THE CITY OF LONDON CORPORATION
Audited Statement of Annual Accounts for the City Fund Year Ended 31 March 2022

Contents

Preface

AN INTRODUCTION TO THE CITY OF LONDON CORPORATION

The City of London Corporation (City Corporation) is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK. The Square Mile is the historic centre of London and is home to the 'City' – the financial and commercial heart of the UK. Our reach extends far beyond the Square Mile's boundaries and across private, public and charitable and community sector responsibilities. This, along with our independent and non-party political voice, convening power and ability to work with others, enable us to promote the interests of people and organisations across London and the UK and play a valued role on the world stage.

The City Corporation manages two funds, City Fund and City's Cash, and is the sole trustee of Bridge House Estates, a long-standing charity which maintains Tower, London, Southwark, Millennium and Blackfriars Bridges. The funding arm of City Bridge Foundation, City Bridge Trust, distributes funds surplus to bridge requirements and is London's largest independent charitable funder. City's Cash allows us to provide services that are of importance to Greater London as well as to the City at little or no cost to the public. More information about the City Fund is given in the following pages.

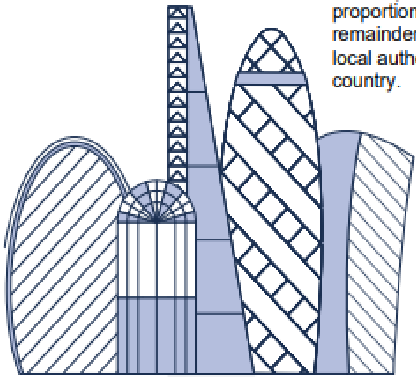
As the governing body of the Square Mile, we deliver the functions of a local authority and a police authority for our residents, workers, learners and visitors, as well as being the port health and animal health authorities for London. There are approximately 8,000 residents living in the Square Mile. However, in normal times we have a high daytime population in the Square Mile made up of approximately 550,000 workers daily.

The City contributes to the rest of the economy, generating

£1.2bn

in business rates. This represents **5% of England's total business rates collection.**

The City retains a small proportion locally, the remainder is distributed to local authorities across the country.



With more large firms than Manchester, Birmingham or Leeds, the City **generates more in business rates than all three combined.**

CORPORATE STRATEGY

In 2018-19 the City Corporation launched its Corporate Plan for 2018-23. It sets out our three aims which in turn are broken down into 12 outcomes (shown below). Our Plan commits us to strengthening the character, capacity and connections to the City, London and the UK for the benefit of residents, workers, learners and visitors. This Plan will guide our thinking and decision-making, providing us with the focus to achieve sustainable systemic change during what is likely to be another period of significant change on a global, national and regional level, bringing both threats and opportunities. These include preventing terrorism and cyber-crime as well as mitigating the impacts of climate change, which will all remain high priorities for the organisation. So too will retaining the UK's competitiveness, in the context of Brexit; increases in the cost of living; reductions in public sector spending and recovering from the impacts of COVID-19. We are also ensuring that we can support our residents, workers, visitors, partners and our own organisation to respond effectively to these disruptive changes.

Contribute to a flourishing society

1. People are safe and feel safe.
2. People enjoy good health and wellbeing.
3. People have equal opportunities to enrich their lives and reach their full potential.
4. Communities are cohesive and have the facilities they need.

Support a thriving economy

5. Businesses are trusted and socially and environmentally responsible.
6. We have the world's best legal and regulatory framework and access to global markets.
7. We are a global hub for innovation in finance and professional services, commerce and culture.
8. We have access to the skills and talent we need.

Shape outstanding environments

9. We are digitally and physically well-connected and responsive.
10. We inspire enterprise, excellence, creativity and collaboration.
11. We have clean air, land and water and a thriving and sustainable natural environment.
12. Our spaces are secure, resilient and well-maintained.

The Plan is designed to be used as a strategic framework for the organisation. It has therefore been aligned to corporate strategies, service level business plans, team plans and staff appraisal forms. This 'golden thread' allows us to monitor the impact of everything we do has on the aims and outcomes we have identified.

As an organisation we are committed to being relevant, responsible, reliable and radical – acting strategically and at pace in order to ensure everyone can share in the benefits we aim to create. This means that we must be open: to unlocking the full potential of our many assets – our people, heritage, green and urban spaces, funds, data and technology; to trying new things and learning as we go; and to working with our stakeholders and partners who share our aims. To deliver this we have developed a number of key strategies:

- **Responsible Business Strategy, 2018-25**: committing us to creating a positive impact and reducing negative impact across all our activities and decisions – encouraging those we work with externally to do the same.
- **Social Mobility Strategy, 2018-28:** committing us to bridge and reduce the social and economic divides that may be experienced by people during their lifetime, by maximising and promoting social mobility within businesses, organisations, central and local government and educational and cultural institutions.
- **Digital Skills Strategy, 2018-23:** committing us to equipping people and businesses across the City, London and beyond to take full advantage of digital technologies and innovations to help themselves and their economies thrive.
- **Apprenticeships Strategy, 2018-23:** committing us to a workforce and organisation that thrives through high-quality and wide-ranging apprenticeships that welcomes diverse talent and develops relevant skills.
- **Education, Skills and Cultural and Creative Learning Strategies, 2018-23:** Committing us to preparing people to flourish in a rapidly changing world through exceptional education, cultural and creative learning and skills which link to the world of work.
- **Transport Strategy 2019-2044:** provides a 25 year framework for future investment in and management of the City's streets, as well as measures to reduce the social, economic and environmental impact of motor traffic and congestion.
- **Climate Action Strategy 2020-2027 –** Commits the City Corporation to net zero emissions in its operations by 2027 and net zero by 2040 on its full value chain and across the square mile.

OUR FUNDING STRUCTURE

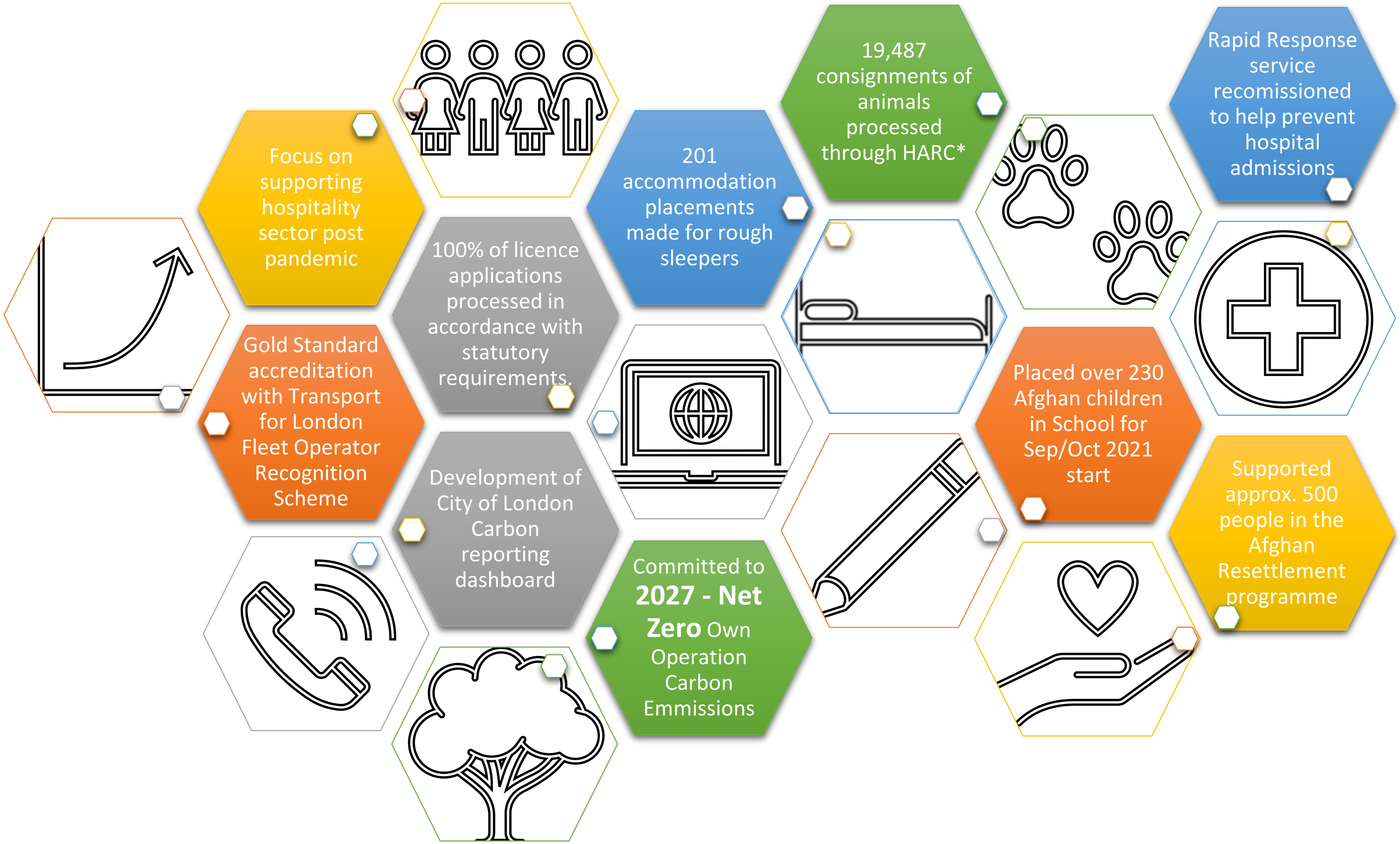
In common with other local authorities, City Fund receives funding via grants from central government, a share of business rates income and the proceeds of the local council tax. City Fund also generates rental and interest income to help finance its activities. A breakdown of these amounts for 2021-22 is shown below in the financial summary for the year.

Whilst collecting more than £1bn in business rate income, the City Fund retains only a small proportion of the amounts collected from its area, in accordance with the national arrangements. The remainder is paid over to central government and is redistributed to local authorities throughout the country. Due to its special circumstances – notably its very low resident population and high daytime population – the City of London is allowed uniquely to set its own business rate via the business rate premium. For 2021/22 this was set at 0.8p in the £. These funds are used to support security objectives within the City with the majority being passed to the City of London Police. More information on the role and ongoing work of the City Corporation, can be found on the City's website at www.cityoflondon.gov.uk[1]

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

PERFORMANCE

Over the past year, our activities have been shaped by the impact of COVID-19 but we have also sort to further the aim and objectives we have set out in our corporate plan. The below highlight some of our achievement during this year.



*Heathrow Animal Reception Centre

Risk Management and Priorities for the Coming Year

Our risk management processes help us identify and manage the most significant risks to the organisation, by significant we mean those that could stop us achieving our strategic objectives or have a significant detrimental impact on the City of London Corporation. The Audit and Risk Management Committee (A&RMC) maintains oversight for risk management and is ultimately responsible for ensuring that satisfactory arrangements are in place for this. An external Risk Management Health Check was undertaken in 2021/22 which found that the City Corporations risk management approach aligns with best practice.

The key risks to the organisation relate to maintaining a safe and healthy environment and ensuring the financial sustainability of our operations as well as working to ensure the continued relevance of the services we provide to London and the UK following the Covid-19 pandemic.

OTHER DISCLOSURES

The Trade Union Regulations 2017 requires public authorities to disclose trade union activity as part of their annual accounts. The below tables set out the information required under this regulation. It outlines the volume of union activity as well as the annual cost to the City where union activity is carried out during working hours.

Trade Union representatives and full-time equivalents	
Number of trade union representatives (people)	26
FTE trade union representative	26

Total pay bill and facility time costs 2021-22	£m
Total City of London pay bill	224.0
Total cost of facility time	0.1
Percentage of pay spend on facility time	0.04%

Percentage of working hours spend on facility time by union representative	No. of People
0% of working hours	22
1% to 50% of working hours	1
51% to 99% of working hours	3
100% of working hours	0
Total	**26**

FINANCIAL OUTLOOK

The City Corporation has an ambitious programme of investment across its funds aimed at fulfilling its strategic aims and continuing to make the City the place people want to live, work, study and enjoy. City Fund is supporting the Combined Courts project, which will relocate the Magistrates court to a new world class facility and build a new headquarters for the City of London Police. It is also jointly supporting the relocation of the Museum of London with the GLA in our capacity as joint funders of the organisation. These programmes require significant financial investment at a time where the City Fund is facing a number of threats to its funding and pressures on its services. These include:

- **Economic Outlook** – there is significant uncertainty in the economic outlook linked to the current high levels of inflation, the impact of the war in Ukraine and the ongoing recovery from the pandemic. These factors pose a risk to key revenue streams funding activity, and the demand and costs of providing public services.

- **Spending Review** – With the Government providing significant financial support to the UK economy during the pandemic, it is likely that a level of public spending restrictions will be in place to manage the fiscal deficit, limiting any additional funding for Local Authorities.

- The **Fair Funding Review** of local government funding could shift resources away from London. Its implementation had been delayed due to COVID-19 and we are awaiting confirmation from Government on their implementation plans.

- **Business Rates** – the expected changes to the Business Rate Retention System have been delayed due to COVID-19, but still present a significant risk to the City Corporation as this is a major source of funding for City Fund activity.

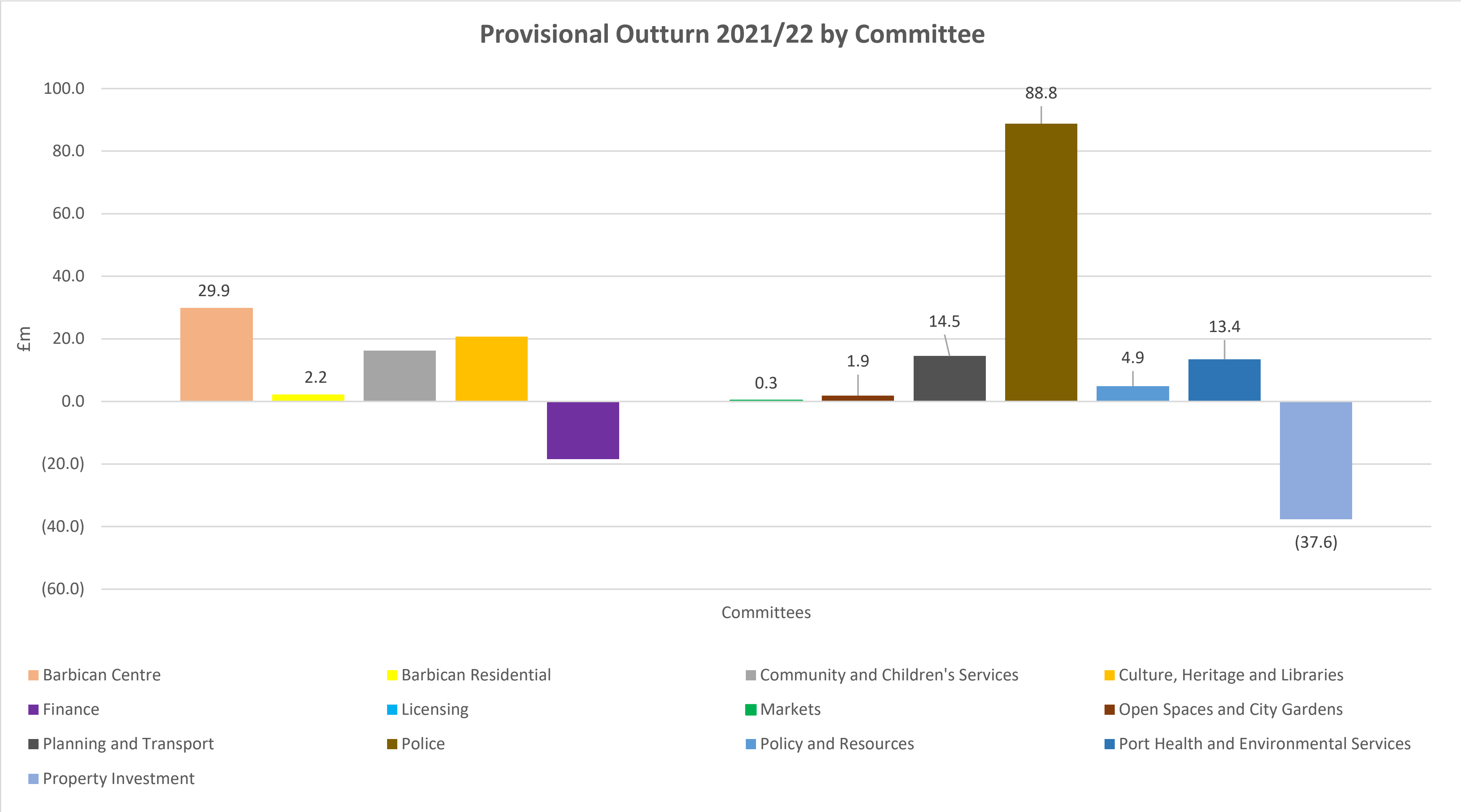
The below table sets out the current financial projections for City Fund across the medium-term planning horizon. City Fund is already committed to making savings due to cost pressures and its commitments to financing its major projects. Delivery of these savings will be essential to ensure City Fund remains in a financially sustainable position to deliver its corporate plan. City Fund maintains adequate levels of both general and earmarked reserves (£300.1m) to support its functions across the short to medium term. The projected deficit will require addressing as part of the financial planning process carried out in the autumn.

City Fund Medium Term Forecast	22/23	23/24	24/25	25/26	26/27
	£'000	£'000	£'000	£'000	£'000
City Fund Surplus/(Deficit) before savings	**15.7**	**14.8**	**0.4**	**(26.4)**	**(27.3)**
Forecast Savings	11.9	11.9	14.8	14.8	14.8
City Fund Surplus/(Deficit) after saving and contributions	**27.6**	**26.8**	**15.1**	**(11.6)**	**(12.5)**
Saving/Income opportunities to be identified	0.0	0.0	0.0	(11.6)	(12.5)

2021-22 FINANCIAL SUMMARY

Revenue Budget

Our budget for 2021-22 was agreed by the Court of Common Council (the City Corporation's primary decision-making body) in March 2021 for both capital and revenue expenditure. The below chart sets out the revenue outturn by Committee, which reflects the operational areas of City Fund activity. The City Fund's largest area of spend is the City of London Police which is largely funded via grants from government along with a contribution from the business rate premium, which for 2021-22 was set at 0.8p in the £. City Fund also benefits from a large property investment portfolio, overseen by the Property Investment Board, which generates additional income to fund our services. Within the year the City Corporation instigated a new Target Operating Model (TOM) to achieve savings required in ensure financial sustainability and better align its resources to organisational priorities. This has brought the overall cost of services down by £7m before accounting for any in-year variances. The below provide an overview of the 21-22 revenue outturn.



Provisional Outturn 2021/22 by Committee
100.0
80.0
60.0
40.0
20.0
0.0
(20.0)
(40.0)
(60.0)
£m
29.9
2.2
0.3
1.9
14.5
88.8
4.9
13.4
(37.6)
Committees
Barbican Centre
Barbican Residential
Community and Children's Services
Culture, Heritage and Libraries
Finance
Licensing
Markets
Open Spaces and City Gardens
Planning and Transport
Police
Policy and Resources
Port Health and Environmental Services
Property Investment

The adjacent table compares each committee outturn to its final budget for 2021-22, the City Fund recorded a £18.5m underspend for the year. The most material variances and the reason for these are:

- Barbican Centre – Additional funding of £7m provided to support the Barbican in its recovery from the pandemic was not fully required resulting in a £5.9m underspend.

- Finance – A reduction in the financing requirements for capital projects, repairs and maintenance, and the release of contingency funds which were not required resulted in a £9.3m underspend.

- Port Health and Environmental Services – vacancies held pending the restructure of the department and unbudgeted funding for the Fishmonger Hall inquest resulted in a £3.3m underspend for the department.

A breakdown of the City Fund taxation and grants income can be seen below.

2020/21	2021/22 Budget v Outturn – City Fund Summary by Committee			
		Budget	Provisional	Variation (Better)/Worse
Outturn	*Net Expenditure (Income)*	Net	Outturn	Total
£m		£m	£m	£m
35.2	Barbican Centre	35.8	29.9	(5.9)
2.9	Barbican Residential	2.4	2.2	(0.2)
17.0	Community and Children's Services	15.3	16.3	1.0
21.2	Culture Heritage and Libraries	21.2	20.7	(0.5)
(21.6)	Finance	(9.2)	(18.5)	(9.3)
0.4	Licensing	0.1	0.2	0.1
(0.5)	Markets	(0.1)	0.3	0.4
1.9	Open Spaces	1.8	1.9	0.1
16.2	Planning and Transportation	15.5	14.5	(1.0)
93.8	Police	88.8	88.8	0.0
6.1	Policy and Resources	4.7	4.9	0.2
16.3	Port Health and Environmental Services	16.7	13.4	(3.3)
(39.7)	Property Investment Board	(37.5)	(37.6)	(0.1)
149.2	**City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves.**	**155.5**	**137.0**	**(18.5)**

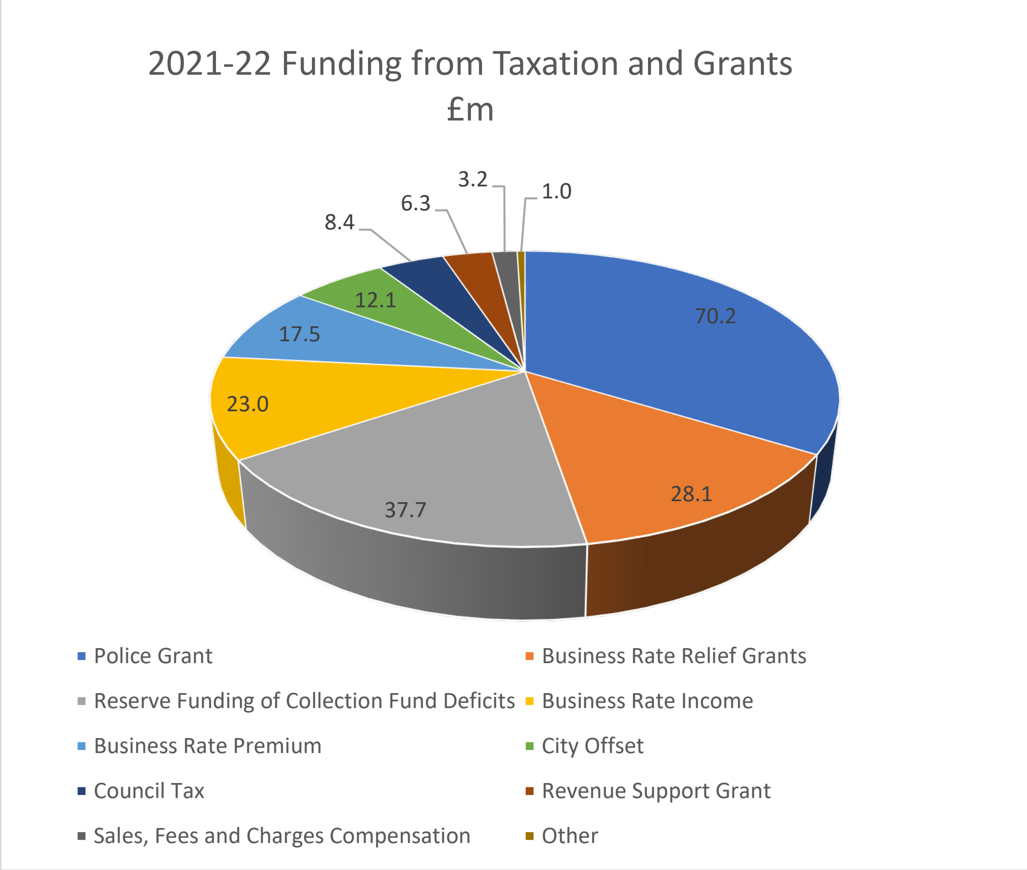
Where this funding relates to a specific service or activity, this is shown under the relevant committee heading. Where funding is non-specific, it is shown under the funding from taxation and grants heading. The key items to note for the year are:

- As part of its support to assist businesses recovering from the pandemic, the Govt continued its business rate relief scheme for the retail, leisure, and hospitality sector, which began in 2020-21. The scheme was amended from the previous year with eligible businesses receiving 100% relief for the first 3 months of the year and then 66% relief thereafter. This decision represents a loss of business rates income for which Govt provides compensation for in the form of a grant which totalled £28.1m. It should be noted that due to the structure of the business rates system, shortfalls in income collection create collection fund deficits which are recovered over the following 2 financial years. Therefore, £24.6m of this grant will be used to make good deficits to be accounted for between 2022-2024 and has been transferred into the Business Rate Equalisation reserve for this purpose. More details about Collection Fund losses can be found on pages 105-108.

