City Solicitor	142	135
City Surveyor	140	140
Deputy Town Clerk	125	123
Director of Culture, Heritage & Libraries	106	105
Director of Markets & Consumer Protection	104	98
Director of Open Spaces	93	92

\* In 2014/15, Chris Bilsland held the post of Chamberlain until 5 May 2014. His salary for the part-year to 5 May 2014 was £17,000. Dr Peter Kane started at the City Corporation on 1 April 2014 and took over as Chamberlain from 5 May 2014. His salary for the year to 31 March 2015 was £158,000.

## 5. Tax Status

The City of London Corporation is a single legal entity and legislation treats it as a local authority for tax purposes. City Re Limited, a wholly-owned subsidiary of the City of London Corporation in its City's Cash capacity, conforms to the tax requirements for Guernsey companies.

## 6. Investment Properties and other tangible fixed assets

### Consolidated

	<u>Land and Buildings</u>		<u>Plant</u>	<u>Assets</u>	
	<u>Investment</u>	<u>Freehold</u>	<u>and</u>	<u>Under</u>	<u>Total</u>
	<u>Properties (c)</u>	<u>(a)</u>	<u>Machinery</u>	<u>Construction</u>	<u>£m</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
<b>Cost / Valuation</b>					
At 1 April 2014	1,120.0	166.1	30.8	11.9	1,328.8
Additions	11.3	3.1	2.6	2.8	19.8
Revaluations	194.4	-	-	-	194.4
Disposals (b)	(7.7)	-	-	-	(7.7)
Transfers	-	8.4	2.0	(10.4)	0.0
At 31 March 2015	<u>1,318.0</u>	<u>177.6</u>	<u>35.4</u>	<u>4.3</u>	<u>1,535.3</u>
<b>Depreciation</b>					
At 1 April 2014	-	(19.1)	(15.2)	-	(34.3)
Charge for the year	-	(4.8)	(2.3)	-	(7.1)
At 31 March 2015	<u>-</u>	<u>(23.9)</u>	<u>(17.5)</u>	<u>-</u>	<u>(41.4)</u>
<b>Net book value</b>					
At 31 March 2014	1,120.0	147.0	15.6	11.9	1,294.5
At 31 March 2015	<u>1,318.0</u>	<u>153.7</u>	<u>17.9</u>	<u>4.3</u>	<u>1,493.9</u>
Leased assets included above:					
<b>Net book value</b>					
At 31 March 2014	1.5	-	-	-	1.5
At 31 March 2015	<u>2.1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.1</u>

## Direct Services

	<u>Land and Buildings</u>		<b>Plant and Machinery</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>Investment Properties (c)</b>	<b>Freehold (a)</b>			
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Cost / Valuation</b>					
At 1 April 2014	1,120.0	159.4	28.7	10.3	1,318.4
Additions	11.3	3.2	0.5	-	15.0
Revaluations	194.4	-	-	-	194.4
Disposals (b)	(7.7)	-	-	-	(7.7)
Transfers	-	10.3	-	(10.3)	0.0
At 31 March 2015	<u>1,318.0</u>	<u>172.9</u>	<u>29.2</u>	<u>-</u>	<u>1,520.1</u>
<b>Depreciation</b>					
At 1 April 2014	-	(18.6)	(13.9)	-	(32.5)
Charge for the year	-	(4.5)	(1.9)	-	(6.4)
At 31 March 2015	<u>-</u>	<u>(23.1)</u>	<u>(15.8)</u>	<u>-</u>	<u>(38.9)</u>
<b>Net book value</b>					
At 31 March 2014	<u>1,120.0</u>	<u>140.8</u>	<u>14.8</u>	<u>-</u>	<u>1,285.9</u>
At 31 March 2015	<u>1,318.0</u>	<u>149.8</u>	<u>13.4</u>	<u>-</u>	<u>1,481.2</u>
Leased assets included above:					
<b>Net book value</b>					
At 31 March 2014	<u>1.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.5</u>
At 31 March 2015	<u>2.1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.1</u>

Notes:

- a) Freehold land and buildings includes items acquired since April 2000 on the basis of depreciated historic cost. Consequently some of the significant City's Cash assets (e.g. Mansion House, Guildhall Complex, Schools and Markets) are included at nil cost as they were generally acquired well before April 2000 and their original acquisition costs are no longer available. Subsequent expenditure on these assets is capitalised in line with accounting policies.
- b) (i) The disposal figure for investment properties of £7.7m represents the net carrying value. The profits on sales totalling £10.4m have been credited to the income and expenditure account.
- (ii) Freehold land and buildings are held at depreciated historic cost. During the year a number of assets which were included at nil costs and fully depreciated and with no residual value were disposed of for £3.9m (2013/14: £0.6m). The disposal proceeds have been credited to the income and expenditure account as a profit on the sale of fixed assets.

- c) The City Surveyor of the City of London Corporation, who is a fellow of the Royal Institution of Chartered Surveyors, values investment properties annually as at 31 March at market values determined in accordance with the “RICS Valuation –Professional Standards January 2014 edition” issued by the Royal Institution of Chartered Surveyors. Valuations are also provided by two external firms of chartered surveyors – Cushman and Wakefield and Jones Lang Lasalle Limited, with the externally valued properties representing some 34% of the Estates’ value as at 31 March 2015 (51% as at 31 March 2014). As detailed in accounting policies note i, all other tangible fixed assets are valued at historic cost less depreciation on a straight-line basis to write off their costs over their estimated useful lives and less any provision for impairment.
- d) Neither consolidated City’s Cash nor Direct Services incurred any finance costs during the year ended 31 March 2015 (2013/14: nil) and no finance costs have been capitalised.