- Business rate income is comparatively low for the year at £23m but this includes accounting for prior year collection fund deficits of £37.7m, which are more significant due to the reliefs described above enacted in 2020-21. This deficit is offset by funding held in the business rate equalisation reserve and is included in the adjacent chart to provide a truer picture of resources available in the year.

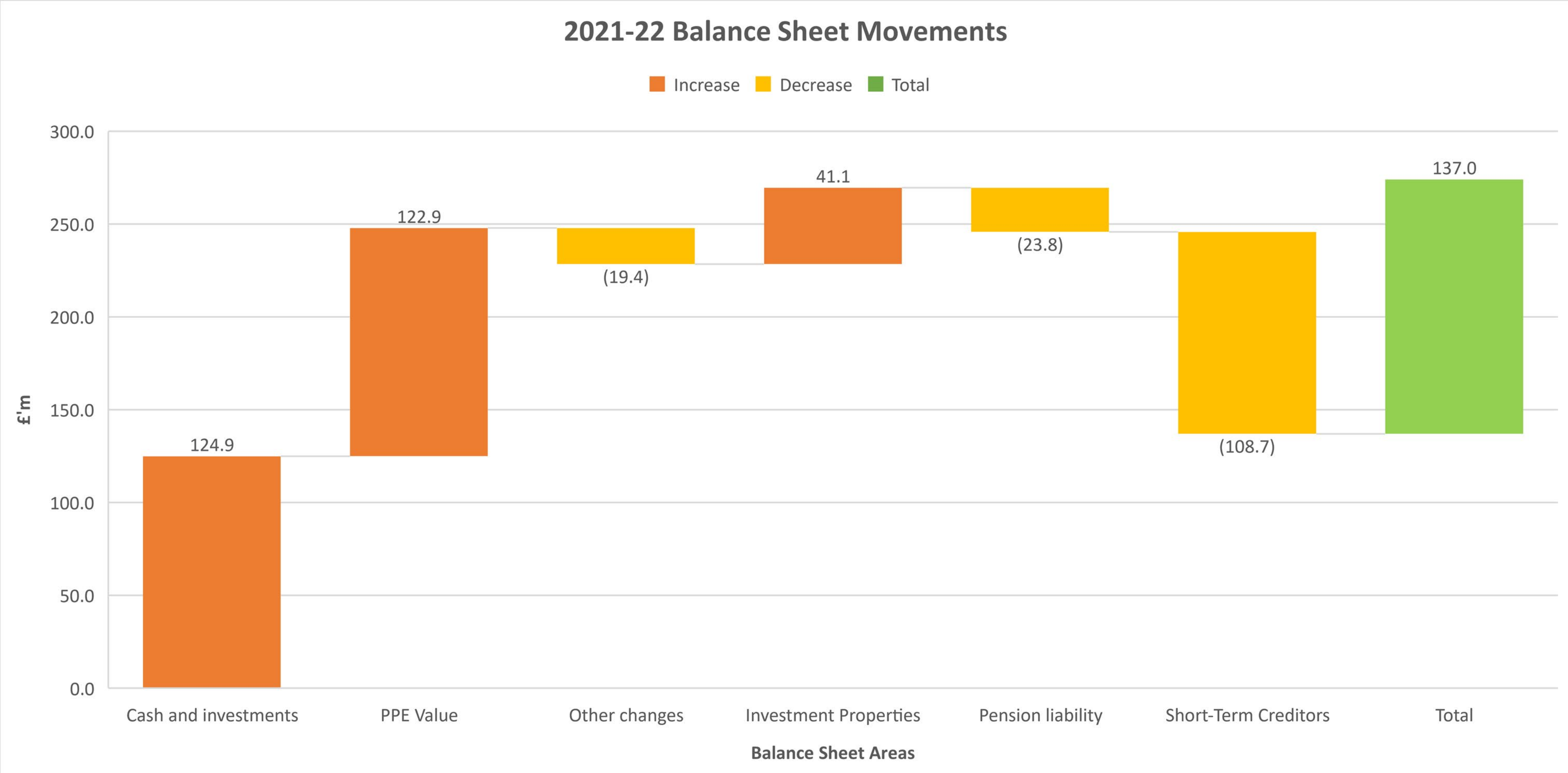
- In 2020-21 the Govt introduced a Sales, Fees and Charges compensation scheme, which compensated local authorities for income losses incurred due to COVID-19. Compensation was 75p in the £ after a deduction of 5% of the annual budget for that income stream. This scheme was extended to cover losses incurred in quarter 1 of 2021-22, which resulted in £3.2m being received. This scheme is now closed.

Please note the figures shown here do not take account of statutory accounting adjustments and reserve movements aside from those mentioned. These may differ to those presented in the main accounts.



Balance Sheet

The City Corporation maintains a strong balance sheet position with net assets totalling £1,315.6m at year end. The key movements which have contributed to an overall balance sheet increase of £137.0m compared to the previous year are shown below. For more detail on these movements please refer to the following notes to the accounts: Cash and Investments – Notes 32-34, Property, Plant and Equipment (PPE) – Note 13, Investment Properties – Note 17, Pension Liabilities – Notes 23-26 and Short-Term Creditors – note 21.



2021-22 STATEMENT OF ACCOUNTS

This Statement of Accounts is prepared for the City of London Corporation ("the City Corporation") only to the extent that it exercises functions in relation to the collection fund of the Common Council, the City Fund administered by the Common Council (collectively referred to as "the City Fund"), as required by the Local Audit and Accountability Act 2014. Accordingly, the reporting entity, for the purpose of these accounts, is the City Fund which is a portion of the City Corporation but is not in itself a legal entity. This means the legal party to transactions and balances allocated to the City Fund is the City Corporation.

Assets, liabilities and transactions of the City Corporation are allocated to the City Fund where they relate to the economic activity of the City Corporation's local authority function, for example where they relate to education, housing, social care; policing; and port health authority functions. Similarly, transactions and balances that relate to the City Corporation's other economic activities are excluded from these accounts. Note 1 (page 32) to the accounts provides further details on the critical judgments in preparing and applying accounting policies for these statements.

The City Fund Statement of Accounts have been prepared in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021-22. The accounts have been structured to support the reader in understanding the local authority accounting framework, however, this remains a complex document, combining International Finance Reporting Standards (IFRS) alongside the statutory framework set by Government, which overrides these accounting standards.

There have been no significant changes to accounting standards or framework this year barring those related to infrastructure assets, which are set out on page 56 of these statements. However, the impact of the COVID-19 pandemic has continued throughout the year effecting how the organisation operates, impacting costs and revenues, and the future financial outlook. Some key areas of note within the 2021-22 statement of accounts are described below:

- **Grants to businesses** – as part of the Government's response to the pandemic it has made available grants to businesses which have been affected by the restrictions in place. These were first introduced during 2020-21 but have continued into 2021-22. Local Authorities have acted as the distribution mechanism for these grants, and where we have not played a part in determining the distribution of these grants, these have been treated as agency transactions and do not feature in the City Fund CI&ES.

- **Pension Liabilities** – Each year City Fund is required to update its assessment of the assets and liabilities is has accumulated through its staff and officer's membership of the Local Government Pension Scheme (LGPS), Police Pension Scheme and Judges' Pension Scheme. This assessment is carried out by our independent actuary, Barnett Waddingham LLP, based on the principles set out in International Accounting Standard 19 – Employee Benefits. This year, this assessment has resulted in an decrease in the net liability of £23.8m, which is a relatively small movement compared to the overall liability of £1,634.8m. Note 23-26 (page 69-79) provides more detail on this change, but it should be noted that this assessment does not determine the contributions the City Corporation makes into these pension schemes. These are determined by the periodic valuations of the pension schemes which are due to be carried out in 2022 for the LGPS to set contribution rates from 2023-2026, and is currently being carried out for the Police Pension Scheme which will set contribution rates for 2023-2027.

- **Collection Fund Deficit** – In line with all other billing authorities, City Fund maintains a Collection Fund which accounts for the difference between estimated and actual collection of business rates and council tax. These differences are then spread over the following 2 financial years in order to smooth the impact of any material change in resources derived from these sources. The Collection Fund has ordinarily been in surplus, but, for 2021-22, a deficit of £141.2m remains for business rates (note this is the total deficit and City Fund's share is 30%)., This deficit has stemmed largely from the expansion of business rate relief for the retail, leisure, and hospitality sector, where 100% relief was awarded during 2020-21 and 75% relief being awarded in 2021-22. In each case, the decision to award reliefs was taken after the estimate of business rate income was submitted to Govt (January each year) which provides a fixed point for accounting purposes upon which variances with actual collection is measured. These reliefs are funded by Govt, and these funds, current held in the business rate equalisation reserve, will be released in line with the release of the City Fund's share of collection fund deficits (30%). In 2020-21 the Government had allowed local authorities to spread any deficits outside of those caused by the relief issue mentioned above, over 3 years rather than the normal 2, acknowledging the impact COVID-19 has had on the collection of business rates and council tax. Pages 105-108 provide more details on the collection fund position.

- **Valuation of property assets** – City Fund maintains a substantial portfolio of investment property and operational assets which are subject to valuation on an annual basis. In the previous 2 financial years some of these valuations had been subject to "material valuation uncertainty" linked to the impact of COVID-19 on the property market and the basis used for forming a valuation. These issues are no longer impacting the valuation process and therefore none of the 21/22 valuations were subject to this clause.

- **Recovery on outstanding debt** – Due to improved assumptions on the recovery of outstanding debt, the bad debt provision held has reduced by £1.4m, especially for outstanding rental income and parking enforcement fines.

The City of London Corporation's Responsibilities

The City of London Corporation is required to:

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

The Chamberlain's Responsibilities

The Chamberlain is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 ("the Code").

In preparing this Statement of Accounts, the Chamberlain has:

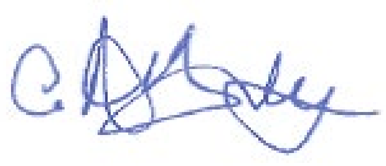
- selected suitable accounting policies and then applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the local authority Code.

The Chamberlain has also:

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

Chamberlain's Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the City Fund and the Pension Funds of the City of London Corporation at the reporting date and of its expenditure and income for the year ended 31 March 2022.



Caroline Al-Beyerty – Chamberlain and Chief Financial Officer | Date: 7 December 2023

The City Fund and Pension Fund Accounts were considered and approved on behalf of the Finance Committee.

Henry Nicholas Almroth Colthurst, Deputy

Chairman of the Finance Committee

Randall Keith Anderson, Deputy

Deputy Chairman of the Finance Committee

Independent Auditor's Report to the Members of the City of London Corporation

Opinion on financial statements

We have audited the financial statements of the City Fund of the City of London Corporation (the 'Authority') for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies and include the police pension fund. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chamberlain's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Chamberlain's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chamberlain's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chamberlain with respect to going concern are described in the 'Responsibilities of the Authority, the Chamberlain and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chamberlain is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement[2] does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chamberlain and Those Charged with Governance for the financial statements

As explained in The City of London Corporation's responsibilities set out on page 17, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chamberlain. The Chamberlain is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chamberlain determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chamberlain is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The audit and risk management committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003,Local Government Act 1972, Local Government and Housing Act 1989, and Local Government Act 1988(as amended by the local Government Finance Act 1992 and the Local Government Finance Act 2012,Police Pension Fund Regulations 2006, and Police Pensions Regulations 2003)).
- We enquired of senior officers and the Audit and Risk Management Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Audit and Risk Management Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to manual journals that did not go through any approval process, post year end entries and closing entries. We considered where there was any potential management bias in accounting estimates or any significant transactions with related parties which could give rise to an indication of management override.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chamberlain has in place to prevent and detect fraud,
  - journal entry testing, with a focus on unusual journal entries using criteria developed based on our knowledge of the Authority, use of data analytics and other risks factors identified,
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of investment properties, council dwellings, land and buildings and pension fund net liability,
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of investment properties, council dwellings, land and buildings and pension fund net liability.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation

  - guidance issued by CIPFA, LASAAC and SOLACE
  - the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the City Fund for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett

Signature:

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date: 7th December 2023

Core Financial Statements

Comprehensive Income and Expenditure Statement

2020-2021					2021-22		
Gross Expenditure	Gross Income	Net Expenditure/ (Income)		Notes	Gross Expenditure	Gross Income	Net Expenditure/ (Income)
£m	£m	£m			£m	£m	£m
			Services				
158.1	(66.0)	92.1	Police		167.8	(76.9)	90.9
46.5	(7.0)	39.5	Barbican Centre		51.2	(17.8)	33.4
36.2	(16.9)	19.3	Community & Children's Services		38.6	(20.1)	18.5
29.9	(14.4)	15.5	Housing Revenue Account (HRA)		17.4	(14.1)	3.3
41.7	(28.9)	12.8	Planning & Transportation		39.7	(28.7)	11.0
32.6	(17.4)	15.2	Port Health & Environmental Services		34.2	(21.9)	12.3
24.8	(2.0)	22.8	Culture, Heritage and Libraries		24.6	(2.1)	22.5
31.3	(16.8)	14.5	Finance		67.6	(35.7)	31.9
15.2	(15.3)	(0.1)	Barbican Residential		16.1	(16.8)	(0.7)
21.5	(13.2)	8.3	Policy & Resources		27.1	(16.3)	10.8
2.9	(0.5)	2.4	Open Spaces and City Gardens		3.1	(0.6)	2.5
1.4	(0.5)	0.9	Property Investment Board		2.2	(1.2)	1.0
1.1	(0.6)	0.5	Licensing		1.1	(0.8)	0.3
26.1	0.0	26.1	London NNDR Pool Strategic Investment Pot		0.2	0.0	0.2
5.4	0.0	5.4	Pension Past Service Cost		4.8	0.0	4.8
9.0	0.0	9.0	Major Project Cost		16.6	0.0	16.6
433.7	**(199.5)**	**284.2**	**Cost of Services**		**512.3**	**(253.0)**	**259.3**
		(0.1)	Other Operating Income	7			5.8
		(0.3)	Financing & Investment Income & Expenditure	7			(122.6)
		(182.8)	Taxation & Non-Specific Grant Income	7			(215.4)
		101.0	**(Surplus)/Deficit on the Provision of Services**				**(72.9)**
		8.5	Surplus on the Revaluation of Property, Plant & Equipment	13			(27.8)
		299.6	Remeasurements of the Pensions Liability	26			(36.3)
		308.1	**Other Comprehensive (Income) & Expenditure**				**(64.1)**
		409.1	**TOTAL COMPREHENSIVE (INCOME) & EXPENDITURE**				**(137.0)**

Major project costs in relation to the Museum of London relocation have been separately identified in the CI&ES to reflect the material items of spend that have occurred. Pension past service costs have also been separately identified due to amendments in the IAS19 standard which now requires net defined benefit liability to be remeasured using current assumptions and the fair value of plan assets at the time of the event.

Movement in Reserves Statement

	Notes	City Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
		£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2021 carried forward*		**(254.3)**	**(0.2)**	**(56.4)**	**(39.5)**	**(2.0)**	**(352.4)**	**(826.2)**	**(1,178.6)**
Movement in reserves during 2020-21									
Total Comprehensive Income & Expenditure		**(75.6)**	**2.7**	**0.0**	**0.0**	**0.0**	**(72.9)**	**(64.1)**	**(137.0)**
Adjustments between accounting basis & funding basis under regulations	11	29.8	(2.7)	25.9	(6.7)	0.6	46.9	(46.9)	0.0
(Increase) or decrease in 2020-21		**(45.8)**	**0.0**	**25.9**	**(6.7)**	**0.6**	**(26.0)**	**(111.0)**	**(137.0)**
Balance at 31 March 2022 carried forward*		**(300.1)**	**(0.2)**	**(30.5)**	**(46.2)**	**(1.4)**	**(378.4)**	**(937.2)**	**(1,315.6)**

*The City Fund balance of £300.1m comprises unallocated revenue funds of £68.1m and earmarked revenue reserves of £232.0m (see note 12, page 52).

	Notes	City Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
		£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2020 carried forward*		**(177.0)**	**(0.1)**	**(73.7)**	**(39.0)**	**(3.4)**	**(293.2)**	**(1,294.5)**	**(1,587.7)**
Movement in reserves during 2020-21									
Total Comprehensive Income & Expenditure		**86.5**	**14.5**	**0.0**	**0.0**	**0.0**	**101.0**	**308.1**	**409.1**
Adjustments between accounting basis & funding basis under regulations	11	(163.8)	(14.6)	17.3	(0.5)	1.4	(160.2)	160.2	0.0
(Increase) or decrease in 2020-21		**(77.3)**	**(0.1)**	**17.3**	**(0.5)**	**1.4**	**(59.2)**	**468.3**	**409.1**
Balance at 31 March 2021 carried forward*		**(254.3)**	**(0.2)**	**(56.4)**	**(39.5)**	**(2.0)**	**(352.4)**	**(826.2)**	**(1,178.6)**

** The City Fund balance of £254.3m comprises unallocated revenue funds of £56.3m and earmarked revenue reserves of £198.0m (see note 12, page 52).

Balance Sheet

The Statement of Accounts was authorised for issue by the Chamberlain on 7 December 2023. Events after the balance sheet date and up to 7 December 2023 have been considered in respect of material impact on the financial statements. No adjustments have been made.

31 March 2021		Notes	31 March 2022
£m			£m
925.6	Property, Plant and Equipment	13	1,048.5
9.0	Heritage Assets	14	9.0
1,601.0	Investment Property	17	1,642.1
0.4	Intangible Assets		0.4
15.8	Long-Term Debtors	16	12.3
2,551.8	**Long-Term Assets**		**2,712.3**
873.6	Short-Term Investments		992.1
1.6	Assets Held for Sale		2.7
0.6	Inventories		0.5
0.0	Intangible Current Assets		0.0
139.5	Short-Term Debtors	20	154.9
26.9	Cash and Cash Equivalents		33.3
1,042.2	**Current Assets**		**1,183.5**
(286.8)	Short-Term Creditors	21	(395.5)
(91.3)	Grants and Contributions Received in Advance – Revenue	27	(131.9)
(45.8)	Provisions	22	(40.2)
(423.9)	**Current Liabilities**		**(567.6)**
(1,611.0)	Pensions Liability	26	(1,634.8)
(115.5)	Grants and Contributions Received in Advance - Capital	27	(94.8)
(197.6)	Rents Received in Advance	28	(225.9)
(67.4)	Other Long-Term Liabilities	29	(57.1)
(1,991.5)	**Long-Term Liabilities**		**(2,012.6)**
1,178.6	**NET ASSETS**		**1,315.6**
(352.4)	Usable Reserves		(378.4)
(826.2)	Unusable Reserves	31	(937.2)
(1,178.6)	**TOTAL RESERVES**		**(1,315.6)**

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of City Fund during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Details of these movements are set out in note 32-34 (page 89-90) of the accounts. The cash and cash equivalent balance is held in bank current accounts held by the City Corporation.

2020-21		Notes	2021-22
£m			£m
101.0	Net (surplus)/deficit on the provision of services		(72.9)
(262.2)	Adjustments for non-cash movements	32	(33.7)
24.9	Adjustments for items that are investing and financing activities	32	70.9
(136.3)	**Net cash (inflows)/outflows from operating activities**		**(35.7)**
65.8	Investing activities	33	180.5
117.7	Financing activities	34	(151.2)
47.2	**Net (increase)/decrease in cash and cash equivalents**		**(6.4)**
(74.1)	Cash and cash equivalents at the beginning of the reporting period		(26.9)
(26.9)	**Cash and cash equivalents at the end of the reporting period**		**(33.3)**

Notes to the Core Financial Statements

1. Critical Judgements in the Basis of Preparation and Applying Accounting Policies

In applying the accounting policies set out on p134, the City Corporation has had to make certain judgements about complex transactions or those involving uncertainty about future events. These are as follows:

Related Parties

The City Corporation makes an assessment of the relationships it has with other entities, establishing where control and influence lay and adopting the appropriate accounting practice to reflect the relationship. After a thorough evaluation, we have determined that the Museum of London (MoL) should not be classified as a subsidiary, associate, or joint venture for accounting purposes. We therefore disclose this relationship as a related party in the relevant disclosure (note 35, page 92). This judgment is based on the following key considerations:

1. **Absence of Significant Control (IFRS 10):** CoLC does not exercise significant control over MoL's operations. While CoLC appoints board members, these members are legally obligated to act in MoL's best interests without being bound by CoLC's directives.

2. **Independent Legal Entity (Museum of London Act 1965):** MoL operates as a distinct legal entity under the Museum of London Act 1965, with its own statutory obligations, governance structure, and objectives.

Alternative Judgment:

In considering an alternative judgment, it could be argued that MoL should be classified as an associate based on the significance of CoLC's financial support and board appointments. This alternative judgment highlights the following points:

1. **Significance of Financial Support (IPSAS 36)**: CoLC provides annual funding to MoL, which plays a critical role in supporting MoL's operations. However, it is important to clarify that this financial support is not indicative of significant influence or control over MoL's activities. The financial support provided by CoLC is aligned with the cultural and historical preservation objectives of MoL, and it does not lead to decision-making authority over MoL's operations. The absence of specific directives or obligations in the Museum of London Act 1965, which established MoL, regarding the funding amount further emphasises that this financial support is not tied to conditions that would imply control. Instead, it serves the broader mission and independence of MoL in fulfilling its cultural and historical preservation responsibilities.

2. **Board Appointments:** CoLC appoints members to MoL's Board of Governors, contributing to the governance structure. While these members are legally bound to act in MoL's best interests, their appointment by CoLC could suggest a level of influence. However, it is crucial to note that their primary responsibility is to act in MoL's best interests, and they are not obligated to follow directives from CoLC. This legal framework ensures MoL's operational autonomy and independence in decision-making.

Impact of the Alternative Judgment:

If the alternative judgment were adopted, it would imply the consolidation of an appropriate share of MoL's financial figures, including Total Assets of £64.1m, Total Liabilities of £67.6m, Total Income of £49.4m, and Total Expenditure of £46.9m, into the City of London Corporation's financial statements.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by Management 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 items in the authority's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<table>
<tr><th>Item</th><th>Uncertainties</th><th>Effect if actual results differ from assumptions</th></tr>
<tr><td>Pensions Liability</td><td>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 and mortality rates. The actuarial firm Barnett Waddingham LLP have been appointed as the City Corporation's actuary to provide the City Fund with expert advice about the assumptions to be applied.</td><td>The total value of the Pensions Liability as at the end of March 2022 is £1,634.8m (consisting of City Fund £386.9m, Police Pension Scheme £1,245.0m and Judges Pension Scheme £2.9m). The estimation of the net liability to pay pensions depends on a number of complex assumptions used in the calculation of the liabilities. These include the discount rate used, the rate at which salaries are projected to increase, changes to retirement ages, mortality rates and expected returns on pension fund assets. Where the outcome is different to the assumptions this will impact on the pension liability. Variations in the key assumptions will have the following impact on the net liability:
<table>
<tr><th rowspan="2">Assumptions</th><th colspan="2">Movement in liability</th></tr>
<tr><th>Increase in assumption £m</th><th>Decrease in assumption £m</th></tr>
<tr><td>0.1% adjustment to discount rate</td><td>- 47.1</td><td>48.4</td></tr>
<tr><td>0.1% adjustment to salary increase rate</td><td>4.5</td><td>- 4.4</td></tr>
<tr><td>0.1% adjustment to Pension increase rate</td><td>43.6</td><td>- 42.4</td></tr>
<tr><td>1 year adjustment to life expectancy</td><td>111.2</td><td>- 105.7</td></tr>
</table>
</td></tr>
<tr><td>Property, plant and equipment</td><td>The carrying values of property, plant and equipment and investment properties are primarily dependent on judgements of such variables as the state of the property market, location, asset lives, condition of the property, indices etc. All properties included on the balance sheet at current or fair value are revalued at least once within a five year period as part of a rolling programme with subsequent additions being included in the accounts at their cost of acquisition until the asset is next revalued.</td><td>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. The net book value of non-current operational assets subject to potential revaluation as at the end of March 2022 is £847m (£768m as at the end of March 2021).If the value of the Corporation's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately c£85m.

An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and</td></tr>
</table>

Item	Uncertainties	Effect if actual results differ from assumptions
	Revaluations are carried out sufficiently regularly to ensure that their carrying value is not materially different from their value at the year end, list of assets that were valued as at the end of March 2022 are available on p55 of the accounts. The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Corporations external valuers.	Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for assets subject to depreciation would increase by £5m for every year that useful lives had to be reduced.
Valuation of Investment property	The Corporation's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the CI&ES. The net book value of investment properties as at the end of March 2022 is £1,642m (£1,601m as at the end of March 2021).If the value of the Corporation's investment properties were to reduce by 1%, this would result in a £16m debit to "Financing and Investment Income and Expenditure" in the CI&ES. Conversely, an increase in operational property values would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the CI&ES and/or gains being recorded as appropriate in the CI&ES.

Notes to the Comprehensive Income and Expenditure Statement

3. Expenditure and Funding Analysis

2021-22					
	As Reported to Management	Adjustments to Arrive at Net Charge to General Fund and HRA Balances	Net Expenditure Chargeable to City Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CI&ES
	£'m	£'m	£'m	£'m	£'m
Committees					
Police	88.8	(7.0)	81.8	9.1	90.9
Barbican Centre	29.9	(0.2)	29.7	3.7	33.4
Community and Children's Services	16.3	0.6	16.9	1.6	18.5
HRA	0.0	0.0	0.0	3.3	3.3
Planning and Transport	14.5	(7.2)	7.3	3.7	11.0
Port Health and Environmental Services	13.4	(1.9)	11.5	0.8	12.3
Culture, Heritage and Libraries	20.7	16.7	37.4	(14.9)	22.5
Finance	(18.5)	(9.1)	(27.6)	59.5	31.9
Barbican Residential	2.2	0.0	2.2	(2.9)	(0.7)
Policy and Resources	4.9	2.4	7.3	3.5	10.8
Open Spaces and City Gardens	1.9	0.1	2.0	0.5	2.5
Property Investment	(37.6)	0.2	(37.4)	38.4	1.0
Licensing	0.2	0.0	0.2	0.1	0.3
Markets	0.3	(0.3)	0.0	0.0	0.0
London NNDR Pool Strategic Investment Pot	0.0	(0.5)	(0.5)	0.7	0.2
Pension Past Service Cost	0.0	0.0	0.0	4.8	4.8
Major Project Cost	0.0	0.0	0.0	16.6	16.6
Net Cost of Services	**137.0**	**(6.2)**	**130.8**	**128.5**	**259.3**
Other Income and Expenditure	(137.0)	(39.6)	(176.6)	(155.6)	(332.2)
(Surplus) or Deficit on the Provision of Services	**0.0**	**(45.8)**	**(45.8)**	**(27.1)**	**(72.9)**
Opening City Fund and HRA Balances			**(254.3)**		
Add (Surplus) or Deficit on City Fund and HRA Balance in Year			(45.8)		
Closing City Fund and HRA Balances at 31 March*			**(300.1)**		

2020-21					
	As Reported to Management	Adjustments to Arrive at Net Charge to General Fund and HRA Balances	Net Expenditure Chargeable to City Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CI&ES
	£'m	£'m	£'m	£'m	£'m
Committees					
Police	93.8	(3.4)	90.4	1.7	92.1
Barbican Centre	35.2	0.0	35.2	4.3	39.5
Community and Children's Services	17.0	0.7	17.7	1.6	19.3
HRA	0.0	(0.1)	(0.1)	15.6	15.5
Planning and Transport	16.2	(5.9)	10.3	2.5	12.8
Port Health and Environmental Services	16.3	(1.6)	14.7	0.5	15.2
Culture, Heritage and Libraries	21.2	(0.5)	20.7	2.1	22.8
Finance	(21.6)	0.6	(21.0)	35.5	14.5
Barbican Residential	2.9	0.0	2.9	(3.0)	(0.1)
Policy and Resources	6.1	0.3	6.4	1.9	8.3
Open Spaces and City Gardens	1.9	0.0	1.9	0.5	2.4
Property Investment	(39.7)	0.0	(39.7)	40.6	0.9
Licensing	0.4	0.0	0.4	0.1	0.5
Markets	(0.5)	0.0	0.5	0.5	0.0
London NNDR Pool Strategic Investment Pot	0.0	25.4	25.4	0.7	26.1
Pension Past Service Cost	0.0	0.0	0.0	5.4	5.4
Major Project Cost	0.0	0.0	0.0	9.0	9.0
Net Cost of Services	**149.2**	**15.5**	**164.7**	**119.5**	**284.2**
Other Income and Expenditure	(149.2)	(92.8)	(242.0)	58.9	(183.1)
(Surplus) or Deficit on the Provision of Services			**(77.3)**	**178.4**	**101.1**
Opening City Fund and HRA Balances			**(177.0)**		
Add (Surplus) or Deficit on City Fund and HRA Balance in Year			(77.3)		
Closing City Fund and HRA Balances at 31 March*			**(254.3)**		

* For a split of this balance between the City Fund and the HRA – see the Movement in Reserves Statement; page 28

Further information on the City Corporation's Committees can be found on the website at : http://democracy.cityoflondon.gov.uk/mgListCommittees.aspx?bcr=1

4. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the City Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

2020-21						2021-22				
Adjustments for Capital Purposes	Net Changes for Pension Adjustments	Collection Fund Adjustment Account	Other Adjustments	Total Adjustments	Committees	Adjustments for Capital Purposes	Net Changes for Pension Adjustments	Collection Fund Adjustment Account	Other Adjustments	Total Adjustments
£'m	£'m	£'m	£'m	£'m		£'m	£'m	£'m	£'m	£'m
6.2	(5.3)	0.0	0.8	1.7	Police	5.6	4.4	0.0	(7.9)	2.1
0.0	4.0	0.0	0.3	4.3	Barbican Centre	0.0	3.5	0.0	0.0	3.5
0.0	1.5	0.0	0.1	1.6	Community and Children's Services	0.0	1.5	0.0	0.7	2.2
14.5	1.1	0.0	0.0	15.6	HRA	0.7	1.1	0.0	1.5	3.3
0.1	2.6	0.0	(0.2)	2.5	Planning and Transport	0.4	2.6	0.0	(6.5)	(3.5)
0.0	2.6	0.0	(2.1)	0.5	Port Health and Environmental Services	0.0	2.9	0.0	(4.0)	(1.1)
9.0	1.8	0.0	(8.7)	2.1	Culture, Heritage and Libraries	0.0	1.7	0.0	0.1	1.8
21.7	2.8	0.0	11.0	35.5	Finance	51.3	1.3	0.0	(2.2)	50.4
0.0	0.9	0.0	(3.9)	(3.0)	Barbican Residential	0.0	1.0	0.0	(3.9)	(2.9)
0.3	1.6	0.0	0.0	1.9	Policy and Resources	1.8	1.7	0.0	2.4	5.9
0.2	0.3	0.0	0.0	0.5	Open Spaces and City Gardens	0.2	0.4	0.0	0.0	0.6
0.1	0.1	0.0	40.5	40.6	Property Investment	0.0	0.1	0.0	38.5	38.6
0.0	0.1	0.0	0.0	0.1	Licensing	0.0	0.1	0.0	0.0	0.1
0.0	0.3	0.0	0.2	0.5	Markets	0.0	0.3	0.0	(0.6)	(0.3)
0.0	0.0	0.0	0.7	0.7	London NNDR Pool Strategic Investment Pot	0.0	0.0	0.0	0.2	0.2
0.0	5.4	0.0	0.0	5.4	Pension Past Service Cost	0.0	4.8	0.0	0.0	4.8
0.0	0.0	0.0	9.0	9.0	Major Project Cost	0.0	0.0	0.0	16.6	16.6
52.0	**19.8**	**0.0**	**47.7**	**119.5**	**Net Cost of Services**	**60.0**	**27.4**	**0.0**	**34.9**	**122.3**
0.5	29.8	82.1	(53.5)	58.9	Other Income and Expenditure	(140.8)	32.6	(12.2)	(29.0)	(149.4)
52.5	**49.6**	**82.1**	**(5.8)**	**178.4**	**Difference between the City Fund and HRA surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services**	**(80.8)**	**60.0**	**(12.2)**	**5.9**	**27.1**

Adjustments for Capital Purposes

This column adjusts for capital items which need to be included in the CI&ES such as:

- the net gain on the disposal of fixed assets
- revaluation gains or losses on investment properties
- income from capital grants.

Net Changes for Pensions Adjustments

This column removes the employer pension contributions charges to services during the year and replaces them with pension related expenditure and income calculated in accordance with International Accounting Standard (IAS) 19 *Employee Benefits*.

Collection Fund Adjustment Account

This is a timing difference between what is chargeable under statutory regulations for business rates and council tax, which is largely based on estimates at the start of the year, and the income recognised under generally accepted accounting practices.

Other Adjustments

This column includes:

- the re-mapping of items reported to service committees to financing and investment income and expenditure in the CI&ES. Such items include income and expenditure relating to investment properties reported to the Property Investment Board, trading activities reported to the Markets Committee and interest on cash balances reported to Finance Committee
- the elimination of recharges between committees which would otherwise result in gross expenditure and income being overstated in the CI&ES.

The above adjustments are reallocation of figure and therefore have no overall impact on the total amount.

The net difference remaining relates to annual leave entitlement and financial instrument adjustments.

5. Expenditure and Income Analysed by Nature

City Fund income and expenditure included in the net cost of services is analysed below.

Restated* 2020-21		2021-22
£'m		£'m
	Expenditure	
218.3	Employee expenses	231.8
195.9	Other service expenses	208.1
38.3	Support service recharges	36.4
47.0	Depreciation, amortisation and impairments*	66.8
29.5	Interest payments	32.0
0.5	Precepts and levies	0.5
305.4	Business rates tariff and levy payments to Government	304.7
0.6	Payments to Government's housing capital receipts pool	0.4
(1.6)	Gain on the disposal of assets	4.4
833.9	**Total expenditure**	**885.1**
	Income	
(153.8)	Fees, charges and other service income	(185.9)
(7.6)	Interest and investment income	(5.6)
(474.8)	Business rates and council tax income	(365.5)
(121.1)	Government grants and other grants, contributions and reimbursements	(282.0)
24.4	Unrealised (gains)/loss on revaluation of investment properties	(119.0)
(732.9)	**Total Income**	**(958.0)**
101.0	**(Surplus) or Deficit on the Provision of Services**	**(72.9)**

*In 2020-21, REFCUS expenditure (£11.2m) was erroneously included within Depreciation, amortisation and impairments. The prior year figures in the table above have been restated to correct this, REFCUS expenditure has been moved to the Other service expense line.

6. Grant Income

2020-21	Credited to Services	2021-22
£m	Revenue Grants (Government)	£m
	Home Office	
(16.8)	Police Pensions	(18.9)
(7.2)	Counter Terrorism	(7.1)
(0.9)	Covid-19 Surge Funding grant	0.0
(4.8)	National Cyber Security Programme	(8.4)
(4.4)	National Fraud Intelligence Bureau	(4.3)
(2.3)	National Lead Force for Fraud	(2.3)
(3.0)	Other	(4.4)
(6.6)	Action Fraud Managed Services	(6.8)
(2.5)	Economic Crime Capability	(2.5)
	Department for Work and Pensions	
(3.8)	Housing and Council Tax Benefit	(3.9)
(2.6)	Other	(8.5)
(6.2)	HM Courts and Tribunals Service	(6.5)
	Department for Education	
(3.2)	Dedicated Schools Grant	(3.4)
(0.7)	Other	(1.8)
	Ministry of Housing, Communities and Local Government	
(0.4)	Covid-19 Strategic Co-ordination Group grant	0.0
(1.0)	Covid-19 Contingency Fund Grant	0.0
(0.9)	Covid-19 Mortuary costs grant	0.0
(0.2)	Covid-19 Resilience Forum grant	0.0
(1.0)	Covid-19 Transition Management Board	0.0
(5.1)	Other	(5.2)

2020-21	Credited to Services	2021-22
£m	Revenue Grants (Government) Continued	£m
	Department for Health	
(1.6)	Public Health	(1.7)
(0.7)	Other	0.0
(3.7)	Transport for London	(2.6)
(0.7)	Greater London Authority	(0.9)
	Department for Business, Energy and Industrial Strategy	
(2.7)	Discretionary grants to Businesses	(5.7)
(0.3)	Other	(0.3)
(0.7)	Department for Environment, Food & Rural Affairs	(1.7)
(2.0)	Her Majesty's Revenue and Customs	(0.4)
(0.4)	Arts Council England	(0.4)
(2.6)	Other revenue grants (Government)	(2.8)
	Non-Government revenue grants and contributions	
(2.1)	S106/S278 and other developer contributions	(1.8)
(2.6)	UK Payments Administration Ltd	(3.6)
(3.8)	Association of British Insurers	0.0
(8.9)	Other	(16.8)
	Capital Grants and contributions (funding revenue expenditure under statute)	
(1.1)	Other	(4.6)
(107.5)	**Total**	**(127.3)**

7. Income and Expenditure below Cost of Services

2020-21		2021-22
Net Expenditure/ (Income)		**Net Expenditure/ (Income)**
£m		**£m**
(1.6)	Net Gain on Disposal of Fixed Assets	4.4
0.4	Inner and Middle Temple Precepts	0.4
0.1	Local levies	0.1
0.6	Payment to Government Housing Capital Receipts Pool	0.4
0.4	Pension Fund Administration Expenses	0.5
(0.1)	**Total Other Operating Income and Expenditure**	**5.8**
	Investment Properties	
(40.1)	Operational	(36.8)
24.4	(Gain)/loss on revaluation	(119.0)
(7.6)	Interest receivable and similar income	(5.7)
29.5	Pension Interest Cost	32.1
(0.2)	Contribution from Trading Services	0.0
0.6	Movement on bad debt provisions	(0.7)
(6.9)	Financial instrument (gain)/loss	7.5
(0.3)	**Total Financing and Investment Income and Expenditure**	**(122.6)**

There are no restrictions on the City Fund's ability to realise the value inherent in its Investment Property or on the City Fund's right to the remittance of income and the proceeds of disposal.

Operational Investment Properties is comprised of income of £55.2m and operating expenses of £18.4m

Contribution from Trading Services comprises a turnover of £8.2m and expenditure of £8.2m.

2020-21		2021-22
Income		**Income**
£m		**£m**
1.7	Retained National Business Rates	(23.0)
(15.9)	City Fund Non-Domestic Rates Premium	(17.5)
(12.1)	City Fund Offset	(12.1)
(7.9)	Council Tax Income	(8.4)
	Non Ringfenced Government Revenue Grants	
(6.3)	Revenue Support Grant	(6.3)
(65.9)	Police Core Grant	(70.2)
(11.9)	Sales, Fees and Charges Compensation	(3.2)
(42.3)	Non-Domestic Rating Income S.31 Grant	(28.1)
(8.7)	Other	(1.0)
(0.2)	London NNDR Pool Strategic Investment Pot	0.0
	Capital Grants & Contributions	
(0.2)	Home Office	(4.0)
(0.1)	Greater London Authority	(1.1)
(1.5)	Transport for London	(1.9)
(1.4)	Ministry of Justice	(1.4)
(10.0)	Section 106/278 Contributions	(22.4)
(2.6)	Community Infrastructure Levy	(10.6)
2.5	Other Capital Grants and Contributions	(4.2)
(182.8)	**Total Taxation and Non-Specific Grant Income**	**(215.4)**
(183.2)	**Total Income and Expenditure below Cost of Services**	**(332.2)**

8. Dedicated Schools Grants

In 2021-22, the City Fund received a specific grant from the Department for Education, the Dedicated Schools Grant (DSG), of £3.6m (2020-21: £3.3m). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2019. The Schools Budget includes elements for a range of education services provided on an authority-wide basis and for the Individual School Budget for maintained schools.

Details of the deployment of DSG receivable for 2021-22 are as follows:

2020-21	**Schools Budget Funded by DSG**		
	Central Expenditure	**Individual School Budget**	**Total**
	£m	**£m**	**£m**
Final DSG for 2020-21 before Academy recoupment	1.3	2.0	3.3
Academy Figure recouped for 2020-21	0.0	0.0	0.0
Total DSG after Academy recoupment for 2020-21	**1.3**	**2.0**	**3.3**
Plus: Brought forward from 2019-20	0.9	0.0	0.9
Less: Carry forward to 2021/22 agreed in advance	0.0	0.0	0.0
Agreed initial budgeted distribution in 2020-21	**2.2**	**2.0**	**4.2**
In year adjustments	0.0	0.0	0.0
Final budgeted distribution for 2020-21	**2.2**	**2.0**	**4.2**
Less: Actual central expenditure	(1.2)	0.0	(1.2)
Less: Actual ISB deployed to schools	0.0	(2.0)	(2.0)
Plus: Local authority contribution for 2019-20	0.0	0.0	0.0
Carry forward to 2021-22	**1.0**	**0.0**	**1.0**

2021-22	**Schools Budget Funded by DSG**		
	Central Expenditure	**Individual School Budget**	**Total**
	£m	**£m**	**£m**
Final DSG for 2021-22 before Academy recoupment	1.5	2.1	3.6
Academy Figure recouped for 2021-22	0.0	0.0	0.0
Total DSG after Academy recoupment for 2021-22	**1.5**	**2.1**	**3.6**
Plus: Brought forward from 2020-21	1.0	0.0	1.0
Less: Carry forward to 2021/22 agreed in advance	0.0	0.0	0.0
Agreed initial budgeted distribution in 2021-22	**2.5**	**2.1**	**4.6**
In year adjustments	0.0	0.0	0.0
Final budgeted distribution for 2021-22	**2.5**	**2.1**	**4.6**
Less: Actual central expenditure	(1.2)	0.0	(1.2)
Less: Actual ISB deployed to schools	0.0	(2.1)	(2.1)
Plus: Local authority contribution for 2020-21			
Carry forward to 2022-23	**1.3**	**0.0**	**1.3**

9. Remuneration and Exit Packages of Employees

Tables 1 to 3 set out the information required in accordance with the Accounts and Audit Regulations 2015 for 2021-22 and 2020-21 respectively.