## **7. Heritage assets**

Heritage assets are those with historical, artistic, scientific, technological, geophysical or environmental qualities which are maintained principally for their contribution to knowledge and culture. They are mainly held in trust for future generations.

Arising from its status and history, within its City’s Cash fund, the City holds numerous heritage assets primarily open spaces, art and sculpture, prints, drawings and statues.

The City Corporation looks after almost 11,000 acres of open spaces across London and beyond, including Hampstead Heath and Epping Forest. Some of the sites have been owned and managed since as far back as 1870, protecting them from development and preserving them as a natural resource. They include important wildlife habitats, Sites of Special Scientific Interest, National Nature Reserves and outdoor space for sport, recreation and enjoyment for the public.

The art and sculpture collection is maintained as “a Collection of Art Treasures worthy of the capital” and includes a range of paintings documenting London’s history. In addition, the City owns two heritage property assets, the Monument and Temple Bar, and two copies of the Magna Carta.

For some of the heritage assets the cost of obtaining reliable valuations in order to recognise them on the Balance Sheet outweighs the benefit of such recognition to the users of the financial statements. Furthermore, many of the assets are irreplaceable and/or there is often no active market for their sale, for example, valuations are not readily available for the original acquisition of open spaces land and their associated buildings, Monument, Temple Bar or the copies of the Magna Carta.

Nevertheless, the City’s art and sculpture treasures, which represent the vast majority of the heritage assets, and recently acquired open space land are recognised for inclusion on the Consolidated Balance Sheet at a value of £182.2m (2013/14: £182.2m) as shown in the table below. Due to policy, budgetary and legal constraints there have been no significant acquisitions or disposals in the last five years.

	<b>Consolidated</b>		<b>Direct Services</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Valuation</b>				
At 1 April	<b>182.2</b>	182.2	<b>181.8</b>	181.8
Additions	-	-	<b>0.1</b>	-
Disposals	-	-	-	-
<b>At 31 March</b>	<b>182.2</b>	182.2	<b>181.9</b>	181.8
Comprising:				
Art and sculptures (notes a and b)	<b>181.8</b>	181.8	<b>181.9</b>	181.8
Forest land	<b>0.4</b>	0.4	-	-
	<b>182.2</b>	182.2	<b>181.9</b>	181.8

Notes:

- a) The art works are included at cost, or where cost cannot be readily identified, on the basis of available information as a proxy for cost. Such information includes art market intelligence in relation to similar works, insurance requirements and some individual valuations from independent experts; and
- b) Sculptures were valued at replacement cost by independent experts Gurr Johns.
- c) Recent additions to forest land are recognised at cost.

All expenditure on preservation and conservation is recognised in the Consolidated Income and Expenditure Account when it is incurred.

Catalogues are maintained for the heritage assets and most of them are available for public viewing. The statues and properties (the Monument and Temple Bar) can be seen and experienced from the public highway, treasures on display at the Guildhall Art Gallery can be visited by anyone free of charge and most of the other assets, sometimes held within restricted areas such as the Mansion House, can be viewed by publicly available organised tours or by appointment.

## 8. Non-property investment assets

Analysis of movement in non-property investment assets:

	<b>Consolidated</b>	<b>Direct Services</b>
	<b>2015</b>	<b>2015</b>
	<b>£m</b>	<b>£m</b>
<b>Non-property investments held by fund managers:</b>		
Total investments at 1 April	580.9	551.6
Add: additions to investments at cost	9.0	1.1
Less disposals at market value	(7.9)	(0.2)
Add net gain on revaluation	1.9	-
Less realised investments	(20.7)	(20.7)
Gain in fair value	70.6	70.6
<b>Investments at 31 March</b>	<b>633.8</b>	<b>602.4</b>
<b>Non-property investments held by the City of London:</b>		
Total investments at 1 April	69.5	69.5
Change in short-term deposits and money market funds	30.8	30.8
Change in long term deposits	(1.7)	(1.7)
<b>Investments at 31 March</b>	<b>98.6</b>	<b>98.6</b>
<b>Total investments as at 31 March are analysed between long-term and short term investments as follows:</b>		
Long term	627.1	595.7
Short term	105.3	105.3
	<b>732.4</b>	<b>701.0</b>
	2014	2014
	£m	£m
Market value at 1 April	587.2	556.3
Additions to investments at cost	191.7	183.8
Disposals at market value	(179.4)	(167.1)
Net gain on revaluation	34.4	31.4
Market value at 31 January	633.9	604.4
Cash held by the fund managers at 31 January	21.8	21.0
<b>Total investments at 31 January</b>	<b>655.7</b>	<b>625.4</b>
Less: realised investments	(6.8)	(6.8)
Gain in fair value	1.5	2.5
<b>Total investments at 31 March</b>	<b>650.4</b>	<b>621.1</b>
<b>Total investments as at 31 March are analysed between long-term and short term investments as follows:</b>		
Long term	568.6	540.1
Short term	81.8	81.0
	<b>650.4</b>	<b>621.1</b>

During 2013/14, the investment policy changed with funds held by City's Cash being transitioned on 31 January 2014 to Pooled Investment Vehicles. At the point of transition, City's Cash designated all non-property investment assets as 'fair value through profit and loss.' Non-property investment assets held to 31 January 2014 (the date of transition) have been accounted for as 'available for sale' financial assets. Non-property investment assets held by consolidating entities have been accounted for as 'available for sale' financial assets in both accounting periods.

## **9. Intangible assets**

During 2014/15 the City Corporation invested in an updated Oracle Business Intelligence system. This is recognised in these financial statements as an intangible asset on the basis of amortised historic cost at a value of £1.1m (2013/14: nil).

## **10. 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 is the potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk principally arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions. Deposits are not made with banks unless they are rated independently with a minimum score of Long term A and Short term F1. The City Corporation also invests in building societies based on net asset valuation and general financial strength and Money Market Funds, which are subject to a minimum credit rating of AAA (or equivalent). 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. Advice is also considered from the external Treasury Advisor.

The creditworthiness of the counterparties on the City Corporation's lending list is carefully monitored. Security of the investments is paramount but with liquidity and yield also being considerations. 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 Lloyds 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 other building societies invested in are Coventry, Leeds, Skipton, and Yorkshire with a £20m limit on each. The maximum duration for such loans was fixed at three years. The list also contains three foreign banks with individual limits of £25m, National Australia Bank, Australia and New Zealand Banking Group and Svenska Handelsbanken. The lending list also includes five top rated Money Market Funds; CCLA, Federated Prime Rate Funds, Standard Life (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 in the following table.

<b>Bad debt provision</b>	<b>As at 31 March 2015 £m</b>	<b>As at 31 March 2014 £m</b>
Less than three months	1.8	3.1
Three to six months	0.2	0.2
Six months to one year	0.4	0.1
More than one year	0.1	0.1
<b>Total</b>	<b>2.5</b>	<b>3.5</b>

#### Liquidity risk

Liquidity risk is the risk that City's Cash is unable to meet its payment obligations as they fall due. There is no significant risk that City's Cash will be unable to raise finance to meet its commitments under financial instruments. At present, City's Cash has no borrowing exposure and has no plans to borrow to finance future capital expenditure. City's Cash will finance operations and growth by realising investments as appropriate to ensure the constant availability of an appropriate amount of reasonably priced funding to meet both current and future forecast requirements. All trade creditors are due to be paid in less than one year.

#### Market risk

##### *Interest rate risk*

Movements in interest rates would have an impact on City's Cash. For instance, a rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Statement of Financial Activities will rise
- investments at fixed rates – the fair value of the assets will fall

The continuing low interest rates for 2014/15 had an adverse impact on the interest earnings of City's Cash, which is anticipated to continue in 2015/16. 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.

If interest rates had been 1% higher, with all other variables held constant, the financial effect at 31 March 2015 would have been an increase in interest receivable of £1.1m for City's Cash.

#### *Price Risk*

Price risk is the risk of a decline in the value of a security or a portfolio. City's Cash minimises price risk through a strategy of diversification by holding a geographical spread of investments in the UK and overseas markets.

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 upwards/downwards movements in market price risk are reasonably possible for the 2015/16 reporting period.

#### **Potential Market Movements**

<b>Asset type</b>	<b>Change %</b>
UK equities	8.99
Overseas equities	10.11
UK bonds	6.51
Overseas bonds	8.15
UK index - linked	9.16
Overseas index - linked	8.15
Multi - asset	3.22
Cash	0.02
<b>Total non-property investments</b>	<b>7.29</b>

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 have been derived, and provide a range of possible net asset values which would be available to meet the fund's liabilities.

Asset type	Value £m	Change %	Value on increase £m	Value on decrease £m
UK equities	183.1	8.99	199.6	166.6
Overseas equities	294.4	10.11	324.2	264.6
UK bonds	7.0	6.51	7.5	6.5
Overseas bonds	27.2	8.15	29.4	25.0
UK index - linked	13.1	9.16	14.3	11.9
Overseas index - linked	12.2	8.15	13.2	11.2
Multi - asset	90.1	3.22	93.0	87.2
Cash	6.7	0.02	6.7	6.7
Long-term UK deposits	0.0	0.00	0.0	0.0
Short-term UK deposits	98.6	0.00	98.6	98.6
<b>Total non-property investments</b>	<b>732.4</b>	<b>9.12</b>	<b>786.5</b>	<b>678.3</b>

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.

#### *Foreign Currency Risk*

Foreign currency risk (also known as foreign exchange risk or exchange rate risk) is a financial risk that exists when a financial transaction or asset/liability is denominated in a currency other than that of the base currency of a company or investor. The risk is that a movement in the exchange rate may cause a foreign currency investment's value to either decrease or increase when the investment is sold and converted back into the original currency.

The following table has been prepared in consultation with State Street Analytics to show the illustrative effect on City's Cash' asset values that would result from movements in exchange rates.

Currency	Value £m	Change %	Value on increase £m	Value on decrease £m
North America investments	214.7	7.41	230.6	198.8
Europe (ex UK) investments	101.8	5.66	107.6	96.0
Asia Pacific investments	58.3	7.29	62.6	54.0
Emerging investments	21.9	6.80	23.4	20.4
<b>Overseas total</b>	<b>396.7</b>		<b>424.2</b>	<b>369.2</b>
UK investments and cash	237.1		237.1	237.1
Long-term UK deposits	0.0		0.0	0.0
Short-term UK deposits	98.6		98.6	98.6
<b>Total non-property investments</b>	<b>732.4</b>		<b>759.9</b>	<b>704.9</b>

## 11. Stocks of Finished Goods

A variety of purchased items are held in stock amounting to £0.3m (2013/14: £0.3m) to ensure responsive delivery of services, mainly relating to those provided at the City's open spaces, schools and ceremonial functions.