The number of officers whose remuneration, excluding employer's pension contributions, were £50,000 or more grouped in rising bands of £5,000 is set out in Table 1 (only bands which include officers are shown in the table). Officers have been classified between those employees charged wholly to the City Fund, including Police officers, and those employees charged partly to the City Fund and partly to other funds of the City Corporation.

The information in Table 1 relates to those officers' full salary and not just the part charged to the City Fund. This excludes senior officer salaries which are included in table 2.

Table 3 relates to the Exit packages of employees.

Table 1 - Remuneration in Bands

Proportion charged to City Fund				Proportion charged to City Fund		
Wholly charged		Partially Charged to		Wholly charged		Partially Charged to
2020-21			Salary Range	2021-22		
Police Officers	Other		£	Police Officers	Other	
183	72	119	50 - 54,999	203	52	95
105	59	88	55 - 59,999	126	38	94
51	25	54	60 - 64,999	71	16	41
57	23	68	65 - 69,999	58	13	72
22	13	23	70 - 74,999	29	6	28
8	12	32	75 - 79,999	5	8	19
6	6	9	80 - 84,999	3	4	13
4	5	15	85 - 89,999	5	3	10
7	2	5	90 - 94,999	9	0	7
1	3	3	95 - 99,999	5	2	8
0	2	6	100 - 104,999	1	3	3
1	1	1	105 - 109,999	0	0	4
0	0	0	110 - 114,999	1	0	4
2	0	7	115 - 119,999	1	0	1
0	1	2	120 - 124,999	1	1	2
0	1	4	125 - 129,999	1	0	3
0	0	3	130 - 134,999	0	2	1
0	0	0	135 - 139,999	0	0	0
0	0	0	140 - 144,999	0	0	1
0	1	1	145 - 149,999	0	0	0
447	**226**	**440**	**Total**	**519**	**148**	**406**

Table 2 – Senior Officer Remuneration

2021-22	Proportion charged to Local or Police Authority Activities	Total Salary	Salary (including fees & allowances)	Bonus	Compensation for Loss of Office	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including Pension Contributions
	%	£000	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year									
Town Clerk & Chief Executive – J. Barradell	55%	266.0	146.0	0.0	0.0	0.0	146.0	31.0	177.0
Managing Director I&G – Brussels Office – N. Collier	100%	230.0	230.0	0.0	0.0	0.0	230.0	48.0	278.0
Chamberlain – C. Al-Beyerty (started May 2021)	60%	173.0	104.0	0.0	0.0	0.0	104.0	22.0	126.0
Police Commissioner – I. Dyson (left December 2021)	100%	155.0	155.0	61.0	0.0	5.0	221.0	0.0	221.0
Comptroller & City Solicitor – M.Cogher	65%	180.0	117.0	0.0	0.0	0.0	117.0	25.0	142.0
City Surveyor – P Wilkinson	40%	159.0	64.0	8.0	0.0	0.0	72.0	15.0	87.0
Salary is between £50,000 and £150,000									
Managing Director Barbican Centre (left September 2021)	100%	103.0	103.0	0.0	0.0	0.0	103.0	22.0	125.0
Managing Director Barbican Centre (acting up from September 2021)	100%	102.0	102.0	0.0	0.0	0.0	102.0	21.0	123.0
Managing Director Barbican Centre (acting up from September 2021)	100%	99.0	99.0	0.0	0.0	0.0	99.0	21.0	120.0
Police Commissioner (started January 2022)	100%	47.0	47.0	3.0	0.0	5.0	55.0	14.0	69.0
Executive Director of Environment (started August 2021)	100%	112.0	112.0	0.0	0.0	0.0	112.0	18.0	130.0
Director of Innovation & Growth	67%	146.0	98.0	0.0	0.0	0.0	98.0	20.0	118.0
Chief Operating Officer (started July 2021)	65%	133.0	87.0	0.0	0.0	0.0	87.0	18.0	105.0
Director of Community & Children's Services	100%	146.0	146.0	0.0	0.0	0.0	146.0	31.0	177.0
Chamberlain (left April 2021)	60%	37.0	22.0	0.0	36.0	0.0	58.0	1.0	59.0
Director of Markets & Consumer Protection (left December 2021)	55%	72.0	40.0	4.0	0.0	0.0	44.0	8.0	52.0
Director of Markets & Consumer Protection (started August 2021)	55%	74.0	41.0	0.0	0.0	0.0	41.0	8.0	49.0

2020-21	Proportion charged to Local or Police Authority Activities	Total Salary	Salary (including fees & allowances)	Bonus	Compensation for Loss of Office	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including Pension Contributions
	%	£000	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year									
Town Clerk & Chief Executive – J. Barradell	55%	264.0	145.0	4.0	0.0	0.0	149.0	31.0	180.0
Chamberlain – P. Kane	60%	198.0	119.0	3.0	0.0	0.0	122.0	26.0	148.0
Police Commissioner – I.Dyson	100%	191.0	191.0	1.0	0.0	7.0	199.0	0.0	199.0
Managing Director Barbican Centre – N.Kenyon	100%	204.0	204.0	6.0	0.0	0.0	210.0	44.0	254.0
Comptroller & City Solicitor – M.Cogher	65%	174.0	113.0	0.0	0.0	0.0	113.0	24.0	137.0
City Surveyor – P Wilkinson	40%	158.0	63.0	10.0	0.0	0.0	73.0	15.0	88.0
Executive Director of Mansion House & Old Bailey – V Annells	30%	152.0	45.0	2.0	46.0	0.0	93.0	10.0	103.0
Salary is between £50,000 and £150,000									
Director of Built Environment	100%	157.0	131.0	4.0	137.0	0.0	272.0	29.0	301.0
Director of Community & Children’s Services	100%	135.0	135.0	0.0	0.0	0.0	135.0	28.0	163.0
Director of Markets & Consumer Protection	55%	114.0	63.0	0.0	0.0	0.0	63.0	13.0	76.0
Director of Open Spaces	30%	116.0	35.0	0.0	0.0	0.0	35.0	7.0	42.0

Table 3 – Exit Packages charged to City Fund

2020-21					2021-22			
Number of Compulsory Redundancies (FTE No.)	Number of Other Departures Agreed (FTE No.)	Total Number of Exit Packages by Cost Band (FTE No.)	Total Cost of exit Packages in Each Band (£'000)		Number of Compulsory Redundancies (FTE No.)	Number of Other Departures Agreed (FTE No.)	Total Number of Exit Packages by Cost Band (FTE No.)	Total Cost of exit Packages in Each Band (£'000)
5.0	8.0	13.0	67.4	£0 - £20,000	18.0	1.0	19.0	57.4
1.0	1.0	2.0	49.9	£20,001 - £40,000	2.0	2.0	4.0	123.6
0.0	0.0	0.0	0.0	£40,001 - £60,000	0.0	0.0	0.0	0.0
0.0	1.0	1.0	65.0	£60,001 - £80,000	0.0	0.0	0.0	0.0
0.0	1.0	1.0	94.0	£80,001 - £100,000	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	£100,001 - £150,000	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	£150,001 - £200,000	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	£200,001 - £250,000	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	£250,001 - £300,000	0.0	0.0	0.0	0.0
6.0	**11.0**	**17.0**	**276.3**	**Total**	**20.0**	**3.0**	**23.0**	**181.0**

10. Audit Fees

Estimated costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the City Fund's external auditor, are set out in the adjacent table. The 2021-22 audit will be carried out by our newly appointed auditor, Grant Thornton. Audit Fees of £41,000 (2020-21: £22,000) in respect of the City of London Pension Fund are met by the Pension Fund and are not included in the table.

2020-21		2021-22
£'000		£'000
111.0	External audit services carried out by the appointed auditor under the National Audit Office Code of Audit Practice in accordance with the Local Audit and Accountability Act 2014	492.8
20.0	Certification of grant claims and returns by the appointed auditor	20.0
5.0	Non-audit fees – other grant and certification fees	5.0
136.0		**517.8**

Notes to the Movement in Reserves Statement

11. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

City Fund Balance

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

Housing Revenue Account (HRA) Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Major Repairs Reserve

The City Fund is required to maintain this reserve, which controls an element of resources limited to being used on capital expenditure on HRA assets or the financing of historic capital expenditure by the HRA. The balance shows the resources that have yet to be applied at the year-end.

2021-22	Usable Reserves					Movement in Unusable Reserves
	City Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	
	£m	£m	£m	£m	£m	£m
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements						
Pensions costs (transfers to or from the Pensions Reserve)	(59.0)	(1.1)				60.1
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	12.2					(12.2)
Holiday pay (transfers to or from the Accumulated Absences Reserve)	1.5					(1.5)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (transfers to or from the Capital Adjustment Account)	49.2	(5.5)				(43.7)
Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account	13.1			(13.1)		0.0
Transfer of deferred non-current assets sale proceeds from revenue to the Deferred Capital Receipts Reserve	(2.7)					2.7
Transfer to the Pooled Investment Reserve	(7.6)					7.6
Total Adjustments to Revenue Resources	**6.7**	**(6.6)**	**0.0**	**(13.1)**	**0.0**	**13.0**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	20.1	0.9	(21.0)			0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.4)		0.4			0.0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6.8					(6.8)
Posting of HRA resources from revenue to the Major Repairs Reserve		3.0			(3.0)	0.0
Contribution from Community Infrastructure Levy to fund revenue expenditure	(3.4)			3.4		0.0
Total Adjustments between Revenue and Capital Resources	**23.1**	**3.9**	**(20.6)**	**3.4**	**(3.0)**	**(6.8)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			46.8			(46.8)
Use of the Major Repairs Reserve to finance capital expenditure					3.6	(3.6)
Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account)				3.0		(3.0)
Cash payments in relation to deferred capital receipts			(0.3)			0.3
Total Adjustments to Capital Resources	**0.0**	**0.0**	**46.5**	**3.0**	**3.6**	**(53.1)**
Total Adjustments	**29.8**	**(2.7)**	**25.9**	**(6.7)**	**0.6**	**(46.9)**

2020-21	Usable Reserves					Movement in Unusable Reserves
	City Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	
	£m	£m	£m	£m	£m	£m
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements						
Pensions costs (transfers to or from the Pensions Reserve)	(48.5)	(1.1)				49.6
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	(82.1)					82.1
Holiday pay (transfers to or from the Accumulated Absences Reserve)	(1.1)					1.1
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (transfers to or from the Capital Adjustment Account)	(57.4)	(18.1)				75.5
Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account	3.9			(3.9)		0.0
Transfer to the Pooled Investment Reserve	6.9					(6.9)
Total Adjustments to Revenue Resources	**(178.3**	**(19.2)**	**0.0**	**(3.9)**	**0.0**	**201.4**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	5.1	1.5	(6.6)			0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.6)		0.6			0.0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	11.3					(11.3)
Posting of HRA resources from revenue to the Major Repairs Reserve		3.1			(3.1)	0.0
Contribution from Community Infrastructure Levy to fund revenue expenditure	(1.3)			1.3		0.0
Total Adjustments between Revenue and Capital Resources	**14.5**	**4.6**	**(6.0)**	**1.3**	**(3.1)**	**(11.3)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			23.8			(23.8)
Use of the Major Repairs Reserve to finance capital expenditure					4.5	(4.5)
Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account)				2.1		(2.1)
Cash payments in relation to deferred capital receipts			(0.5)			0.5
Total Adjustments to Capital Resources	**0.0**	**0.0**	**23.3**	**2.1**	**4.5**	**(29.9)**
Total Adjustments	**(163.8)**	**(14.6)**	**17.3**	**(0.5)**	**1.4**	**160.2**

12. Transfers (to)/from Earmarked Revenue Reserves

This note sets out the amounts set aside within the City Fund Balance in earmarked revenue reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet City Fund expenditure in 2021-22.

	Notes	Balance at 31 March 2020	Transfers Out 2020-21	Transfers In 2020-21	Balance at 31 March 2021	Transfers Out 2021-22	Transfers In 2021-22	Balance at 31 March 2022
		£m	£m	£m	£m	£m	£m	£m
Highway Improvements	i	(42.7)	5.7	(10.1)	(47.1)	6.2	(10.7)	(51.6)
Major Projects Reserve	ii	(16.9)	9.4	(61.5)	(69.0)	51.6	(36.2)	(53.6)
Business Rate Equalisation	iii	0.0	0.0	(47.9)	(47.9)	37.7	(24.6)	(34.8)
City Fund Risk Reserve	iv	0.0	0.0	0.0	0.0	0.0	(30.0)	(30.0)
Build Back Better Reserve	v	0.0	0.0	0.0	0.0	1.1	(18.1)	(17.0)
London NNDR Pool SIP	vi	(34.1)	25.4	0.0	(8.7)	0.0	(0.5)	(9.2)
Crime Reduction Initiatives	vii	(1.4)	0.0	(0.8)	(2.2)	0.0	(6.8)	(9.0)
Police Future Expenditure	viii	(2.9)	2.9	(4.3)	(4.3)	2.6	(3.5)	(5.2)
Other Earmarked Reserves	ix	(16.7)	2.4	(4.5)	(18.8)	2.0	(4.8)	(21.6)
Total		**(114.7)**	**45.8**	**(129.1)**	**(198.0)**	**101.2**	**(135.2)**	**(232.0)**

(i) Highway Improvements – Created from on-street car parking surpluses to finance future highways related expenditure and projects as provided by section 55 of the Road Traffic Regulation Act 1984, as amended by the Road Traffic Act 1991.

(ii) Major Projects Reserve – This reserve has been established to fund the 2 major projects funded from City Fund resources, the Combined Criminal Court and the Museum of London Relocation.

(iii) Business Rate Equalisation Reserve – This reserve will be used to fund collection fund deficits that will be accounted for in future years. The reserve holds funding received from Government to offset the impact of granting business rate relief to retail, leisure and hospitality businesses during 2021-22 (£24.6m) and compensation received from Govt to assist local authorities with losses incurred in the collection of business rates and council tax.

(iv) City Fund Risk Reserve – This reserve is held to mitigate the additional financial risks brought about COVID-19 and the current economic climate including factors like inflation.

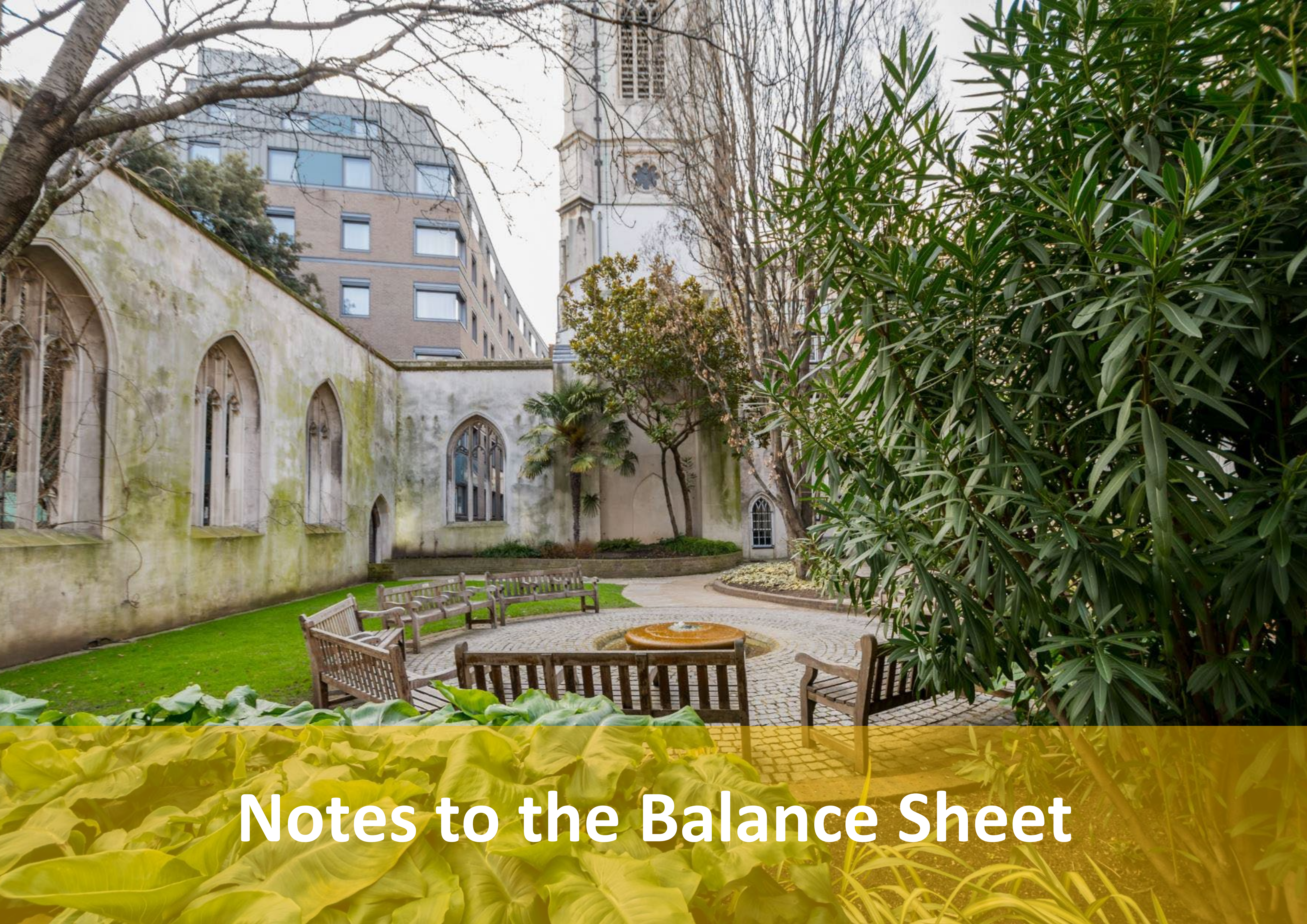
(v) Build Back Better Reserve – Funds set aside to finance the build back better programme which seeks to support the recovery in the City post COVID-19.

(vi) Unallocated London NNDR Pool Strategic Investment Pot (SIP) – This relates to yet to be allocated SIP funds generate through the London NNDR Pool. The City Corporation acts a lead authority for the pool and in that role has the final say on the allocation of SIP funds.

(vii) Police Future Expenditure Reserve – Revenue expenditure for the City Police service is cash limited. The net position each year is taken from/to this reserve to fund future service costs.

(viii) Under the guidelines of the Proceeds of Crime Scheme funds received by the City Police must be ring fenced for “crime reduction initiatives”.

(ix) Other Earmarked Reserves – The total for all other reserves set aside for specific purposes including service projects, VAT, the School’s reserve and renewals and repairs.



Notes to the Balance Sheet

13. Property, Plant and Equipment

Movements on Balances 2021-22	Council Dwellings	Other Land & Buildings	Leasehold Improvements	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation								
at 1 April 2021	**263.0**	**509.2**	**7.3**	**115.9**	**1.5**	**48.0**	**3.0**	**947.9**
Additions	1.9	3.3	0.6	5.4	0.0	52.0	0.0	**63.2**
Transfers	0.3	104.1	0.0	0.8	0.0	(4.5)	(1.8)	**98.9**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(5.7)	21.6	0.0	0.0	0.0	0.0	0.0	**15.9**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1.6)	(36.7)	0.0	0.0	0.0	0.0	0.0	**(38.3)**
Derecognition – disposals	(6.8)	0.0	0.0	(0.2)	0.0	0.0	(0.2)	**(7.2)**
at 31 March 2022	**251.1**	**601.5**	**7.9**	**121.9**	**1.5**	**95.5**	**1.0**	**1,080.4**
Accumulated Depreciation and Impairment								
at 1 April 2021	**(0.1)**	**(4.5)**	**(0.7)**	**(65.1)**	**0.0**	**0.0**	**(0.7)**	**(71.1)**
Depreciation Charge	(2.6)	(10.8)	(0.7)	(7.3)	0.0	0.0	0.0	(21.4)
Depreciation written out to the Revaluation Reserve	1.7	9.9	0.0	0.0	0.0	0.0	0.0	11.6
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.9	0.2	0.0	0.0	0.0	0.0	0.0	1.1
Derecognition – disposals	0	0.0	0.0	0.2	0.0	0.0	0.0	0.2
at 31 March 2022	**(0.1)**	**(5.2)**	**(1.4)**	**(72.2)**	**0.0**	**0.0**	**(0.7)**	**(79.6)**
Net Book Value								
at 31 March 2021	**262.9**	**504.7**	**6.6**	**50.8**	**1.5**	**48.0**	**2.3**	**876.8**
at 31 March 2022	**251.0**	**596.3**	**6.5**	**49.7**	**1.5**	**95.5**	**0.3**	**1,000.8**

Property, Plant and Equipment (Continued)

Movements on Balances 2020-21	Council Dwellings	Other Land & Buildings	Leasehold Improvements	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation								
at 1 April 2020	**303.7**	**505.6**	**7.0**	**108.4**	**1.5**	**21.6**	**3.8**	**951.6**
Additions	1.6	2.0	0.3	8.0	0.0	29.3	0.0	41.2
Transfers	1.1	2.3	0.0	(0.5)	0.0	(2.9)	(0.7)	(0.7)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(22.8)	0.7	0.0	0.0	0.0	0.0	(0.1)	(22.2)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(15.6)	(1.4)	0.0	0.0	0.0	0.0	0.0	(17.0)
Derecognition – disposals	(5.0)	0.0	0.0	0.0	0.0	0.0	0.0	(5.0)
at 31 March 2021	**263.0**	**509.2**	**7.3**	**115.9**	**1.5**	**48.0**	**3.0**	**947.9**
Accumulated Depreciation and Impairment								
at 1 April 2020	**(0.1)**	**(4.0)**	**0.0**	**(58.4)**	**0.0**	**0.0**	**(0.7)**	**(63.2)**
Depreciation Charge	(2.7)	(13.1)	(0.7)	(6.7)	0.0	0.0	(0.2)	(23.4)
Depreciation written out to the Revaluation Reserve	1.6	11.9	0.0	0.0	0.0	0.0	0.2	13.7
Depreciation written out to the Surplus/Deficit on the Provision of Services	1.1	0.7	0.0	0.0	0.0	0.0	0.0	1.8
Derecognition – disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
at 31 March 2021	**(0.1)**	**(4.5)**	**(0.7)**	**(65.1)**	**0.0**	**0.0**	**(0.7)**	**(71.1)**
Net Book Value								
at 31 March 2020	**303.6**	**501.6**	**7.0**	**50.0**	**1.5**	**21.6**	**3.1**	**888.4**
at 31 March 2021	**262.9**	**504.7**	**6.6**	**50.8**	**1.5**	**48.0**	**2.3**	**876.8**

Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code of Practice on infrastructure assets, this note does not include disclosure of gross costs and accumulated depreciation. This is due to historical reporting practices and resultant information deficits meaning that this would not faithfully represent the asset position to the users of the financial statements and would not provide the basis for these users to take economic or other decisions relating to infrastructure assets.