## 12. Debtors

	Consolidated		Direct Services	
	2015	2014	2015	2014
	£m	£m	£m	£m
Amounts falling due within one year:				
Sundry debtors	6.2	12.7	5.8	12.1
Rental debtors	7.5	6.6	7.5	6.6
School Fees	2.1	3.9	2.1	3.9
Prepayments and accrued income	3.9	3.8	3.9	3.8
VAT	1.2	2.0	1.2	2.0
Accrued interest	1.2	1.8	1.2	1.8
	<u>22.1</u>	<u>30.8</u>	<u>21.7</u>	<u>30.2</u>
Amounts falling due after more than one year:				
Sundry debtors	0.3	0.4	0.3	0.4
	<u>0.3</u>	<u>0.4</u>	<u>0.3</u>	<u>0.4</u>
	<u>22.4</u>	<u>31.2</u>	<u>22.0</u>	<u>30.6</u>

## 13. Creditors – amounts falling due within one year

	Consolidated		Direct Services	
	2015	2014	2015	2014
	£m	£m	£m	£m
Sundry creditors	31.2	26.5	27.5	23.8
Rental income received in advance	12.8	11.7	12.8	11.7
Other receipts received in advance	9.2	7.7	9.2	7.7
Her Majesty's Revenue and Customs - VAT	4.2	0.8	4.2	0.8
	<u>57.4</u>	<u>46.7</u>	<u>53.7</u>	<u>44.0</u>

## 14. Deferred income

	Consolidated		Direct Services	
	2015	2014	2015	2014
	£m	£m	£m	£m
Capital grants and contributions				
- due within one year	2.1	1.9	1.7	1.6
- more than one year	58.3	64.9	53.9	60.2
Total capital grants and contributions (note i)	60.4	66.8	55.6	61.8
Lease premium income				
- due within one year	0.1	0.0	0.1	0.0
- more than one year	19.9	0.0	19.9	0.0
Total lease premium income (note ii)	20.0	0.0	20.0	0.0
Total deferred income	80.4	66.8	75.6	61.8

Notes:

- i) Capital grants and contributions are treated as deferred income as explained in accounting policies note e). The total sum deferred of £60.4m (2013/14: £66.8m) largely relates to capital contributions towards education projects amounting to £54.4m (2013/14 65.6m).
- ii) A premium of £20m relating to an operating lease was received in 2014/15 and has been deferred in accordance with accounting policies note e), to be released over the 150 year lease term.

## 15. Provisions

City Re Limited has set aside £1.5m (2013/14: £1.9m) for the settlement of known insurance claims at the balance sheet date. The estimate is based on a case by case assessment of each claim and takes into account previous claims experience.

## 16. Pensions

### *City of London Corporation defined benefit pension scheme*

The City of London Corporation operates a funded defined benefit pension scheme, The City of London Pension Fund, for its staff employed on activities relating to its three funds (i.e. City Fund, City's Cash and Bridge House Estates).

The assets of the scheme are held in a specific trust separately from those of the Corporation and contributions are paid to the scheme as agreed with the scheme's Trustees. As the proportion of the Pension Fund that relates to City's Cash is not separately identifiable, the share of pension contributions paid to the scheme by the Trust is calculated pro-rata to employer's contributions paid by each of the City of London Corporation contributors to the scheme.

***Accounting for the defined benefit scheme under FRS17***

The full triennial actuarial valuation of the defined benefit scheme as at 31 March 2014 was updated to 31 March 2015, by Barnett Waddingham, an independent qualified actuary in accordance with FRS17. The defined benefit liabilities have been measured using the projected unit method as required by FRS17. The next actuarial valuation of the Scheme will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020.

The full actuarial valuation of the defined benefit scheme as at 31 March 2014 was updated to 31 March 2015, by an independent qualified actuary in accordance with FRS17. As required by FRS17, the defined benefit liabilities have been measured using the projected unit method.

The expected rate of return on the scheme's assets for the financial year ending 31 March 2015 was 7.0% p.a. (2014: 7.0% p.a.). This rate 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 2015) for the year to 31 March 2016. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities is then assumed to be a margin above gilt yields.

At 31 March 2015, the actuarial deficit on City's Cash's share of the Scheme was £240.3m (2014: £196.7m). City's Cash's share of the market value of the Schemes' assets was £362.9m (2014: £325.2m).

The estimated amount of total employer contributions expected to be paid to the scheme by City's Cash during the year to 31 March 2016 is £9.6m (actual for year to 31 March 2015: £9.3m). This figure is calculated pro-rata to total contributions that will be payable by the City of London Corporation in accordance with the Schedule of Contributions towards the scheme's deficit.

(a) **Major assumptions by the actuary**

**Financial**

The financial assumptions used for the purposes of the FRS17 calculations are as follows:

<b>Assumptions as at 31 March</b>	<b>2015 % per annum</b>	<b>2014 % per annum</b>	<b>2013 % per annum</b>
RPI increases	3.2	3.6	3.4
CPI increases	2.4	2.8	2.6
Salary increases	3.9	4.3	4.8
Pension increases	2.4	2.8	2.6
Discount rate	3.3	4.4	4.5

**Life expectancy**

<b>Assumed life expectancy from age 65 years</b>	<b>Sex</b>	<b>2015</b>	<b>2014</b>
Age 65 retiring today	Male	22.9	22.9
Age 65 retiring today	Female	25.3	25.2
Retiring in 20 years	Male	24.7	24.6
Retiring in 20 years	Female	27.2	27.1

The table reflects the change in the mortality tables used for the 31 March 2015 valuation and allowance is made for future improvements in life expectancy.