We have also utilised the provisions granted under The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 which allows for the derecognition of replaced elements of infrastructure assets to be assumed to be at nil value and confirms that prior year adjustments are not required in relation to this matter. This means that the figures presented below represent the spend and depreciation calculated for this asset class, but due the information deficits, may not accurately reflect the true value of these assets.

2020-21	Infrastructure Assets Movement on Balances	2021-22
£m		£m
51.6	**Opening Net Book Value at 1 April**	**48.8**
5.3	Additions	6.9
(8.1)	Depreciation	(8.0)
48.8	**Closing Net Book Value at 31 March**	**47.7**

Reconciliation of Property, Plant and Equipment

The below table reconciles the individual disclosure notes to the total property, plant and equipment balance on the face of the balance sheet

2020-21	Reconciliation of Property, Plant and Equipment	2021-22
£m		£m
876.8	Other PPE Assets	1,000.8
48.8	Infrastructure Assets	47.7
925.6	**Total PPE Assets Net Book Value**	**1,048.5**

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Depreciation

The useful lives and depreciation rates generally used in the calculation of depreciation are listed below.

• General operational buildings	50 years
• Council Dwellings	125 years
• Certain listed[2] operational buildings	75 – 125 years
• Leasehold Improvements	10 – 30 years
• Infrastructure	10 – 25 years
• Heavy vehicles and plant	7 years
• Equipment	5 -12 years
• Cars and light vans	5 years
• Assets under construction	None
• Community Assets	None

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

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

[2] A building which is included on the statutory list of 'buildings of special architectural or historic interest'.

HRA Dwelling Valuations

Dwellings are valued at their 'existing use with vacant possession' and then reduced to reflect 'existing use for social housing'. The reduction is a measure of the economic cost of providing council housing at less than open market rents. Current MHCLG guidance (guidance for valuers – 2016) identifies a vacant possession adjustment factor for London of 25%. This factor has been adopted in establishing the Existing Use Value- Social Housing. The estimated vacant possession value of HRA dwellings is £712.4m which has been reduced by 75% to £179.7m to reflect social housing.

The City Fund also maintains the Barbican Estate which, whilst classed as Council Dwellings, sits outside of the HRA and is not subject to the adjustment factor.

Commitments

At 31 March 2022, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years budgeted to cost £40.6m. The major commitments are:

- £4.2m relating to Salisbury Square demolition and development scheme
- £3.3m relating to phase 4 works at Central Criminal Court (Old Bailey)
- £3.3m relating to the replacement of mechanical and electrical services and Walbrook Wharf Depot
- £1.6m outstanding in respect of the installation of sprinklers on the Avondale Square Housing estate
- £1.3m in respect of the Poultry Market roof
- £1.2m in respect of heating and hot water replacement schemes at York Way estate

Revaluations

The following have been revalued at 31 March 2021 in accordance with the Rolling Five Year Programme of Revaluation or to reflect material changes in value:

- Barbican Centre, including the Barbican lending library
- Barbican Estate residential properties, baggage stores, and car bays
- Bishopsgate Police Station
- Central Criminal Court
- City of London Cemetery and Crematorium properties
- Cleansing Depot and Offices at Walbrook Wharf
- Housing Commercial Properties (shop units, garages and parking spaces)
- Housing Dwellings (including guest flats)
- Public Car Parks
- Public Conveniences
- Spitalfields Market
- Woodredon and Warlies Park Estate
- Surplus Properties
- Investment Properties
- Assets Held for Sale – HRA non-dwelling properties at Holloway

The City Fund is not aware of any material change in value of any other assets and therefore the valuations have not been updated. The current asset values used in the accounts for the Barbican Centre, Central Criminal Court, Public Car Parks, Public Conveniences, Walbrook Wharf (depot and offices), Golden Lane Recreation Centre, Woodredon and Warlies Park, Cemetery and Crematorium, Police Station, Animal Reception Centre and the investment properties are based on assessments by external valuers. The firms of chartered surveyors who have prepared valuations for the City Fund are Cushman and Wakefield LLP, Gerald Eve LLP and Savills (UK) Ltd.

All other asset values have been prepared by registered RICS valuers employed in the City Corporation's City Surveyor's Department.

14. Heritage Assets

The carrying value of heritage assets currently held in the Balance Sheet at historic cost is £9.0m (2020-21 £9.0m) which relates almost exclusively to one asset – the capital's only Roman Amphitheatre. The amphitheatre was discovered in Guildhall Yard during an archaeological dig taking place in preparation for a building project. In 2002, the doors to the amphitheatre opened for the first time in nearly 2,000 years.

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

Further information on the Roman Amphitheatre and the London Metropolitan Archives, including opening times and details of the collections held by the LMA, can be found on the City Corporation website(https://www.cityoflondon.gov.uk/things-to-do/history-and-heritage/london-metropolitan-archives)

15. Capital Expenditure and Finance

The total amount of capital expenditure incurred in the year is shown, in the table adjacent, together with the resources that have been used to finance it. Where assets are acquired under finance leases (see note 30, page 80-83) the transactions are considered to be the same as if the City Fund had purchased the assets and financed this by taking out a loan. Liabilities are therefore recognised for the same amount as the assets acquired under finance leases.

A nil or negative Capital Financing Requirement (CFR) indicates that the City Fund's provision for debt is equal to or greater than the debt incurred. Where capital expenditure is to be financed in future years by charges to revenue the expenditure results in a positive CFR, a measure of the capital expenditure incurred historically that has yet to be financed. The net increase in the capital financing requirement of £33.3m reflects the recognition of £34.4m of additional borrowing requirement to fund capital schemes, partially offset by a £1.1m minimum revenue provision made in the year.

2020-21		2021-22
£m		**£m**
45.3	**Opening Capital Financing Requirement**	**53.4**
	Capital Investment	
46.5	Property, Plant and Equipment	70.1
3.9	Investment Properties	40.1
0.2	Intangible Assets	0.2
11.2	Revenue Expenditure Funded for Capital Under Statute	20.9
	Sources of Finance	
(1.1)	Minimum Revenue Provision	(1.1)
(20.4)	Capital Receipts	(46.9)
(16.4)	Capital grants, contributions and donations	(39.6)
(4.5)	Major Repairs Reserve	(3.6)
(11.3)	Direct revenue contributions	(6.8)
53.4	**Closing Capital Financing Requirement**	**86.7**

2020-21		2021-22
£m		£m
	Explanation of movement in year	
(1.1)	Minimum Revenue Provision	(1.1)
0.0	Assets acquired under finance leases	0.0
9.2	Increase in underlying need to borrow	34.4
8.1	**Increase/(decrease) in Capital Financing Requirement**	**33.3**

16. Long Term Debtors

31 March 2021		31 March 2022
£m		**£m**
12.1	Net Investment in Finance Leases	9.1
1.3	Loans to Museum of London (repayable by 2032)	1.2
2.2	Rent	1.8
0.1	Museum in Docklands Loan	0.1
0.1	Service Charge Loans	0.1
15.8	**Total**	**12.3**

17. Investment Properties

2020-21		2021-22
£m		**£m**
1,621.5	Balance at start of the year	1,601.0
0.0	Transfers	(100.8)
	Additions:	
3.9	Purchases	40.1
0.0	Construction	0.0
0.5	Subsequent expenditure	0.0
0.0	Disposals	(17.2)
	Revaluations:	
(24.4)	Net gains from fair value adjustments	119.0
1,601.0	**Balance at end of the year**	**1,642.1**

The fair values of investment properties have been based on a combination of:

- The market approach having regard to current market conditions, recent sales prices and lettings and other relevant information for similar properties in the area.
- The income approach, by means of the discounted cash flow method, where the expected cash flows are discounted at a market rate to establish the present value of the net income stream.

This is in the context of the active property market that exists in the City of London.

The £100.8m transfer of investment property relates to the use of previously income generating property as part of the Combine Courts major project, which will provide a new headquarters for the City of London Police. As these properties are no longer held for income generation or capital appreciation, they do not meet the definition of an investment property and have been transferred to the other land and buildings heading.

The City Find Estate valuation includes £223.8m of lease adjustments and £2.9m rent smoothing adjustment.

As part of the annual valuation of our investment properties, our external valuers have determined that the portfolio has been valued on a level 3 basis. This means there are some significant unobservable inputs which determine the value of these properties, namely the market rent and yield when using the valuation method highlighted above. The below table set out the sensitivity of the property valuations provided by Savills to these inputs based on a +/- 0.25% change in yield (with yields in the range of 2.26% to 7.01%) and +/-5% change in market rents as appropriate; and the sensitivity of the property valuations provided by Cushman & Wakefield to these inputs based on a +/- 0.25% change in yield (with yields in the range 2.75% to 6.06%) and +/- 5% change in market rents as appropriate. The Lease premiums adjustments of £223.8m have been add below but have 0% sensitivity due to receiving the funds upfront

Unobservable Inputs	Sensitivity Range	Yield Sensitivity Range	Value at 31 March 2022	Tolerance Range
	%	%	£m	£m
Investment property valued by Savills			**1,109.4**	
Yield Sensitivity	+/-0.25	2.26% - 7.01%	1,109.4	1,007.0 – 1,188.1
Market Rents	+/-5.0		1,109.4	1,069.8 – 1,112.5
Investment property valued by Cushman and Wakefield (Strategic estate)			**130.7**	
Yield Sensitivity	+/-0.25	2.75% - 5.52%	130.7	128.7 – 138.1
Market Rents	+/-5.0		130.7	124.9 – 136.2
Investment property valued by Cushman and Wakefield (non-Strategic estate)			**223.1**	
Yield Sensitivity	+/-0.25	4.52% - 6.06%	181.0	160.5-185.3
Market Rents	+/-5.0		181.0	164.0-180.4
Investment Property valued by Gerald Eve			**7.6**	
Yield Sensitivity			7.6	7.6-7.6
Market Rents			7.6	7.6-7.6
Investment Property - Lease Premiums			**223.8**	
Yield Sensitivity			223.8	223.8-223.8
Market Rents			223.8	223.8-223.8
Total Valuation			**1,652.5**	

Investment Property valued using L3 inputs as at 1 April 2021 was £1,412.8m and Investment Property valued using L3 inputs as at 31 March 2022 was £1,421.1m, and Investment Property valued using L1 inputs (lease premium adjustments) as at 1 April 2022 was £191.1m and the Investment Property valued using L1 inputs as at 31 March 2022 was £223.8m

18. Financial Instruments

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

Categories of Financial Instruments

The financial instruments disclosed in the Balance Sheet are made up of the following categories under IFRS 9.

Long Term	Current		Long Term	Current
31 March 21	**31 March 21**		**31 March 22**	**31 March 22**
£m	**£m**		**£m**	**£m**
		Investments		
0.0	380.1	Fair value through profit and loss	0.0	324.6
0.0	493.5	Amortised Cost	0.0	667.5
0.0	**873.6**	**Total Investments**	**0.0**	**992.1**
		Debtors		
15.8	41.9	Amortised Cost	12.3	89.5
15.8	**41.9**	**Total Debtors**	**12.3**	**89.5**
		Creditors		
0.0	(54.6)	Amortised Cost	0.0	(76.1)
0.0	**(54.6)**	**Total Creditors**	**0.0**	**(76.1)**
		Long Term Liabilities		
(5.4)	0.0	Amortised Cost	(4.9)	0.0
(5.4)	**0.0**	**Total Long Term Liabilities**	**(4.9)**	**0.0**

Investments

The City Fund's investments comprise cash that is not required for day to day purposes invested in deposits of varying fixed lengths and money market funds (including short dated bonds). Investments in fixed term deposits, call accounts and notice accounts are classified as amortised cost financial assets because they comprise of cash flows which are solely payments of principal and interest. Investment in money market funds are classed as fair value through profit or loss financial assets as the net asset value of these funds can vary slightly.

Fair Value of Assets and Liabilities

Financial assets held at fair value through profit and loss are valued using unadjusted quoted prices in active markets for identical assets (level 1 inputs in the fair value hierarchy).

All other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Income, Expense, Gains and Losses

The gains and losses recognised in the CI&ES in relation to financial instruments are made up as follows:

2020-21		2021-22
£m		£m
(6.9)	Net(gain)/loss on financial assets at fair value through profit and loss	7.5
(6.9)	**Total net (gains)/losses in Surplus or Deficit on the Provision of Services**	**7.5**
(7.6)	Interest (income)/expenses from financial assets	(5.7)
(7.6)	**Total interest revenue in Surplus or Deficit on the Provision of Services**	**(5.7)**

31 March 2021			31 March 2022	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£m	£m		£m	£m
		Financial assets		
7.1	7.1	Long Term Debtors – investment properties	4.3	4.3
8.7	8.7	Long Term Debtors – other	8.0	8.0
873.6	873.6	Short Term Investments	992.1	992.1
41.9	41.9	Short Term Debtors	89.5	89.5
931.3	**931.3**	**Total financial assets**	**1,093.9**	**1,093.9**
		Financial liabilities		
(54.6)	(54.6)	Short Term Creditors	(76.1)	(76.1)
(5.4)	(5.4)	Long Term Liabilities	(4.9)	(4.9)
(60.0)	**(60.0)**	**Total financial liabilities**	**(81.0)**	**(81.0)**

The fair value of long term debtors in relation to investment properties (comprising finance lease debtors) have been assessed based on the investment property fair values categorised within Level 2 of the fair value hierarchy (see accounting policy 1.21). Other long term debtors consist mainly of a loan to and finance lease debtor with the Museum of London. As there is no active market for these items, the fair value is assumed to be the same as the carrying value categorised within level 3 of the fair value hierarchy.

19. Nature and Extent of Risks arising from Financial Instruments

The City Fund's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to City Fund
- Liquidity risk – the possibility that the City Fund 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 factors that affect the overall performance of the financial markets such as interest rates, stock market movements and foreign exchange rates.

The City 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 Fund'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.

The public health measures taken in United Kingdom to mitigate the spread of the Covid 19 virus, and their effects on the economy in the UK in 2021-22, have not significantly increased the City Fund's exposure to credit or liquidity risks arising from financial instruments.

Credit Risk

Credit risk arises from deposits with banks, other financial institutions and other local authorities, as well as credit exposures to the City Fund's customers. Deposits are only made with banks with a minimum Fitch (a leading credit rating agency) "rating" of Long term A and Short term F1 or are building societies with assets over £10bn (or which have a minimum credit rating similar to that set for the banks). The City Fund also invests in money market funds, which are subject to a minimum credit rating of AAAmmf (Fitch) or equivalent. The City Fund also holds investments in in two Short Dated Bond Funds. These financial instruments typically do not obtain their own standalone credit rating. Instead, the funds will invest in a wide array of investment grade instruments, which the City Corporation actively monitors in terms of the fund's composition and credit quality of its underlying assets.

The creditworthiness of the counterparties on the City Fund's lending list is carefully monitored. 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. Security of the investments is the prime criteria when selecting investments with liquidity and yield being secondary and tertiary considerations. The lending limits attributable to HSBC, Barclays, Goldman Sachs International Bank, NatWest and Santander UK were maintained at maximum lending limits of £100m each during 2021-22, and Lloyds Bank was fixed at £150m (Lloyds being the City of London Corporation's banker). The lending limit for the Nationwide Building Society was maintained at £120m. The maximum duration for such loans is fixed at three years. The lending limits for the Yorkshire, Coventry, Skipton and Leeds Building Societies were maintained at £20m each and the duration for such loans is fixed at 1 year. The list also contains twelve foreign banks with individual limits of £100m with a maximum loan duration of three years. The included foreign banks are Australia and New Zealand Banking Group, National Australia Bank, Bank of Montreal, Royal Bank of Canada, Toronto-Dominion Bank, Landesbank Hessen-Thueringen Girozentrale, Cooperatieve Rabobank, DBS Bank, United Overseas Bank, Skandinaviska

Enskilda Banken, Swedbank, and Svenska Handelsbanken The lending list also includes five highly rated money market funds (Aberdeen Sterling Liquidity Fund, CCLA Public Sector Deposit Fund, Deutsche Managed Sterling Fund, Federated Short-Term Sterling Prime Fund, and Invesco Sterling Liquidity Portfolio); three highly rated Ultra-Short Dated Bond Funds (Federated Sterling Cash Plus Fund, Aberdeen Standard Investments Short Duration Managed Liquidity Fund and Payden Sterling Reserve Fund); and two Short Dated Bond Funds (Legal & General Short Dated Sterling Corporate Bond Index Fund and Royal London Investment Grade Short Dated Credit Fund). The City Corporation also lends to other UK local authorities with a limit of £25m to any individual authority.

The City Fund's maximum exposure to credit risk in relation to its investments in banks, building societies, local authorities and money market funds cannot be assessed generally, as the risk of any institution failing to make interest payments or failing to repay the principal amount borrowed would be specific to each individual institution. No credit limits were exceeded during the reporting period and the City Fund does not expect any losses from non-performance by any counterparty in relation to outstanding deposits. As at 31 March 2022, the City Fund had £1,022.0m in cash, cash equivalents and investments.

The City Fund, along with other Funds of the Corporation, share a common Corporation cashbook and at any time cash balances will be put out to investments in bank notice accounts, money market funds or deposit accounts. Each fund has a share of the invested balances in proportion to this relative holding in the Corporation cashbook. There is little exposure to credit risk arising from these investments.

The City Fund 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 and expected credit losses has been included within the accounts based on the length of time past the due date and progress on recovery action.

31 March 2022	<3 months	3-6 months	6-12 months	>1 year	Total
Expected loss rate	2%	11%	31%	50%	-
Gross carrying amount (£m)	16.6	3.9	2.6	4.1	27.2
Loss provision (£m)	0.3	0.4	0.8	2.1	3.6

Liquidity risk

The authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loans Board, for access to longer term funds. The authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. At present, the City Fund has no borrowing exposure.

Market risk

Interest rate risk

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

- investments at variable rates – the interest income credited to the CI&ES will rise,
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Changes in interest receivable on variable rate investments are posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement. The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget, quarterly during the year. According to this assessment strategy, if interest rates had been 1% higher with all other variables held constant, the financial effect at 31 March on investments with variable rates would be:

2020-21		**2021-22**
£m		**£m**
	Increase in interest receivable on investments held at variable rates	
4.3	City Fund	4.6
0.0	HRA	0.0
4.3	**Total**	**4.6**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. All of the City Fund's financial investments held at amortised cost are due to mature within twelve months as at 31 March 2022 and therefore the impact of a 1% movement in interest rates on the fair value of fixed rate investment assets would not be material. Within its financial investments held at fair value through profit or loss, the City Fund holds two short dated bond fund investments whose value is sensitive to fluctuations in interest rates. Based on the combined modified duration of these investments as at 31 March 2022, the Corporation estimates that a 1% increase (decrease) in interest rates will decrease (increase) their carrying value by £4.6m.

Foreign exchange risk

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

Other price risks

The City of London Corporation has no material investments in equity shares attributable to the City Fund.

20. Short-term debtors

31 March 2021		31 March 2022
£m		**£m**
34.2	Central Government Bodies	35.2
8.8	Greater London Authority	3.4
23.5	London Business Rates Pool	41.1
	All Other Bodies	
25.3	Rents	20.4
10.8	Sundry	6.9
27.2	Trade Debtors	37.7
12.7	City Fund's Share of National Business Rates Arrears	10.7
8.9	Other	10.0
(11.9)	Less: Impairment allowances for expected credit losses and doubtful debts	(10.5)
139.5	Total	**154.9**

The adjacent table provides a breakdown of the short term debtor balance including the allowance made for expecting credit losses and bad debts. The majority of the amounts due to the City Corporation relate to transactions with other public bodies where grant and reimbursements are due to fund our activities and outstanding balances related to the London Business Rate Pool, where we act as the lead authority for London (more details can be found in note 38) . The remaining amounts relate to outstanding business rate arrears, rental income, fees and charges and Penalty Charge Notice income.

21. Short-term creditors

The adjacent table provides a breakdown of the outstanding creditor and receipt in advance balances for the year. The majority of these balances are held with other public entities and are predominantly due to movements linked to business rate income.

The remaining balances with Central Govt bodies and the GLA have been impacted by the reduction in collection fund deficits, detail of which can be found in the collection fund accounts section of the statement.

The London Business Rates Pool position relates to our role as lead authority so account for all the outstanding movement for the Pool. This balance reflects that pre-COVID business rate income estimates were used to assess contributions to the Pool, which are now lower due to the pandemic and therefore contributions require repayment (more details provided in note 38). This does not represent a draw on City Fund resources.

31 March 2021		31 March 2022
£m		**£m**
(30.3)	Central Government Bodies	(83.7)
(19.6)	Greater London Authority and Transport for London	(49.0)
(105.3)	London Business Rates Pool	(105.9)
(33.2)	City Fund's share of national business rates creditors and receipts in advance	(40.0)
(9.8)	Deposits	(8.3)
(61.2)	Sundry	(77.8)
(27.4)	Receipts in advance	(30.8)
(286.8)	**Total**	**(395.5)**

22. Provisions

With the introduction of the Business Rates Retention Scheme from 1 April 2013, Local Authorities are liable for successful appeals against business rates in their proportionate share. A provision is recognised for the best estimate of the City Fund's liability at the year-end for appeals. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals outstanding as at 31 March 2022 and an analysis of successful appeals and trends in 2021-22.