(b) **Amounts included in the balance sheet**

The amounts included in the City's Cash and Direct Services balance sheets arising from the City of London Corporation Pension Fund's liabilities in respect of the defined benefit scheme for the current and previous two periods are as follows:

	2015			2014			2013		
	Direct Services	City's Cash Consolidated	City of London Corporation	Direct Services	City's Cash Consolidated	City of London Corporation	Direct Services	City's Cash Consolidated	City of London Corporation
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Net Pension Asset as at									
Fair value of fund assets (bid)	310.2	362.8	752.3	278.7	325.2	663.6	271.7	317.0	646.9
Funded liability present value	(512.6)	(599.7)	(1,243.4)	(444.5)	(518.6)	(1,058.3)	(412.6)	(481.4)	(982.5)
<b>Net liability</b>	<b>(202.4)</b>	<b>(236.9)</b>	<b>(491.1)</b>	<b>(165.8)</b>	<b>(193.4)</b>	<b>(394.7)</b>	<b>(140.9)</b>	<b>(164.4)</b>	<b>(335.6)</b>
Unfunded liability present value	(2.8)	(3.4)	(7.1)	(2.8)	(3.3)	(6.7)	(2.6)	(3.1)	(6.2)
<b>Net liability on balance sheet</b>	<b>(205.2)</b>	<b>(240.3)</b>	<b>(498.2)</b>	<b>(168.6)</b>	<b>(196.7)</b>	<b>(401.4)</b>	<b>(143.5)</b>	<b>(167.5)</b>	<b>(341.8)</b>

£3.0m of the total unfunded liabilities as at 31 March 2015 relates to compensatory added years awarded prior to 1988.

The net pension fund liability of £240.3m in the Balance Sheet (2014: £196.7m) represents 48% of the total net balance sheet liability in the City of London Corporation Pension Fund Financial Statements.

(c) Amounts recognised in the consolidated income and expenditure account

	2015 £m	2014 £m
Current service cost	(12.1)	(11.9)
Past service cost	-	-
Gains / (losses) on settlements and curtailments	(0.1)	0.5
Employer contributions	9.3	8.8
Unfunded pension payments	0.3	0.3
<b>Net pension scheme costs</b>	<b>(2.6)</b>	<b>(2.3)</b>
Return on pension scheme assets	22.4	19.3
Interest on pension scheme liabilities	(22.3)	(21.7)
<b>Net finance income / (expenses)</b>	<b>0.1</b>	<b>(2.4)</b>
<b>Net charge to the Consolidated Income &amp; Expenditure Account</b>	<b>(2.5)</b>	<b>(4.7)</b>
<b>Actual return on fund assets</b>	<b>47.4</b>	<b>11.1</b>

(d) Amounts included in the statement of recognised gains and losses (STRGL)

	2015 £m	2014 £m
Actual return less expected return on pension scheme assets	25.0	(8.2)
Experience gains and (losses)	(0.1)	7.6
Changes in assumptions underlying the present value of liabilities	(66.0)	(23.9)
Actuarial gains/(losses) in pension scheme	(41.1)	(24.5)
Increase/(decrease) in irrecoverable surplus	-	-
<b>Actuarial gains/(losses) recognised in the STRGL</b>	<b>(41.1)</b>	<b>(24.5)</b>

(e) **Asset allocation**

The allocation of the scheme's assets at 31 March is as follows:

<b>Employer asset share - bid value</b>	<b>2015</b>		<b>2014</b>	
	<b>£m</b>	<b>% per annum</b>	<b>£m</b>	<b>% per annum</b>
Equities	305.9	85	269.9	83
Gilts	48.2	13	35.8	11
Other bonds	n/a	n/a	16.3	5
Cash	8.7	2	3.3	1
<b>Total assets</b>	<b>362.8</b>	<b>100</b>	<b>325.3</b>	<b>100</b>

(f) **Movement in the present value of scheme liabilities**

Changes in the present value of the scheme liabilities over the year are as follows:

<b>Reconciliation of opening and closing balances of the present value of the defined benefit liability</b>	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>
Opening defined benefit liability	(521.9)	(484.4)
Current service cost	(12.1)	(11.9)
Past service cost	-	-
Interest cost	(22.3)	(21.7)
Actuarial gain / (losses)	(61.0)	(18.7)
Gains / (losses) on curtailments	(0.1)	(0.2)
Liabilities (assumed)/extinguished on settlements	0.3	1.8
Estimated benefits paid net of transfers in	17.7	16.6
Contributions by scheme participants	(4.0)	(3.6)
Unfunded pension payments	0.3	0.3
<b>Closing defined benefit liability</b>	<b>(603.1)</b>	<b>(521.9)</b>

**(g) Movement in the scheme net liability**

The net movement in the scheme liabilities over the year are as follows:

	<b>2015</b>	2014
	<b>£m</b>	£m
Surplus (deficit) at the beginning of the year	(196.7)	(167.5)
Current service cost	(12.1)	(11.9)
Past service cost	-	-
Settlements and curtailments	(0.1)	0.5
Other finance income (expense)	0.1	(2.4)
Employers contributions	9.3	8.8
Unfunded pension payments	0.3	0.3
Actuarial gains / (losses)	(41.1)	(24.5)
<b>Surplus (deficit) at the end of the year</b>	<b>(240.3)</b>	<b>(196.7)</b>

**(h) Movement in the present value of scheme assets**

Changes in the fair value of the scheme assets over the year are as follows:

<b>Reconciliation of opening and closing balances of the fair value of scheme assets</b>	<b>2015</b>	2014
	<b>£m</b>	£m
Opening fair value of scheme assets	325.2	317.0
Expected return on scheme assets	22.4	19.3
Actuarial gains / (losses)	19.9	(5.8)
Contributions by employer including unfunded	9.5	9.1
Contributions by scheme participants	4.0	3.6
Estimated benefits paid net of transfers in and including unfunded	(18.0)	(16.8)
Settlement prices received / (paid)	(0.2)	(1.1)
<b>Closing value of scheme assets at end of period</b>	<b>362.8</b>	<b>325.2</b>

(i) **Historical information – Amounts for the current and previous periods**

The following amounts for 2011-2015 have been recognised under the “Actuarial gains and losses on defined benefit pension scheme” heading within the Consolidated Statement of Total Recognised Gains and Losses:

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Present value of defined benefit liability	(603.1)	(521.9)	(484.5)	(443.7)	(370.4)
Fair value of scheme assets	362.8	325.2	317.0	272.0	278.5
<b>Deficit in the scheme</b>	<b>(240.3)</b>	<b>(196.7)</b>	<b>(167.5)</b>	<b>(171.7)</b>	<b>(91.9)</b>
Experience adjustments on scheme liabilities	(0.1)	5.2	-	(0.1)	17.3
Percentage of scheme liabilities	0.0%	1.0%	0.0%	0.0%	4.7%
Experience adjustments on scheme assets	19.9	(5.8)	30.3	(24.7)	(3.5)
Percentage of scheme assets	4.6%	(1.8%)	9.6%	(9.1%)	(1.3%)
Cumulative actuarial gains and losses	(77.1)	(36.0)	(11.5)	(20.8)	59.8

The cumulative gains and losses in the table above start from 1 April 2005.

j) **Sensitivity analysis**

Below is listed the impact on the Scheme liabilities of changing key assumptions whilst holding other assumptions constant.

	£m	£m	£m
Adjustment to discount rate	0.1%	0.0%	(0.1%)
Present value of total liability	592.6	603.1	613.8
Projected service cost	14.3	14.6	14.9
Adjustment to long-term salary increase	0.1%	0.0%	(0.1%)
Present value of total liability	604.5	603.1	601.8
Projected service cost	14.6	14.6	14.6
Adjustment to pension increases and deferred revaluation	0.1%	0.0%	(0.1%)
Present value of total liability	612.5	603.1	593.9
Projected service cost	14.9	14.6	14.3
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total liability	581.8	603.1	624.6
Projected service cost	14.1	14.6	15.1

(k) **Projected pension expense for the year to 31 March 2016**

No allowance has been made for the costs of any early retirements or augmentations which may occur over the year and whose additional capitalised costs would be included in the liabilities. As it is only an estimate, actual experience over the year may differ. No balance sheet projections have been provided on the basis that they will depend upon market conditions and the asset value of the scheme at the end of the following year.

	<b>Projected Year to 31 March 2016 £m</b>	<b>Actual Year to 31 March 2015 £m</b>
Service cost	(14.6)	(12.1)
Interest cost	(8.1)	(22.3)
Return on fund assets	0.2	22.4
<b>Total expense</b>	<b>(22.5)</b>	<b>(12.0)</b>
<b>Employer contributions</b>	<b>9.6</b>	<b>9.3</b>

## 17. Capital and Reserves

<b>Consolidated</b>	Balance at 1 April £m	Additions £m	Disposals £m	Depreciation £m	Unrealised Gains /(Losses) £m	Transfers £m	Balance at 31 March £m
Operational Capital	174.5	9.6	-	(7.1)	-	-	177.0
Heritage Assets Reserve	182.2	-	-	-	-	-	182.2
Income Generating Fund							
- Investment Properties	27.0	11.3	-	-	-	-	38.3
- Non-Property Investments	568.6	13.9	(27.9)	-	72.5	-	627.1
- Revaluation Reserve - Investment Properties	1,093.0	-	(7.7)	-	194.4	-	1,279.7
Income Generating Fund	1,688.6	25.2	(35.6)	-	266.9	-	1,945.1
Pension Reserve	(196.7)	-	(2.5)	-	(41.1)	-	(240.3)
Working Capital Fund	11.7	-	(0.9)	-	-	-	10.8
<b>Total Capital and Reserves</b>	<b>1,860.3</b>	<b>34.8</b>	<b>(39.0)</b>	<b>(7.1)</b>	<b>225.8</b>	<b>-</b>	<b>2,074.8</b>

<b>Direct Services</b>	Balance at 1 April £m	Additions £m	Disposals £m	Depreciation £m	Unrealised Gains /(Losses) £m	Transfers £m	Balance at 31 March £m
Operational Capital	165.9	4.8	-	(6.4)	-	-	164.3
Heritage Assets Reserve	181.8	0.1	-	-	-	-	181.9
Income Generating Fund							
- Investment Properties	27.0	11.3	-	-	-	-	38.3
- Non-Property Investments	540.6	5.9	(20.9)	-	70.6	-	596.2
- Revaluation Reserve - Investment Properties	1,093.0	-	(7.7)	-	194.4	-	1,279.7
Income Generating Fund	1,660.6	17.2	(28.6)	-	265.0	-	1,914.2
Pension Reserve	(168.6)	-	(1.5)	-	(35.1)	-	(205.2)
Working Capital Fund	14.7	-	(0.5)	-	-	-	14.2
<b>Total Capital and Reserves</b>	<b>1,854.4</b>	<b>22.1</b>	<b>(30.6)</b>	<b>(6.4)</b>	<b>229.9</b>	<b>-</b>	<b>2,069.4</b>

**Notes to capital and reserves:**

- a) Operational Capital – reflects the balance sheet amount for operational assets.
- b) Heritage Asset Reserve – reflects the balance sheet amount for heritage assets.
- c) Income Generating Fund – comprises the asset values of investment properties and non-property investment assets, which generate the income to fund City's Cash activities and services.
- d) Working capital Fund – reflects the balance sheet amount for net assets.