	National Business Rates	City Fund Premium on Business Rates	Total
	£m	£m	
Balance at 1 April 2021	**(43.9)**	**(1.9)**	**(45.8)**
Appeals settled in 2021-22	17.2	0.9	18.1
Provisions made in 2021-22	(11.9)	(0.6)	(12.5)
Balance at 31 March 2022	**(38.6)**	**(1.6)**	**(40.2)**

23. Pension Schemes

As part of the terms and conditions of employment of its employees, the City Fund makes contributions towards the cost of post-employment benefits. Employees are members of the following pension schemes:

- The City of London Corporation Pension Scheme
- The Police Pension Schemes (1987, 2006 and 2015)
- The Judges' Pension Scheme
- The Teachers' Pension Scheme.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the City Corporation. Notes 24 to 26 (page 74-79) provide further information on each of the above schemes.

City of London Pension Scheme

The City Corporation Pension Scheme (the "Scheme") is operated under the regulatory framework for the Local Government Pension Scheme (LGPS) with policy determined in accordance with Pension Fund Regulations. It is a funded defined benefit scheme, meaning that the employers and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets. Prior to 1 April 2014, LGPS pension benefits were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme.

The City Corporation administers the Scheme on behalf of its participating employers. The City Corporation's Corporate Services Committee is responsible for personnel and administration matters, whilst its Pensions Committee is responsible for appointing fund managers and monitoring performance. These functions were previously carried out by the Establishment Committee and the Financial Investment Board.

The principal risks to the authority of the scheme are the mortality rate assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

As an employer participating in the Scheme the City Corporation's estimated share of the net deficit is the responsibility of the City Corporation as a whole. The Corporation and its three funds have a policy in place to share the net defined benefit cost of the pension fund across the three funds. As such the City Fund recognises the net defined benefit cost along with a share of scheme assets and scheme liabilities. The total net defined benefit cost is apportioned across the City Corporation's three funds based on the proportion of pensionable payroll of each fund.

Disclosures in relation to City Corporation and the City Fund's share of the overall scheme which satisfy the requirements of a defined benefit pension scheme are set out in this note. This information is not used to determine the employer's pension contribution rate. This is calculated at the triennial valuation and updated by any subsequent interim valuations. The most recent triennial valuation was as at 31 March 2019 and found that the Pension Fund's funding position had improved to 90% (from 84% as at 31 March 2016). The valuation informed consideration of the level of employer's pension contribution to be charged from 1 April 2020 to 31 March 2023, which remain unchanged from 2019-20 at 21.0% per annum.

Assets and Liabilities in Relation to Retirement Benefits

a. Reconciliation of present value of the scheme liabilities

CITY OF LONDON CORPORATION	CITY FUND SHARE 51%		CITY OF LONDON CORPORATION	CITY FUND SHARE 51%
31 March 2021	**31 March 2021**		**31 March 2022**	**31 March 2022**
£m	**£m**		**£m**	**£m**
(1,572.5)	(802.1)	1 April	(2,108.5)	(1,075.5)
(79.6)	(40.6)	Current Service Cost	(85.2)	(43.4)
(29.8)	(15.2)	Interest Cost	(41.5)	(21.2)
		Remeasurement gains/losses:		
18.0	9.2	Actuarial Gains/losses arising from demographic assumptions	50.9	25.9
(482.9)	(246.3)	Actuarial gains/losses arising from changes in financial assumptions	121.8	62.1
20.7	10.6	Other Actuarial Gains/Losses	1.3	0.7
(10.5)	(5.4)	Past Service Cost, including curtailments	(9.4)	(4.8)
(6.6)	(3.4)	Liabilities extinguished on settlements	0.0	0.0
45.5	23.2	Benefits paid	48.2	24.6
(11.2)	(5.7)	Contributions from scheme participants	(11.2)	(5.7)
0.4	0.2	Unfunded Pension Payments	0.4	0.2
(2,108.5)	**(1,075.5)**	31 March	**(2,033.3)**	**(1,037.1)**

Liabilities are discounted to their value at current prices, using a discount rate of 2.35% (based on the annualised Merrill Lynch AA rated corporate bond yield curve where the spot curve is assumed to be flat beyond the 30 year point).

b. Reconciliation of fair value of the scheme assets

CITY OF LONDON CORPORATION	CITY FUND SHARE 51%		CITY OF LONDON CORPORATION	CITY FUND SHARE 51%
31 March 2021	**31 March 2021**		**31 March 2022**	**31 March 2022**
£m	**£m**		**£m**	**£m**
936.9	477.9	1 April	1,188.8	606.4
14.6	7.5	Interest on Assets	22.8	11.6
		Remeasurement gains/losses:		
236.1	120.4	Return on Assets less interest	57.3	29.2
0.0	0.0	Other actuarial gains/losses	6.8	3.5
0.0	0.0	Change in proportion allocated to City Fund	0.0	0.0
(0.8)	(0.4)	Administration expenses	(1.0)	(0.5)
33.3	17.0	Contributions by Employer	37.4	19.1
11.2	5.7	Contributions by Scheme Participants	11.2	5.7
(45.9)	(23.4)	Benefits Paid	(48.6)	(24.8)
3.5	1.8	Settlement Prices Received/(Paid)	0.0	0.0
1,188.8	**606.4**	**31 March**	**1,274.7**	**650.2**

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

31 March 2021		31 March 2022
%		**%**
60	Equity Investments	59
1	Cash	1
12	Infrastructure	12
28	Absolute return portfolio	27
100		**100**

The analysis of investments held and valuations are included in the accompanying Pension Fund accounts.

c. Overall net deficit

CITY OF LONDON CORPORATION	CITY FUND SHARE 51%		CITY OF LONDON CORPORATION	CITY FUND SHARE 51%
31 March 2021	**31 March 2021**		**31 March 2022**	**31 March 2022**
£m	**£m**		**£m**	**£m**
(635.6)	(324.1)	1 April	(919.7)	(469.0)
(536.0)	(273.4)	change in liabilities	75.2	38.4
251.9	128.5	change in assets	85.9	43.8
(919.7)	**(469.0)**	**31 March**	**(758.6)**	**(386.8)**

Basis for Estimating Assets and Liabilities

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham LLP) using the projected unit method, based upon the latest full valuation of the scheme as at 31 March 2019 and updated to the balance sheet date. The main assumptions used in the calculations are as follows:

2020-21		**2021-22**
	Mortality assumptions:	
	Life expectancy in years from age 65	
	Retiring today	
21.6	Men	21.6
24.3	Women	24.3
	Retiring in 20 years	
22.9	Men	23.0
25.7	Women	25.8
3.20%	Rate of Inflation – RPI	3.40%
2.85%	Rate of Inflation – CPI	3.25%
3.85%	Salary Increases	4.25%
2.85%	Pension Increases	3.25%
2.00%	Discount Rate	2.60%

Impact on defined benefit obligation from changes to actuarial assumptions

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The following table, prepared on an actuarial projected unit basis, shows the impact on the defined benefit obligation from changes to various actuarial assumptions. The sensitivity analysis has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

Change in assumptions at 31 March 2022

	CITY OF LONDON CORPORATION		CITY FUND SHARE 51%	
	Increase	Decrease	Increase	Decrease
	£m	£m	£m	£m
0.1% change in rate for discounting scheme liabilities	(67.6)	69.5	(47.1)	48.4
0.1% change in rate of increase in salaries	5.9	(5.9)	4.5	(4.4)
0.1% change in rate of increase in pensions	63.2	(61.4)	43.6	(42.4)
One year change in rate of mortality assumption	160.0	(152.0)	111.2	(105.7)

Impact on the City Fund's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Corporation has agreed a deficit recovery period of 20 years from 2015-16 with the scheme's actuary. Funding levels are monitored on an annual basis.

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £386.8m has a substantial impact on the net worth of City Fund as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the City Fund remains sound. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total employer contributions expected to be made to the scheme for the City of London Corporation across all its funds in the year to 31 March 2022 are £37.4m (estimated City Fund Share £19.1m).

The scheme actuary has estimated that the weighted average duration of the defined benefit obligation for scheme members is 21 years

24. The Police Pension Scheme

There are three Police Pension Schemes – the 1987 Scheme, the 2006 Scheme and the 2015 Scheme. Except where otherwise stated, the "Police Pension Scheme" is used generically to cover all the schemes. The Police Pension Scheme is defined benefit and unfunded. It is administered by the City of London in accordance with Home Office regulations and is not a multi-employer scheme.

The Scheme is funded on a pay as you go basis, with the employer contributing a percentage of police pay into the Pension Fund and the Home Office meeting the balance. At the year end the Police Pension Fund Account is balanced to nil by either receiving a contribution from the City Fund equal to the amount by which the amounts payable from the Pension Fund for the year exceed the amounts receivable or, by paying to the City Fund the amount by which sums receivable by the Fund for the year exceed the amounts payable.

Where the City Fund makes a transfer into the Pension Fund, the Home Office will pay an equivalent top-up grant to the City Fund. Where the City Fund receives a transfer from the Pension Fund, the City Fund must pay the amount to the Home Office. The Police Pension Scheme 2015 came into effect from 1 April 2015 and any benefits accrued from that date will be based on career average revalued salaries.

The Police Pension liability represents the pension benefits Officers have accrued as at 31 March 2022 as assessed via actuarial calculation. These benefits, however, will not be payable until Officers have retired. As an unfunded scheme, the liabilities will be met through employee and employer contributions with any deficit being met by the Home Office.

The last full valuation of the police Pension Scheme was at 31 March 2016 by the Government Actuary's Department and set contributions for the period 1 April 2019 to 31 March 2023.

Liabilities in Relation to Retirement Benefits

As the scheme is unfunded, it has no assets.

Reconciliation of present value of the scheme liabilities

31 March 2021		31 March 2022
£m		**£m**
(935.1)	1 April	(1,139.3)
(16.9)	Current Service Cost	(28.8)
(21.6)	Interest Cost	(22.5)
	Remeasurement gains/losses:	
14.2	Actuarial Gains/losses arising from demographic assumptions	(6.1)
(208.0)	Actuarial gains/losses arising from changes in financial assumptions	44.1
0.2	Other Actuarial Gains/Losses	(123.1)
31.9	Benefits paid	34.9
0.0	Past Service Costs	0.0
(4.6)	Contributions from scheme participants	(4.9)
0.6	Injury Benefits Paid	0.5
(1,139.3)	**31 March**	**(1,245.1)**

Impact on defined benefit obligation from changes to actuarial assumptions

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The following table, prepared on an actuarial projected unit basis, shows the impact on City Fund's defined benefit obligation from changes to various actuarial assumptions. The sensitivity analysis has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

Basis for Estimating Liabilities

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham LLP) using the projected unit method, based upon the last full valuation of the scheme updated to the balance sheet date. The main assumptions used in the calculations are as follows

2020-21	Mortality assumptions:	2021-22
	Life expectancy in years from age 65	
	Retiring today	
21.1	Men	21.1
23.3	Women	23.4
	Retiring in 20 years	
22.3	Men	22.4
24.8	Women	24.9
3.20%	Rate of Inflation – RPI	3.55%
2.80%	Rate of Inflation – CPI	3.25%
3.80%	Salary Increases	4.25%
2.80%	Pension Increases	3.25%
2.00%	Discount Rate	2.60%

Change in Assumptions at 31 March 2022

Impact on the Defined Benefit Obligation in the Scheme		
	Increase	Decrease
	£m	£m
0.1% change in rate for discounting scheme liabilities	(25.7)	26.3
0.1% change in rate of increase in salaries	3.0	(3.0)
0.1% change in rate of increase in pensions	23.1	(22.6)
One year change in rate of mortality assumption	60.2	(57.3)

Impact on the City Fund's Cash Flows

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £1,245.1m has a substantial impact on the net worth of the City Fund as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the City Fund remains sound. Future contributions are expected to be met by an annually assessed grant from the Home Office.

The total employer contributions for the combined position of the Police Pension Schemes 1987, 2006 and 2015 for the year to 31 March 2022 are expected to be £11.4m and the expected top up grant from the Government is £18.4m.

The scheme actuary has estimated that the weighted average combined duration of the defined benefit obligation for the schemes is 21 years.

25.Judges' Pension Scheme

The Judges' Pension Scheme is defined benefit and unfunded. The scheme is subject to the provisions of the Judicial Pensions and Retirement Act 1993. The Treasury is responsible for payment of Judges' pensions and the City of London reimburses them in accordance with regulations made under the Act.

Liabilities in Relation to Retirement Benefits

As the scheme is unfunded, it has no assets.

Reconciliation of present value of the scheme liabilities

31 March 2021		31 March 2022
£m		**£m**
(2.7)	1 April	(2.8)
(0.2)	Current Service Cost	(0.2)
(0.1)	Interest Cost	(0.1)
	Remeasurement gains/losses:	
0.0	Actuarial Gains/losses arising from demographic assumptions	0.0
(0.4)	Actuarial gains/losses arising from changes in financial assumptions	0.1
0.5	Other Actuarial Gains/losses	0.0
0.1	Benefits paid	0.1
(2.8)	**31 March**	**(2.8)**

Basis for Estimating Liabilities

The liabilities have been valued by the City of London's independent consulting actuary (Barnett Waddingham LLP) using the projected unit method, based upon the last full valuation of the scheme updated to the balance sheet date. The main assumptions used in the calculations are as follows:

2020-21	Mortality assumptions:	2021-22
	Life expectancy in years from age 65	
	Retiring today	
21.6	Men	21.6
24.3	Women	24.3
	Retiring in 20 years	
22.9	Men	23.0
25.7	Women	25.8
3.45%	Rate of Inflation – RPI	3.55%
2.85%	Rate of Inflation – CPI	3.45%
3.85%	Salary Increases	4.45%
2.85%	Pension Increases	3.45%
1.85%	Discount Rate	2.65%

Impact on defined benefit obligation from changes to actuarial assumptions

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The following table, prepared on an actuarial projected unit basis, shows the impact on the City Fund's defined benefit obligation from changes to various actuarial assumptions. The sensitivity analyses have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

Change in Assumptions at 31 March 2022

Impact on the Defined Benefit Obligation in the Scheme		
	Increase	**Decrease**
	£m	**£m**
0.1% change in rate for discounting scheme liabilities	(0.03)	0.03
0.1% change in rate of increase in salaries	0.00	0.00
0.1% change in rate of increase in pensions	0.03	(0.03)
One year change in rate of mortality assumption	0.16	(0.15)

Impact on the City Fund's Cash Flows

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £2.9m has an impact on the net worth of the City Fund as recorded in the Balance Sheet. However, the City Fund has set aside funds in an earmarked reserve to assist with meeting its share of liabilities.

The scheme actuary has estimated that the weighted average combined duration of the defined benefit obligation for the scheme is 11 years.

26. Transactions Relating to Post-employment Benefits within the Financial Statements

The Teachers’ Pension Scheme is accounted for as if it is a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children’s and Education Services line in the CI&ES is charged with the employer’s contributions payable to Teachers’ Pension Scheme in the year.

Retirement benefits from schemes accounted for on a defined benefit basis (City of London, Police and Judges’) are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out of the City Fund and Housing Revenue Account via the Movement in Reserves Statement.

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2022 a loss of £1.0m (at 31 March 2021 it was a loss of £299.6m). The amount included in the Balance Sheet arising from the City Fund’s estimated obligation in respect of the defined benefit plans is as follows:

31 March 2021		**31 March 2022**
£m		**£m**
	Present Value of the defined benefit obligation	
(1,073.2)	City of London Pension Scheme – City Fund	(1,035.0)
(1,127.4)	Police Pension Schemes	(1,234.4)
(2.8)	Judges Pension Scheme	(2.8)
	Fair Value of plan assets	
606.4	City of London Pension Scheme – City Fund	650.2
	Present value of unfunded obligation	
(2.3)	City of London Pension Scheme – City Fund	(2.1)
(11.8)	Police Pension Schemes	(10.7)
(1,611.0)	Net liability on balance sheet	**(1,634.8)**

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

The table summarises the entries in the financial statements for the City of London, Police and Judges' Schemes:

2020-21					2021-22			
Police	**Judges**	**City of London City Fund**	**Total**		**Police**	**Judges**	**City of London City Fund**	**Total**
£m	**£m**	**£m**	**£m**		**£m**	**£m**	**£m**	**£m**
				Comprehensive Income & Expenditure Statement (CIES)				
				Cost of Services:				
16.9	0.2	40.6	57.7	Current service cost	28.8	0.2	43.4	72.4
0.0	0.0	5.4	5.4	Past service costs	0.0	0.0	4.8	4.8
0.0	0.0	1.6	1.6	(gain)/loss from settlements	0.0	0.0	0.0	0.0
				Other Operating Income				
0.0	0.0	0.4	0.4	Administration expenses	0.0	0.0	0.5	0.5
				Financing & Investment Income & Expenditure				
0.0	0.0	0.0	0.0	Current service cost	0.0	0.0	0.0	0.0
21.6	0.1	7.8	29.5	Interest cost	28.8	0.1	9.6	38.5
38.6	**0.3**	**55.8**	**94.6**	**Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services**	**57.6**	**0.3**	**58.3**	**116.2**
				Other Comprehensive Income & Expenditure				
				Remeasurement of the net defined benefit liability:				
0.0	0.0	(120.4)	(120.4)	Return on plan assets	0.0	0.0	(29.2)	(29.2)
(14.2)	(0.0)	(9.2)	(23.4)	Actuarial (gains) & losses – changes in demographic assumptions	6.1	0.0	(25.9)	(19.8)
208.0	0.4	246.3	454.7	Actuarial (gains) & losses – changes in financial assumptions	(44.1)	(0.1)	(62.1)	(106.3)
(0.2)	(0.5)	(10.6)	(11.3)	Actuarial (gains) & losses – Other	123.1	(0.0)	(4.1)	119.0
193.6	**(0.1)**	**106.1**	**299.6**	**Total Other Comprehensive Income & Expenditure**	**85.1**	**(0.1)**	**(121.3)**	**(36.3)**
232.1	0.2	161.9	394.1	Total Retirement Benefit Charged/(Credited) to the CIES	142.7	0.1	(63.1)	79.8
				Movement in Reserves Statement				
(232.1)	(0.2)	(161.9)	(394.2)	Reversal of net charges/credits for retirement benefits in accordance with the Code	(142.7)	(0.1)	63.1	(79.8)
27.8	**0.1**	**17.0**	**44.9**	**Actual amount charged against the City Fund and HRA Balances**	**30.5**	**0.1**	**19.1**	**49.7**

27. Grants and Contributions Received in Advance

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

31 March 2021		31 March 2022
£m		£m
	Grants and Contributions Received in Advance - Capital (Long-term)	
(115.5)	S106 / S278 Contributions	(94.8)
	Grants and Contributions Received in Advance - Revenue (Short-term)	
(91.3)	S31 Grant for NNDR Reliefs due to Central Government	(67.5)
0.0	COVID Additional Relief Fund Receipt in Advance from Central Government	(64.4)
(91.3)	**Total**	**(131.9)**

28. Rents Received in Advance

Premiums received at the commencement of operating leases for investment properties are effectively rents received in advance and are released to revenue on a straight line basis over the lease term. This totals £225.9m.

29. Other Long-term Liabilities

At the 31 March 2022 the City Fund has long term liabilities of £57.1m which consists of £52.2m (2020-21: £62.0m) of outstanding London NNDR Pool Strategic Investment Pot (SIP) project funding due to be released over the life span of agreed projects and £4.9m (2020-21: £5.4m) of financial lease liabilities.

30. Leases

Finance Leases

City Fund as Lessee

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

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

31 March 2021		31 March 2022
£m		£m
	Property, Plant and Equipment	
14.4	Other Land and Buildings	13.6
2.2	Vehicles, Plant and Equipment	1.7
46.9	Investment Properties	43.6
63.5		**58.9**

Upon review of Cleansing Vehicle leases, the Useful Economic Life of 5 years has been deemed more appropriate than the 8 years previously used. This has changed the balance of minimum lease payments.

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

For two investment property leases and the vehicles the City Fund will make payments over the term of the leases to meet the costs of the long term liabilities and the finance costs payable.

The leases are carried under other long term liabilities on the balance sheet:

31 March 2021		31 March 2022
£m		£m
3.2	Investment Property	3.2
2.2	Cleansing Vehicles	1.7
5.4	Long Term Liabilities	**4.9**

The minimum lease payments in relation to the investment property are:

Total Future Minimum Lease Payments	Present Value of Future Lease Payments		Total Future Minimum Lease Payments	Present Value of Future Lease Payments
31 March 2021	31 March 2021		31 March 2022	31 March 2022
£m	£m		£m	£m
0.7	0.6	Not later than one year	0.7	0.6
2.1	1.6	Later than one year and not later than five years	1.6	1.1
13.1	3.2	Later than five years	13.0	3.2
15.9	**5.4**	**Total**	**15.2**	**4.9**

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

City Fund as Lessor

The gross investment is made up of the following amounts:

31 March 2021		31 March 2022
£m		£m
	Finance lease debtor (net present value of minimum lease payments)	
0.3	Current	0.3
11.8	non-current	8.8
29.7	Unearned finance income	17.3
0.0	Unguaranteed residual value of property	0.0
41.8	**Gross investment in the lease**	**26.4**

The City Fund has a gross investment in finance leases relating to the minimum lease payments expected to be received over the remaining terms. There is no residual value anticipated for the properties when the leases come to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the properties acquired by the lessees and finance income that will be earned by the City Fund in future years whilst the debt remains outstanding.

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

Gross Investment in Lease	Net Present Value of Minimum Lease Payments		Gross Investment in Lease	Net Present Value of Minimum Lease Payments
31 March 2021	31 March 2021		31 March 2022	31 March 2022
£m	£m		£m	£m
0.7	0.3	Not later than one year	0.6	0.3
2.4	1.1	Later than one year and not later than five years	2.0	1.1
38.7	10.7	Later than five years	23.8	7.7
41.8	**12.1**	**Total**	**26.4**	**9.1**

The minimum lease payments receivable are not contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Income from investment properties is set out in note 7.

Operating Leases

City Fund as Lessee

The future minimum lease payments due under non-cancellable leases in future years are shown below.

31 March 2021		31 March 2022
£m		**£m**
2.7	Not later than one year	2.7
8.9	Later than one year and not later than five years	6.9
16.9	Later than five years	16.2
28.5	**Total**	**25.8**

City Fund as Lessor

The City of London has granted leases in respect of several City Fund properties, principally Investment Properties, which are treated as operating leases. The future minimum lease payments receivable under non-cancellable leases in future years are shown below.