**18. Reconciliation of operating deficit to operating cash flows**

	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>
Operating surplus / (deficit)	<b>44.9</b>	(10.7)
Add back depreciation	<b>7.1</b>	5.0
Add back net pension scheme costs	<b>2.6</b>	2.3
Less income on non-property investments and interest received	<b>(2.0)</b>	(15.4)
Non-Property Investments: Gain in fair value	<b>(70.6)</b>	(1.5)
Increase in stocks	-	0.1
(Increase) / decrease in debtors	<b>8.8</b>	1.3
Increase / (decrease) in creditors	<b>10.7</b>	(7.3)
Release of deferred income	<b>(2.2)</b>	(0.4)
Increase / (decrease) in provisions	<b>(0.4)</b>	1.0
<b>Net cash outflow from operating activities</b>	<b>(1.1)</b>	<b>(25.6)</b>

## 19. Returns on investments

	2015 £m	2014 £m
Investment income from non-property investments	1.3	14.7
Interest received	0.7	0.7
<b>Net cash inflow</b>	<b>2.0</b>	<b>15.4</b>

## 20. Capital transactions and financial investments

	2015 £m	2014 £m
Purchase of tangible fixed assets	(20.9)	(24.2)
Acquisition of long-term non-property investments	(13.9)	(191.7)
Sale of tangible fixed assets	22.0	52.0
Disposal of long-term investments	27.9	172.8
Receipt of capital contributions - deferred to later years	15.8	2.2
<b>Net cash inflow/(outflow)</b>	<b>30.9</b>	<b>11.1</b>

## 21. Management of liquid resources

	2015 £m	2014 £m
Internally managed cash		
- Money market funds	(14.0)	(1.4)
- Fixed-Term Deposits	(16.7)	6.9
	<b>(30.7)</b>	<b>5.5</b>
Externally managed cash		
- Liquidity funds	5.5	3.1
- Current accounts	1.7	(0.2)
	<b>7.2</b>	<b>2.9</b>
<b>Net cash inflow / (outflow)</b>	<b>(23.5)</b>	<b>8.4</b>

## 22. Financial commitments

Material (in excess of £3m) contractual capital commitments are as follows:

	Consolidated		Direct Services	
	2015	2014	2015	2014
	£m	£m	£m	£m
Contracted for but not provided for				
- finance leases entered into	-	-	-	-
- other	-	3.4	-	3.4
	<u>-</u>	<u>3.4</u>	<u>-</u>	<u>3.4</u>
	<u><u>-</u></u>	<u><u>3.4</u></u>	<u><u>-</u></u>	<u><u>3.4</u></u>

City's Cash has no material commitments under operating leases.

The City of London Corporation has agreed a £50m contribution to Crossrail from City's Cash subject to completion of the works. It is anticipated that the contribution will be made in equal instalments during 2018/19 and 2019/20. The agreement with Crossrail is considered to be an executory contract and therefore outside the scope of FRS12 'Provisions and Contingent Liabilities'.

## 23. Related party transactions

The following disclosures are made in recognition of the principles underlying Financial Reporting Standard 8 concerning related party transactions.

All Members of the Committees governing City's Cash are appointed by the City of London Corporation to act on its behalf. The City of London Corporation also employs all staff. The costs of those staff employed directly on City's Cash activities are allocated to those activities accordingly.

The City of London Corporation provides support services for the activities undertaken by each of its funds. These support services include management, surveying, financial, banking, legal and administrative services. Where possible support service costs are allocated directly to the funds concerned. For those costs that cannot be directly allocated, apportionments are made between the City Corporation's funds on the basis of time spent. Premises costs are apportioned on the basis of areas occupied by services.

With regard to banking services, the City of London Corporation allocates all transactions to City's Cash at cost and credits or charges interest at a commercial rate.

The City of London Corporation also provides the above services to a number of charities. The cost of these services is borne by City's Cash in relation to most of these charities. A list of charities managed by the City of London Corporation is available on request from the Chamberlain.

City's Cash initially bears the full costs of corporate capital projects with the City's other funds, City Fund and Bridge House Estates, reimbursing their shares of expenditure in the years in which costs are accrued.

Transactions are undertaken by City's Cash on a normal commercial basis in compliance with the City's procedures irrespective of any possible interests.

As a matter of policy and procedure, the City of London Corporation ensures that Members and officers do not exercise control over decisions in which they have an interest.

### Standing Orders

The City of London has adopted the following Standing Order 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.”

### Disclosure

Members are required to disclose their interests and these can be viewed online at [www.cityoflondon.gov.uk](http://www.cityoflondon.gov.uk).

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

During 2014/15 the following transactions (rounded to the nearest thousand) were disclosed:

- a Member is a Director of Centre for London Ltd which received sponsorship and grants from the City Corporation totalling £35,000;
- a Member is a Board Member of London and Partners Ltd. The City Corporation became a platinum partner at a cost of £25,000;
- a Member sits on the Innovate Finance Advisory Council which received grants totalling £500,000 from the City Corporation and paid £40,000 to the City Corporation for services;
- the City Corporation nominates 10 Members to the various committees of London Councils and another Member declared that he has an independent place on the Leaders Committee. £921,000 was received for premises and services, and £26,000 paid for services provided by the organisation;
- the City Corporation nominates four Members to the Board of Governors of the City of London Academy Southwark. A grant of £150,000 was paid to the Academy;
- the City Corporation nominates four Members to the Board of Governors of the City of London Academy Hackney. A grant of £150,000 was paid to the Academy;

- the City Corporation nominates three Members to the Board of Governors of the City of London Academy Islington. A grant of £150,000 was paid to the Academy;
- the City Corporation nominates three Members to the Guild Church Council of St. Lawrence Jewry and two other Members have declared places on the Council. The church received a grant of £82,000 from the City Corporation;
- the City Corporation nominates three Members to the City of London Reserve Forces and Cadets Association which was paid a grant of £42,000;
- a Member is a Director and Chairman of the Board of Global Law Summit which was paid a £60,000 grant towards an international event;
- a Member is a tenant of commercial premises for which £21,000 was received in rent and service charges;
- a Member is a Life Member of the Sheriffs and Recorders Fund which received a grant of £20,000;
- a Member is a director of a company leasing market premises for which £66,000 was received in rent and service charges;
- another Member is also a director of a company leasing market premises for which £207,000 was received in rent and service charges;
- two Members declared interests in PWC LLP which was paid £21,000 for consultancy services;
- a Member is a director of 'London Works' which was paid a grant of £25,000;
- The City Corporation nominates six Members to the Gresham College Council which was paid £406,000 in grants;
- one Member declared that a member of their family worked for Knight Frank which was paid £82,000 for services;
- four Members and one Chief Officer are directors of the 'Lord Mayor's Show Ltd' which purchased services from City's Cash at a cost of £16,000;
- sixteen Members are Governors or Almoners of Christ's Hospital which is paid £48,000 annually for a 'presentation' place to secure the right to present one child per year to enter the school;
- a Member is a Director of Museum of London Archaeology which provided services to the City Corporation at a cost of £13,000;
- thirteen Members are Governors of King Edwards School Witley which was paid £395,000 for six full fee bursaries and funding to match money raised from other donors;

- Mr. S. Le Provost served as a director of City Re Limited and of the insurance manager, JLT Insurance Management (Guernsey) Limited during the period. Management fees paid in respect of the financial year totalled £51,536; and
- profit commission calculated at 1.5% of City Re Limited's profit before tax in the financial period is payable to the company manager JLT Insurance Management (Guernsey) Limited. An amount of £12,640 is payable as at 31 March 2015.

During 2013/14 the following transactions (rounded to the nearest thousand) were disclosed:

- a Member is Deputy Chairman of The City UK and a Director of Centre for London which received grants of £525,000 and £20,000 respectively;
- a Member declared that he was the Vice Chair of London Councils, another declared that he was an Ex-Officio Member and five further Members represent the City on various committees. £873,000 was received for premises and services, and £25,000 paid for services from the organisation;
- a Member is Chairman of the Board of Governors of the City of London Academy Southwark and three other Members represent the City on the Board. £17,000 was received from the Academy for the provision of services;
- six Members represent the City Corporation on the Board of Governors of the Museum of London. £201,000 was received from the Museum of London for services, and £10,000 paid for services;
- eight Members sit on the Guild Church Council of St. Lawrence Jewry which received a grant of £71,000;
- a Member is the Executive Chairman of the Z/Yen Group Ltd. which received £15,000 towards the project 'Financing Tomorrow's Cities';
- a Member is a tenant of commercial premises for which £48,000 was received in rent and service charges;
- a Member is a director of a company leasing market premises for which £298,000 was received in rent and service charges;
- a Member is a senior adviser to PWC LLP which was paid £61,000 for consultancy services;
- a Member is a director of 'London Works' which was paid a contribution of £26,000;
- one Member declared that a member of their family worked for Knight Frank which was paid £34,000 for services;
- six Members and one Chief Officer are directors of the 'Lord Mayor's Show Ltd' which purchased services from City's Cash at a cost of £26,000;
- sixteen Members are governors of Christ's Hospital which is paid £48,000 annually for a 'presentation' place to secure the right to present one child per year to enter the school;

- thirteen Members and one Chief Officer are governors of King Edwards School Witley which was paid £379,000 for six full fee bursaries and funding to match money raised from other donors;
- Mr. N. H. Wild served as a director of City Re Limited and of the insurance manager, JLT Insurance Management (Guernsey) Limited during the period. Management fees paid in respect of the financial year totalled £50,987; and
- profit commission calculated at 1.5% of City Re Limited's profit before tax in the financial period is payable to the company manager JLT Insurance Management (Guernsey) Limited. An amount of £1,410 is payable as at 31 March 2014.

Related Party Transaction with City Fund (the City Fund covers the City of London Corporation's activities as a local authority, police authority and port health authority).

During the year City's Cash received £1.8m from City Fund for the freehold sale of land at Creechurch Place, EC3. This land formed part of a larger site for which the City Fund received a premium to the value of £30.8m for the granting of a long lease. To ensure the integrity of each of the funds, the City's Cash land was valued in accordance with the RICS Valuation Professional Standards (the 'Red Book').

## **24. Subsequent event**

A commencement agreement for the final Hampstead Heath Ponds Project construction contract was signed on 17<sup>th</sup> April 2015. The works, which aim to mitigate the risk of serious flooding in accordance with statutory requirements, are due to last 18 months with an estimated completion date of 3<sup>rd</sup> October 2016. The approximate value of the works is £13.178m with an additional £1.515m in provisional sums (£14.693m in total). Nothing has been recognised in the financial statements for this contract.

## **25. Approval of the financial statements**

The City's Cash Accounts were authorised for issue by the Chamberlain on 17 November 2015. Events after the balance sheet date and up to 17 November 2015 have been considered in respect of a material on the financial statements. Events taking place after this date are not reflected in the financial statements or notes.