31 March 2021		31 March 2022
£m		**£m**
52.7	Not later than one year	45.7
175.3	Later than one year and not later than five years	163.4
2,950.5	Later than five years	3,228.0
3,178.5	**Total**	**3,437.1**

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

31. Unusable Reserves

31 March 2021		Note	31 March 2022
£m			£m
(330.7)	Revaluation Reserve	A	(346.4)
(2,151.2)	Capital Adjustment Account	B	(2,267.2)
1,611.0	Pensions Reserve	C	1,634.8
54.1	Collection Fund Adjustment Account	D	41.8
5.2	Accumulated Absences Account	E	3.8
(12.2)	Deferred Capital Receipts Reserve	F	(9.1)
0.2	Financial Instrument Revaluation Reserve	G	0.2
(2.6)	Pooled Investment Adjustment Account	H	4.9
(826.2)	**Total Unusable Reserves**		**(937.2)**

A. Revaluation Reserve

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

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

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

2020-21		2021-22	
£m		£m	£m
(348.4)	Balance at 1 April		(330.6)
(34.1)	Upward revaluation of assets	(36.1)	
42.7	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	8.3	
8.6	Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(27.8)
5.2	Difference between fair value depreciation and historical cost depreciation	5.5	
0.0	Assets reclassified as investments	0.0	
4.0	Accumulated gains on assets sold or scrapped	6.5	
9.2	Amount written off to the Capital Adjustment Account		12.0
(330.6)	**Balance at 31 March**		**(346.4)**

B. Capital Adjustment Account

The Capital Adjustment Account includes entries for the financing of capital expenditure and other capital transactions. The account contains the amount of capital expenditure financed from revenue, capital receipts and other sources. It is reduced by the amounts provided for depreciation and for the write-down of revenue expenditure funded from capital under statute and adjustments for disposals of long-term assets. The account contains accumulated gains and losses on Investment Properties. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2020-21			2021-22
£m		£m	£m
(2,176.1)	Balance at 1 April		(2,151.2)
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:		
48.0	Charges for depreciation, impairment and revaluation losses of non-current assets	69.7	
(1.2)	Revaluation gains on Property, Plant and Equipment	(3.2)	
0.2	Amortisation of intangible assets	0.2	
11.2	Revenue expenditure funded from capital under statute	21.0	
5.0	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	25.2	
63.2	**Total reversal of items relating to capital expenditure debited or credited to the CI&ES:**		**112.9**
(9.2)	Adjusting amounts written out of the Revaluation Reserve	(12.1)	
54.0	**Net written out amount of the cost of non-current assets consumed in the year**		**100.8**
	Capital financing applied in the year:		
(20.4)	Use of the Capital Receipts Reserve to finance new capital expenditure	(46.9)	
(4.4)	Use of the Major Repairs Reserve to finance new capital expenditure	(3.6)	
(14.4)	Capital grants, contributions & donations credited to the CI&ES that have been applied to capital financing	(36.4)	
(2.1)	Application of grants to capital financing from the Capital Grants Unapplied Account	(3.2)	
(1.1)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1.1)	
(11.3)	Capital expenditure charged against the City Fund & HRA balances	(6.8)	
(53.7)	**Total Capital financing applied in the year:**		**(98.0)**
24.4	Movements in the market value of Investment Properties debited or credited to the CI&ES		(119.0)
0.2	Museum of London loan principle		0.2
(2,151.2)	**Balance at 31 March**		**(2,267.2)**

C. Pension Reserve

2020-21		2021-22
£m		**£m**
1,261.8	Balance at 1 April	1,611.0
299.6	Remeasurements of the net defined benefit liability	(36.3)
94.5	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	109.8
(44.9)	Employer's pension contributions less direct payments to pensioners payable in the year	(49.7)
1,611.0	**Balance at 31 March**	**1,634.8**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Post-employment benefits in the CI&ES are recognised as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as employer's contributions are paid to pension funds. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The negative pension reserve matches the estimated liabilities on the City of London (City Fund share), Police and Judges' Pension Schemes as determined by independent actuaries using the projected unit method and in accordance with IAS19.

D. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of national business rates and council tax income in the CI&ES as it falls due from business rate and council tax payers compared with the statutory arrangements for paying across amounts to the City Fund from the Collection Fund. A deficit of £41.8m has arisen in the account. This deficit is largely due to timing difference between our submission of estimated business rate income for the year, submitted in January for the preceding financial year, and the announcement of the continuation of business rate relief to the retail, leisure, and hospitality sectors occurring in March 2021. Whilst this decision on reliefs is funded by Govt, the ring-fence around the collection fund means it will receive less income than estimated, which creates a deficit to be released over the next two financial years. The £41.8m deficit represents City Fund's 30% share. Government funding of £34.8m has been set aside in the business rate equalisation reserve (see note 12, page 52) to offset this deficit as it unwinds over future financial years. The balance will be incorporated into the medium term financial plan. Further detail on the collection fund can be found in the Collection Fund Accounts (Page 105-108).

E. Accumulated Absences Account

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

F. Financial Instrument Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income.

G. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets, but for which cash settlement has yet to take place. Under statutory arrangements, these gains are not treated as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

H. Pooled Investment Reserve

The Pooled Investment Reserve accounts for the fair value movements in Pooled Investments, which are required to be held in a ring-fence reserve until these movement are realised.

Notes to the Cash Flow Statement

32. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following item:

2020-21		2021-22
£m		**£m**
(47.0)	Depreciation, impairments and impairment reversal	(66.9)
(132.5)	Increase/(Decrease) in creditors	5.2
(6.1)	Increase/(Decrease in debtors	24.7
0.1	Increase/(Decrease in inventories	(0.1)
(49.6)	Movement in pension liability	(60.1)
(5.0)	Carrying amount of non-current assets sold	(25.2)
(24.4)	Movement in investment property values	119.0
(1.1)	Deferred credits	(28.5)
3.4	(Increase)/Decrease in contributions to provisions	5.6
0.0	Other non-cash items charged to the net surplus or deficit on the provision of services	(7.4)
(262.2)	**Total**	**(33.7)**

The surplus/deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2020-21		2021-22
£m		**£m**
(7.6)	Interest received	(5.7)

The surplus on the provision of services has been adjusted for the following non-cash movements:

2020-21		2021-22
£m		**£m**
6.6	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	21.3
18.3	Capital grants credited to the net surplus or deficit on the provision of services	49.6
24.9		**70.9**

33. Cash Flow Statement – Investing Activities

2020-21		2021-22
£m		£m
58.0	Purchase of property, plant and equipment, investment property and intangible assets	108.1
(1,885.9)	Proceeds from short-term and long-term investments	(1,918.3)
1,943.7	Purchase of short-term and long-term investments	2,044.5
(7.4)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(24.5)
(44.4)	Capital grants received	(36.0)
1.8	Other receipts from investing activities	6.7
65.8	**Net cash outflows/(inflows) from investing activities**	**180.5**

34. Cash Flow Statement – Financing Activities

2020-21		2021-22
£m		£m
117.2	Billing Authorities – Council Tax and NNDR Adjustments	(151.7)
0.5	Reduction in finance lease liability	0.5
117.7	**Net cash inflows from financing activities**	**(151.2)**

Other Notes to the Accounts

35. Related Party Transactions

The City Fund is required to disclose information on material “related party transactions” with bodies or individuals that have the potential to control or influence the authority or be controlled or influenced by the authority.

Disclosure

Members are required to disclose their interests, and these can be viewed online at http://democracy.cityoflondon.gov.uk/mgMemberIndex.aspx?bcr=1. Members and Chief Officers have been requested to disclose related party transactions of £10,000 or more in 2021-22, including instances where their close family has made transactions with the City of London.

During 2021-22 the following transactions have been disclosed. This is where Members held positions of control or significant influence in related parties to City Fund are;

Related party	Connected party	2021-22 £000	2020-21 £000	Detail of transaction
Age UK London	The City Corporation nominates a Member to Age UK London	-	233	Digital outreach services paid by City Fund
Askonsas	A member is the board chairman of Askonsas	30	9	Fees and expenses received and paid by City Fund
Association of British Insurers	A Member is a Board Member of the Association of British Insurers.	(4,873)	(6,779)	Provision of service costs received by City Fund
Association of Police and Crime Commissioners	A Member is nominated by the City Corporation to the Association of Police and Crime Commissioners,	-	30	Membership fees paid by City Fund
Blind in Business Charity	A member is appointed as Chair of Trustees	-	10	Business Rate relief
City of London Reserve Forces and Cadets Association	One member is nominated to the City of London Reserve Forces and Cadets Association	-	28	Purchase of training courses and uniforms paid by City Fund
CORAM (Thomas Coram Foundation for Children)	A member is appointed as a trustee	20/(44)	-	Provision of service costs received by City Fund
DLA Piper UK LLP	One member is an equity partner and one member is a consultant to DL A Piper UK LLP	(35)	-	Provision of service costs received by City Fund
Dr Johnson’s House Trust	A member is nominated to Dr Johnson’s House Trust by the City Corporation	8	13	Local Restrictions grant paid by City Fund
East London NHS Foundation Trust	The City Corporation nominates a Member to the East London NHS Foundation Trust	56	79	Service costs paid by City Fund and catering and hire fees received by City Fund

Related party	Connected party	2021-22 £000	2020-21 £000	Detail of transaction
Hiscox Group	A Member is the Chief Executive of Hiscox Group	(10)	(11)	Contribution received by City Fund
Homerton University Hospital	A Member is nominated to Homerton University Hospital by the City Corporation.	-	83	IT enabler funding paid by City Fund and support costs received by the City Fund
International Dispute Resolution Centre Ltd	A Member is a Director of the International Dispute Resolution Centre Ltd who are a tenant of the City of London Corporation	-	(1,914)	Rent and service charges received by City Fund during the year and an amount due at the balance sheet date
Local Government Association – General	The City Corporation nominates two members to the Local Government Association – General Assembly	-	18	Subscription fees paid by City Fund
London and Partners	A Member is nominated by the City Corporation to London and Partners	-	29	Letting, hire and storage fees paid by City Fund
Partnership for Young London	The City Corporation nominates a Member to the Partnership for Young London.	15/(14)	30	Service paid by City Fund and workshop; central support charges received by City Fund
Phoenix Group Holdings PLC	A Member is Chairman for Phoenix Group Holdings PLC	(50)	-	Strategic partnership costs paid to City of London
United Kingdom Accreditation Service	A Member is the Director of United Kingdom Accreditation Service	-	16	Assessment fees paid by City Fund

The following transactions have been disclosed where Members have declared an interest in parties that have transactions with the City Fund during 2021-22.

Related party	Connected party	2021-22 £000	2020-21 £000	Detail of transaction
Bakers' Company	A member is a court assistant to Bakers' Company	12	-	Payment of Restart Grant by City Fund
CBRE	A member is employed by CBRE	160	-	Payment of rent and service charges by City Fund
Crossrail Ltd	A member is a consultant to Crossrail Ltd	(13)	-	Provision of service costs received by City Fund
Eight Members Club	A member is member to Eight members club	-	30/(3)	Government grants paid by City Fund
Lloyds	A Member is a Member for Lloyds	(219)	-	Contributions and sponsorships paid to City Fund in relation to NECVCU
London Borough of Lambeth	A member is employed by London Borough of Lambeth	29/(1,868)	-	Provision of service costs received by City Fund
London Symphony Orchestra	A member is a member of the Advisory Council for London Symphony Orchestra	3,539/(2,201)	-	Provision of service costs received by City Fund

Related party	Connected party	2021-22 £000	2020-21 £000	Detail of transaction
Moore Kingston Smith LLP	A Member is a consultant to Kingston Smith LLP	-	13	Fundraising services paid by City Fund
Named Members	One Members paid the City Fund	(12)	(36)	Rent received by City Fund
PWC LLP	A Member is an Advisor of PWC LLP	58	(11)	Consultancy services paid and room fees received by City Fund
Trinity House	A Member is a Member of Trinity House	32	-	Payment of Local Restrictions Support Grant and Restart Grant by City Fund
UBS	A Member has declared an interest in UBS.	-	6/(6)	Membership and licensing received by City Fund
Walbrook Club	A Member is a Member of Walbrook Club	12	16	Business rate relief
Worshipful Company of Butchers	Three members are Liverymen	18	-	Payment of Restart Grant by City Fund
WSP Group PLC	A member is a consultant for WSP Group PLC	89	-	Services purchased by City Fund

Related Party Transactions with the Museum of London

The Museum of London is financed by the City of London and the Greater London Authority with the latter being the major funder as a co-sponsor. The City of London's contribution in 2021-22 was £22.1m (2020-21: £14.6m) and the City Fund received £0.6m for rent, loan repayments and other services. At 31st March 2022 there was an outstanding receivable of £0.5m relating to rent and loan repayments. For 2022-23, City Fund is committed to provide £5.3m of grant funding for the running costs of the Museum.

Half of the appointments to the Board are made by the City of London and a Member has declared an interest in the Museum. However, the City of London does not exercise control of the Museum.

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

During 2021-22, City's Cash provided a grant to the HRA of £0.7m (2020-21: £0.5m). The Guildhall School of Music and Drama (City's Cash) paid £0.2m for provision of service costs. There were no significant transactions between City Fund and Bridge House Estates during the year or during the prior year and there were no outstanding balances at year end.

Related Party Transactions not disclosed elsewhere in the Accounts

The UK government has significant influence over the general operations of City Fund. It is responsible for providing the statutory framework within which the City Fund operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that City Fund has with other parties (e.g. council tax bills, housing benefits). Grants from government departments are shown in Note 6. Amounts due to and from central government departments at 31 March 2022 are shown in notes respectively. Disclosures are made in respect of other public bodies which are subject to common control by central government in other parts of the accounts as follows:

- Precepts from other Authorities

- Pension Fund

Amounts paid to HM Revenues and Customs in respect of employer's national insurance contributions of £14.1m (2021: £13.8m).

A Member of the City of London has declared that they are the Lead Non-Executive Director for the Home Office. Further details of the City Fund's Transactions with the Home Office can be found in Note 6 (page 38) and Note 20 (page 64).

In the City of London Police's role as lead force for cybercrime the City Corporation has assumed responsibility of National CRC Group Limited (company no 13027672), which is a company limited by guarantee tasked with promoting the effectiveness and efficiency of the Police Service in connection to the protection from and prevention of cybercrime through England and Wales. The City Corporation assumed this role from December 2021. As the only Member of the company this would be considered a subsidiary of the City Corporation, specifically of City Fund. However, due to the limited activity of the company to date and small financial value (total balance sheet value at 31 March 2022 was £2,624), no consolidation has taken place.

36. Members Allowances

In 2021, the Court of Common Council introduced an annual, flat rate, allowance for Members, based on the City Corporation's rate for inner-London Weighting. The allowance is optional and is intended to recompense Members for the duties they undertake on behalf of the City Corporation, while also enabling those who chose not to claim from the scheme to maintain their status as volunteers. During the year, £0.08m in remuneration from the City Fund was claimed for Members undertaking their duties (2020-21: £0.00m).

Members may also 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 Corporation. These costs totalling £8,664 (2020-21: £237) across all of the City's activities. These costs were met from the endowment funds of the City Corporation and not charged to City Fund.

37. Contingent Liabilities

There are no contingent liabilities to disclose as at the 31 March 2022.

38. Agency Transactions

The City Fund carries out certain work on an agency basis for this it is fully reimbursed.

The City Fund has acted as a Lead Authority for the London Business Rate Pool, which has been operating from 2018-19 through to 2020-21. This role includes acting as finance lead for the pool, which involves aggregating business rate income from participating authorities and distributing funds on behalf of the pool. Whilst the pool did not operate during 2021-22, residual balances relating to prior year pool activity remain on the City Fund balance sheet pending completion of external audits of all members and finalisation/settlement of outstanding fund. These outstanding debtors and creditors balances are shown below. Please note this excludes London NNDR Pool SIP balances which are included in the City Fund CI&ES and Balance Sheet.

Business Rate Pool Balances	**Balance as at 31 March 2022 £m**
Short-Term Debtors	41.1
Cash & Cash Equivalents	64.8
Short-Term Creditors	(105.9)

As part of its response to the COVID-19 pandemic, the Government initiated several grant support schemes for businesses impacted by the COVID-19 restriction in place during 2020-21. Business rate billing authorities were asked to distribute this funding in line with the qualification criterion set by Government. Several such scheme continued into 2021-22, and we have again judged that City Fund has acted as an intermediary in these transactions and they are therefore not accounted for in the CI&ES. £20.4m of grants were distributed to businesses (2020-21: £38.1m) which were funded from grant income from Government.

Supplementary Accounts and Notes

Housing Revenue Account

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

Income and Expenditure Statement

2020-21		Notes	2021-22	
£m			£m	£m
	Expenditure			
4.2	Repairs and maintenance		5.0	
8.0	Supervision and management		8.3	
3.1	Depreciation of non-current assets		2.9	
14.5	Revaluation (gain)/loss on HRA dwellings		0.7	
0.1	Movement in the allowance for bad debts	1	0.5	
29.9	**Total Expenditure**			17.4
	Income			
(10.3)	Dwelling rents		(10.4)	
(1.7)	Non-dwelling rents		(2.4)	
(2.6)	Charges for services and facilities		(1.1)	
0.2	Contributions towards expenditure		(0.2)	
(14.4)	**Total Income**			(14.1)
15.5	**Net Expenditure/(Income) of HRA Services as included in the City Fund CI&ES cost of services**			**3.3**
	HRA share of other income and expenditure included in the City Fund CI&ES			
(1.0)	Net (gain)/loss on Disposal of Fixed Assets			(0.6)
0.0	Interest and investment income			0.0
0.0	Investment property (gain)/loss on revaluation			0.0
14.5	**(Surplus)/deficit for the year on HRA Services**			**2.7**

Movement on the HRA Statement

2020-21		Notes	2020-21	
£m			£m	£m
(0.1)	Balance on the HRA at the end of the previous year			(0.2)
14.5	(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		2.7	
(14.6)	Adjustments between accounting basis and funding basis under statute	2	(2.7)	
(0.1)	(Increase)/decrease in year on the HRA			0.0
(0.2)	**Balance on the HRA at the end of the current year**			**(0.2)**

1. Impairment Allowance for Bad and Doubtful Debts

2020-21		2020-21
£m		**£m**
0.13	Provision at 1 April	0.22
(0.02)	Bad Debts written off	(0.01)
0.11	Decrease in Provision	0.38
0.22	Provision at 31 March	**0.58**

2. Adjustments between Accounting Basis and Funding Basis under Statute

Note 11 (page 46-48) to the City Fund Financial Statements provides further analysis of the adjustments between the accounting basis and funding basis under statute.

3. Housing Stock

As at 31 March 2022 the City Corporation's HRA rental stock was 1,864 dwellings. The HRA also includes costs and service charge income relating to properties sold on long leases of which there were 932 as at 31 March 2022 (2021: 927).

31 March 2021		31 March 2022
No.		No.
27	Houses and Bungalows	27
1,840	Flats	1,837
1,867	Total	**1,864**

31 March 2021		31 March 2022
No.		No.
1,872	Stock at 1 April	1,867
(5)	Sales	(5)
0	New Build	2
1,867	Stock at 31 March	**1,864**

4. Arrears of Rent, Service and Other Charges

As at 31 March 2022 the total arrears for rent, service charges and other charges were £3.5m (31 March 2021: £2.9m) as follows:

31 March 2021		31 March 2022
£m		£m
0.1	Former residential tenants	0.1
0.4	Current residential tenants	0.3
1.1	Commercial tenants	1.6
1.1	Service charges	1.3
0.2	Other charges	0.1
2.9	Total arrears	**3.5**

5. HRA Property, Plant and Equipment

The value of council dwellings within the HRA does not include all council dwellings owned by the City Fund (see note 13, page 51-55) as some council dwellings are held outside of the HRA such as the Barbican Estate.

2020-21						2021-22			
Council Dwellings	**Other Land & Buildings**	**Assets under construction**	**Total**	**Movements on Balances**		**Council Dwellings**	**Other Land & Buildings**	**Assets under construction**	**Total**
£m	**£m**	**£m**	**£m**			**£m**	**£m**	**£m**	**£m**
				Cost or valuation					
221.5	**43.2**	**12.3**	**277.0**	**at 1 April 2020**	**at 1 April 2021**	**184.1**	**40.0**	**21.3**	**245.4**
1.6	0.4	10.1	12.1	Additions		1.9	(0.0)	21.5	23.4
1.1	0.0	(1.1)	0.0	Transfers		0.3	0.0	(0.3)	0.0
(24.0)	(3.6)	0.0	(27.6)	Revaluation increase/(decrease) recognised in the Revaluation Reserve		4.4	0.0	0.0	**4.4**
(15.6)	0.0	0.0	(15.6)	Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services		2.2	0.0	0.0	**2.2**
(0.5)	0.0	0.0	(0.5)	Derecognition – disposals		(0.3)	0.0	0.0	(0.3)
0.0	0.0	0.0	0.0	Assets reclassified (to)/from Held for Sale		0.0	0.0	0.0	0.0
184.1	**40.0**	**21.3**	**245.4**	**at 31 March 2021**	**at 31 March 2022**	**192.6**	**40.0**	**42.5**	**275.1**
				Accumulated Depreciation and Impairment					
(0.1)	(0.1)	0.0	(0.2)	**at 1 April 2020**	**at 1 April 2021**	**0.0**	**(0.2)**	**0.0**	**(0.2)**
(2.6)	(0.3)	0.0	(2.9)	Depreciation Charge		(2.6)	(0.3)	0.0	(2.9)
1.6	0.2	0.0	1.8	Depreciation written out to the Revaluation Reserve		0.0	0.0	0.0	0.0
1.1	0.0	0.0	1.1	Depreciation written out to the Surplus/Deficit on the Provision of Services		(0.8)	0.0	0.0	(0.8)
0.0	0.0	0.0	0.0	Derecognition – disposals		0.0	0.0	0.0	0.0
0.0	(0.2)	0.0	(0.2)	**at 31 March 2021**	**at 31 March 2022**	(3.4)	(0.5)	0.0	(3.9)
				Net Book Value					
221.4	**43.1**	**12.3**	**276.8**	**at 1 April 2020**	**at 1 April 2021**	**184.1**	**39.8**	**21.3**	**245.2**
184.1	**39.8**	**21.3**	**245.2**	**at 31 March 2021**	**at 31 March 2022**	**189.2**	**39.5**	**42.5**	**271.2**

6. Housing Asset Valuation

Dwellings are valued at their ‘existing use with vacant possession’ and then reduced to reflect ‘existing use for social housing’. The reduction is a measure of the economic cost of providing council housing at less than open market rents. Current MHCLG guidance (guidance for valuers – 2016) identifies a vacant possession adjustment factor for London of 25%.

The estimated vacant possession value of HRA dwellings is £712.4m which has been reduced by 75% to £179.7m to reflect social housing.

7. Major Repairs Reserve

2020-21		2021-22
£m		£m
(3.4)	Balance 1 April	(2.0)
	Transfer from HRA equal to depreciation	
(3.1)	dwellings	(2.9)
0.0	non dwellings	0.0
0.0	Additional contribution to/(from) HRA	0.0
4.5	Capital expenditure (dwellings)	3.6
(2.0)	Balance 31 March	**(1.3)**

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

8. HRA Capital Expenditure

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

2020-21		2021-22
£m		£m
	Expenditure in year	
	Fixed assets	
10.2	Assets under construction	21.5
1.6	Dwellings	1.9
0.4	Other	0.0
1.1	Revenue expenditure funded from capital under statute	1.4
13.2	**Total Expenditure**	**24.8**
	Methods of financing	
0.3	Capital Receipts	0.1
4.5	Major Repairs Reserve	3.6
8.4	Reimbursements and Donations	21.1
13.2	**Total Financing**	**24.8**

Collection Fund Statement

The Collection Fund shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from local taxpayers, and its subsequent distribution to local authorities and the Government. The City Corporation's share of council tax and business rates income is reflected in the CI&ES on an accruals basis in line with the Code.

2020-21				Notes	2021-22		
Council Tax	**Business Rates**	**Total**			**Council Tax**	**Business Rates**	**Total**
£m	**£m**	**£m**			**£m**	**£m**	**£m**
			INCOME				
(8.7)		(8.7)	Council Tax Receivable		(9.0)		(9.0)
(0.2)		(0.2)	Transfer from City Fund (Reliefs)		(0.2)		(0.2)
	(1,135.6)	(1,135.6)	National Business Rates	1		(1,137.3)	(1,137.3)
	(39.4)	(39.4)	GLA Business Rate Supplement			(38.7)	(38.7)
	(17.8)	(17.8)	City Fund Business Rate Premium			(17.9)	(17.9)
(8.9)	**(1,192.8)**	**(1,201.6)**	**TOTAL INCOME**		**(9.2)**	**(1,193.9)**	**(1,203.1)**
			EXPENDITURE				
			Council Tax Precepts and Demands				
7.6		7.6	City Fund	2	7.8		7.8
0.7		0.7	GLA		0.7		0.7
0.2		0.2	Impairment of debt for Council Tax				0.0
			National Business Rates Precepts and Demands				
	363.2	363.2	City Fund			352.7	352.7
	447.9	447.9	GLA			435.0	435.0
	399.5	399.5	Central Government			388.0	388.0
	3.8	3.8	National Business Rates transitional protection payments			1.1	1.1
	38.2	38.2	Business Rate Supplement collected on behalf of GLA			39.0	39.0

2020-21				Notes	2021-22		
Council Tax	**Business Rates**	**Total**			**Council Tax**	**Business Rates**	**Total**
£m	**£m**	**£m**	**Expenditure Continued**		**£m**	**£m**	**£m**
	15.9	15.9	City Fund Business Rate Premium			17.5	17.5
	12.1	12.1	City Fund Offset	4		12.1	12.1
			Impairment of debts for Business Rates				
	31.1	31.1	National			(8.4)	(8.4)
	1.1	1.1	GLA			(0.3)	(0.3)
	0.5	0.5	Premium			(0.1)	(0.1)
			Impairment of appeals for Business Rates				
	83.0	83.0	National			39.8	39.8
	1.3	1.3	Premium			0.6	0.6
			Cost of Collection Allowance				
	2.0	2.0	National Business Rates			2.0	2.0
	0.0	0.0	GLA Business Rate Supplement			0.1	0.1
			Contributions towards previous year's estimated Collection Fund Surplus/(Deficit)				
1.2	19.2	20.4	City Fund		0.6	(37.7)	(37.1)
0.1	10.8	10.9	GLA		0.1	(51.6)	(51.5)
	8.4	8.4	Central Government			(45.8)	(45.8)
9.8	**1,438.0**	**1,447.6**	**Total Expenditure**		**9.3**	**1,143.9**	**1,153.1**
0.9	245.2	246.1	(Surplus)/Deficit for Year	5	0.1	(50.1)	(50.0)
(1.5)	(53.9)	(55.4)	Balance 1 April		(0.6)	191.3	190.7
(0.6)	**191.3**	**190.7**	**Balance 31 March**		**(0.5)**	**141.2**	**140.7**

1. Income from Business Rates

The Local Government Finance Act 1988 replaced the Locally Determined Non-Domestic Rate with a National Non-Domestic Rate (NNDR) set by the Government. In addition to the NNDR, there is a discounted rate for small businesses known as the Small Business Non-Domestic Rate (SBNDR). In 2021-22 the City of London set a non-domestic rating multiplier of 0.52 (52.0p in the £) and a small business non-domestic rating multiplier of 0.517 (51.7p in the £). This comprises the NNDR and SBNDR multipliers of 0.512 and 0.499 respectively, plus a premium of 0.8p in the £ to provide additional funding to enable the City Corporation to continue to support Police, security, resilience and contingency planning at an enhanced level.

In addition, for those business premises which have a rateable value of more than £70,000, the Greater London Authority (GLA) is levying a business rate supplement (BRS) multiplier of 2p in the £ for the 2021-22 financial year to finance the Crossrail project. The City Corporation collects the BRS on an agency basis on behalf of the GLA. The rateable value at the 31 March 2022 was £2.576bn.

2020-21		2021-22
£m		£m
(1,341.2)	National Business Rates	(1,324.7)
52.6	Less: Voids	86.5
22.8	Mandatory and discretionary relief	21.0
128.7	Expanded retail, leisure, and hospitality relief	77.9
1.5	Partly occupied allowance	2.0
(1,135.6)	**Net income from national business rates**	**(1,137.3)**

2. Calculation of Council Tax

The Local Government Finance Act 1992 introduced the Council Tax from 1 April 1993, replacing the Community Charge. The Act prescribes the detailed calculations that the City of London Corporation, as a billing authority, has to make to determine the Council Tax amounts. The City of London set a basic amount of £952.91 for a Band D property, inclusive of a 3% adult social care precept. There was no increase in council tax.

To this £952.91 is added £96.53 in respect of the precept from the Greater London Authority to arrive at the total Council Tax of £1,049.44 for a Band D property in 2021-22. Prescribed proportions are applied to this basic amount to determine the Council Tax amounts for each of the bands as follows:

BAND	Proportion	Council Tax
		£
A	6/9	699.62
B	7/9	816.23
C	8/9	932.83
D	9/9	1,049.44
E	11/9	1,282.65
F	13/9	1,515.86
G	15/9	1,749.06
H	18/9	2,098.88

3. Tax Bases 2021-22

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

BAND	MIDDLE TEMPLE	INNER TEMPLE	CITY AREA EXCLUDING TEMPLES	TOTAL CITY AREA
A	0.00	0.00	2.33	2.33
B	0.00	0.00	148.33	148.33
C	0.00	0.00	415.53	415.53
D	0.00	0.00	779.20	779.20
E	9.47	1.22	3,068.88	3,079.57
F	30.69	23.83	1,670.21	1,724.73
G	24.17	60.83	1,941.43	2,026.43
H	0.00	4.00	419.50	423.50
AGGREGATE RELEVANT AMOUNTS	64.33	89.88	8,445.41	8,599.62
COLLECTION RATE	95%	95%	95%	
TAX BASES	61.11	85.39	8,023.14	8,169.64

4. City Fund Offset

To reflect the unique characteristics of the square mile, the Government allows the City Fund to retain an amount from the NNDR paid by City businesses. This totalled £12.1m in 2021-22 (2020-21: £12.1m).

5. (Surplus)/Deficit for the year

A business rates surplus of £50.1m was achieved for the year, but this was in large part due to the recovery of large a deficit created in the previous year of £245.2m. After adjusting for the recovery, the in-year position was a £85m deficit, the majority of which related to the continuation of business rate relief for the retail, leisure, and hospitality sectors at a rate of 75% (down from 100% in the previous year). Due to the timing of this announcement, which was after the submission of estimated business rate income in January 2021, a mismatch has occurred between expected and actual income creating a deficit in the collection fund. These reliefs are funded from Govt so the release of this element of the deficit into City Fund will be matched with funds held in the business rate equalisation reserve. The below table tracks the movement of business rate collection fund surplus/deficit position across the 3 preceptors.

Breakdown of Business Rate Collection Fund Deficit	Total	City	GLA	Central Govt
Percentage Allocation		30%	37%	33%
Opening Collection Fund Deficit	**191.3**	**54.6**	**63.3**	**73.4**
Part Recovery of 20-21 Deficit in 21-22	(135.1)	(37.7)	(51.6)	(45.8)
21-22 Deficit due to retail, leisure, and hospitality reliefs	77.9	23.4	28.8	25.7
Other 21-22 variances	7.1	2.1	2.6	2.3
Closing Deficit	**141.2**	**42.4**	**43.2**	**55.6**

Police Pension Fund

Police Pension Fund Account for the year ended 31 March 2022

2020-21		2021-22	
£m		£m	£m
	Contributions receivable		
	- from employer		
(10.7)	normal	(11.2)	
0.0	early retirements	0.0	
(4.5)	- from members	(4.9)	
(15.2)			**(16.1)**
(0.3)	Transfers in from other Police Authorities		**(0.3)**
	Benefits payable		
26.0	- pensions	27.0	
6.2	- commutations and lump sums	7.8	
32.2			**34.8**
	Payments to and on account of leavers		
0.0	- Transfers out to other Police Authorities	0.5	
0.0	- Other	0.0	
0.0			**0.5**
16.7	Sub-total: Net amount payable for the year before transfer from Police Authority		**18.9**
(16.7)	Additional contribution from Police Authority		(18.9)
0.0	**Net amount payable/receivable for the year**		**0.0**

i. The Police Pension Fund was established under the Police Pension Fund Regulations 2007 (SI 2007 No. 1932).

ii. It is a defined benefits scheme, administered internally by the City of London and all City of London police officers are eligible for membership of the pension scheme.

iii. The fund's financial statements have been prepared using the accounting policies adopted for the City Fund financial statements set out on pages 134 to 151. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. Information on the long-term pension obligations can be found in the City Fund financial statements (see notes 23 to 26, page 66-76).

iv. Under the rules of the scheme, members may elect to commute a proportion of their pension in favour of a lump sum. Where a member has taken a commutation option, these lump sums are accounted for on an accruals basis from the date the option is exercised.

v. Transfer values represent the capital sums in respect of members' pension rights either received from or paid to other pension schemes in respect of members who have joined or left the service.

vi. The scheme is unfunded and consequently has no investment assets. Benefits payable are funded by contributions from employers and employees and any difference between benefits payable and contributions receivable is met by a top-up grant from the Home Office.

vii. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department.

viii. The account is prepared on an accruals basis and normal contributions, both from the members and the employer, are accounted for in the payroll month to which they relate.

Independent Auditors report to the Members of City of London Corporation on the Pension Fund Financial Statements of the City of London Corporation Pension Fund

Opinion on financial statements

We have audited the financial statements of the City of London Corporation Pension Fund (the 'Pension Fund') administered by City of London Corporation (the 'Corporation') for the year ended 31 March 2022, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year.

have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22; and

have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chamberlain's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Chamberlain's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Chamberlain's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chamberlain with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Chamberlain is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Chamberlain and the City of London Corporation ("the Corporation") as administering authority of the pension fund

As explained more fully in the statement of The Chamberlain's Responsibilities, the Corporation is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the Corporation, this officer is the Chamberlain. The Chamberlain is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chamberlain determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Chamberlain is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, Public Services Pension Act 2013, Local Government Pension Scheme Regulations 2013 and Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).

We enquired of management and the Audit and Risk Management Committee, concerning the Corporation's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations.
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Risk Management Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected, or alleged fraud.

We assessed the susceptibility of the Pension Fund’s financial statements to material misstatement, including how fraud might occur, by evaluating management’s incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to manual journals that did not go through any approval process, post year end entries and closing entries. We considered where there was any potential management bias in accounting estimates or any significant transactions with related parties which could give rise to an indication of management override. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on unusual journal entries using criteria developed based on our knowledge of the pension fund and the risks factors identified,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments and pension liability, and
- Evaluated the extent of appropriateness of accounting policies, estimates or significant unusual transactions.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery, or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the significant accounting estimates related to the valuation of level 3 investments and valuation of the pension liability. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Corporations’ control environment, including the policies and procedures implemented by the Corporation to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the City of London Corporation, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the Corporation's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett

Signature:

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date: 7th December 2023

City of London Pension Fund Account

Fund Account for the year ended 31 March 2022

2020-21		Notes	2021-22
£m			£m
	Dealings with members, employers and others directly involved in the Fund		
(47.3)	Contributions	7	(51.4)
(2.6)	Transfers in from other pension funds		(3.4)
(49.9)			**(54.8)**
49.8	Benefits	8	52.8
1.9	Payments to and on account of leavers	9	1.9
51.7			**54.7**
1.8	**Net (additions)/withdrawals from dealings with members**		**(0.1)**
9.1	Management expenses	10	10.9
10.9	**Net withdrawals including fund management expenses**		**10.8**
	Returns on investments		
(3.4)	Investment income	11	(4.0)
(279.9)	Profit and losses on disposal of investments and changes in the value of investments	12	(93.8)
(283.3)	**Net return on investments**		**(97.8)**
(272.4)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(87.0)**
(1,028.7)	Opening net assets of the scheme		(1,301.1)
(1,301.1)	**Closing net assets of the scheme**		**(1,388.1)**

Net Asset Statement as at 31 March 2022

2020-21		Notes	2021-22
£m			£m
0.2	Long-term investments		0.2
1,294.4	Investment assets	12	1,368.9
1,294.6	**Total net investments**		**1,369.1**
7.4	Current assets	19	20.4
(0.9)	Current liabilities	20	(1.4)
1,301.1	**Net assets of the Fund available to fund benefits at the end of the reporting period**		**1,388.1**

1. Description of the City of London Pension Fund

a) General

The City of London Pension Fund is part of the LGPS and is administered by the City of London. The City of London is the reporting entity for this pension fund.

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

Benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

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

b) Membership of the Fund

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the City of London Pension Fund include:

- Scheduled bodies, which are automatically entitled to be members of the Fund
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The following table summarises the membership numbers of the scheme:

	31 March 2022				31 March 2021
	Current contributors	Beneficiaries in receipt of pension	Deferred members	Total	Total
	No.	No.	No.	No.	No.
ADMINISTERING AUTHORITY					
City of London Corporation	4,332	4,232	4,282	12,846	12,521
	4,332	**4,232**	**4,282**	**12,846**	**12,521**
SCHEDULED BODIES:					
Museum of London	258	268	636	1,162	1,140
Magistrates Court	0	18	13	31	31
Multi Academy Trust	12	0	1	13	4
	270	**286**	**650**	**1,206**	**1,175**
ADMITTED BODIES:					
Irish Society	4	10	2	16	16
City Arts Trust	0	0	0	0	1
Parking Committee for London	0	6	6	12	12
Guildhall Club	0	4	4	8	8
City Academy - Southwark	95	11	134	240	218
Sir John Cass (Brookwood)	0	1	0	1	1
AMEY (Enterprise)	0	6	3	9	9
Eville and Jones	0	0	1	1	1
London CIV	14	1	15	30	29
Westminster Drug Project	1	0	1	2	2
Agilysis	5	5	14	24	24
Agilysis (police)	0	1	2	3	3
Bouygues (EDTE)	0	0	1	1	1
Cook & Butler	1	0	1	2	2
1SC Guarding Limited	0	0	1	1	1
Skanska	4	1	0	5	5
Veolia	3	1	1	5	5
	127	**47**	**186**	**360**	**338**
TOTAL	**4,729**	**4,565**	**5,118**	**14,412**	**14,034**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. For 2021/22, employer contribution rates range from 15.0% to 21.0% of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website.

2. Basis of preparation

The statement of accounts summarises the Fund's transactions for the 2021/22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the Pension Fund because it does not hold any assets as a lessee.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 18.

The accounts have been prepared on a going concern basis. The administering authority is confident that the Fund will have sufficient resources to meet obligations as they fall due over the foreseeable future.

3. Accounting policies

i. The pension fund accounts are accounted for on an accruals basis for income and expenditure, with the exception of transfer values in and out, which are accounted for on a cash basis.

ii. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

iii. Investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

iv. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 13). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

v. Acquisition costs are included in the purchase costs of investments.

vi. Assets and liabilities in overseas currencies are translated into sterling at the exchange rates ruling at the net asset statement date. Transactions during the year are translated at rates applying at the transaction dates. Surpluses and deficits arising on conversion are dealt with as part of the change in market values of the investments.

vii. The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows:

Administration expenses	All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Oversight and governance	All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Investment management expenses	Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments.

viii. Income from investments is accounted for on an accruals basis. Investment income arising from the underlying investments of the Pooled Investment Vehicles is typically reinvested within the Pooled Investment Vehicles and reflected in the unit price.

ix. The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and losses realised on sales of investments and unrealised changes in market value.

x. Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

xi. Under the rules of the Scheme, members may receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.

xii. Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

xiii. Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the most recent available equivalent trailing reporting period is used for inclusion in the fund account.

4. Critical judgements in applying accounting policies

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 18.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

5. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made considering historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depend on a number of complex judgements 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 Fund with expert advice about the assumptions to be applied. This uncertainty relates solely to the disclosures made in Note 18 and does not impact on the Net Asset Statement or Pension Fund Account.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: • a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £47m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £4m • a one-year increase in assumed life expectancy would increase the liability by approximately £100m.
Private equity investments (Note 13)	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and use valuation techniques that rely on unobservable inputs.	Private equity investments are valued at £34m in the accounts. There is a risk that this investment may be under or overstated significantly if the underlying valuation assumptions change.
Infrastructure and pooled property investments (Note 13)	Infrastructure and pooled property investments are valued at fair value using valuation techniques that rely on unobservable inputs.	Infrastructure and pooled property investments are valued at £69m and £101m, respectively in the accounts. There is a risk that this investment may be under or overstated significantly if the underlying valuation assumptions change.

6. Events after the reporting date

There are no events occurring after the reporting date that necessitate adjustments (adjusting events) or disclosure (non-adjusting events).

7. Contributions receivable

By Category

2020-21		2021-22
£m		£m
(12.1)	Employees' contributions	(12.1)
	Employers' contributions	
(24.6)	Normal contributions	(24.3)
(9.0)	Deficit recovery contributions	(9.0)
(1.6)	Pensions strain contributions	(6.0)
(35.2)	**Total employers' contributions**	**(39.3)**
(47.3)		**(51.4)**

By type of employer

2020-21		2021-22
£m		£m
(44.0)	Administering authority	(48.2)
(2.2)	Scheduled bodies	(2.2)
(1.1)	Admitted bodies	(1.0)
(47.3)		**(51.4)**

8. Benefits payable

By Category

2020-21		2021-22
£m		£m
40.9	Pensions	43.1
7.7	Lump sum retirement benefits	8.8
1.2	Lump sum death benefits	0.9
49.8		**52.8**

By type of employer

2020-21		2021-22
£m		£m
46.7	Administering authority	49.9
2.8	Scheduled bodies	2.5
0.3	Admitted bodies	0.4
49.8		**52.8**

9. Payments to and on account of leavers

2020-21		2021-22
£m		£m
1.8	Individual transfers out	1.8
0.1	Refunds to members leaving service	0.1
1.9		**1.9**

10. Management expenses

2020-21		2021-22
£m		£m
0.6	Administration expenses	0.7
8.2	Investment management expenses	9.8
0.3	Oversight and governance*	0.4
9.1		**10.9**

*Includes audit fees of £21,500 that have been charged to the Pension Fund (2020/21: £25,300). The 2021-22 audit will be carried out by our newly appointed auditor; Grant Thornton and the fee payable is estimated to be £35,000.

a. Investment management expenses

2020-21					2021-22			
Management Fees	**Performance Related Fees**	**Transaction Costs**	**Total**		**Management Fees**	**Performance Related Fees**	**Transaction Costs**	**Total**
£m	£m	£m	£m		£m	£m	£m	£m
0.7	0.0	0.0	0.7	Infrastructure funds	0.6	2.1	0.0	2.7
4.4	0.9	0.3	5.6	Pooled investments**	4.7	0.3	0.0	5.0
0.5	0.0	0.0	0.5	Pooled property investments	0.5	0.0	0.0	0.5
0.4	1.0	0.0	1.4	Private equity	0.4	1.2	0.0	1.6
6.0	**1.9**	**0.3**	**8.2**	**Total**	**6.2**	**3.6**	**0.0**	**9.8**

**Included £1.1m charged to the Pension Fund by the London CIV regional asset pool (£1.1m in 2020/21).

11. Income from investments

2020-21		2021-22
£m		£m
(0.8)	Infrastructure funds	(0.5)
(0.1)	Interest	(0.0)
(2.4)	Pooled property investments	(2.3)
(0.1)	Private equity	(1.2)
(3.4)	**Total**	**(4.0)**

The Pension Fund's investment policies are focussed on capital accumulation in pooled vehicles and private equity investments. Dividends and interest are typically retained at pool level. Where any shortfall of the Net Deductions on Contributions and Benefits Paid was previously covered by investment income, it is intended that the Fund will sell holdings in the pooled vehicles, as necessary, to cover any shortfalls. There are no limitations imposed by the fund managers on the selling of these pooled vehicle funds.

12. Investments

Market Value 31-03-2021		Market Value 31-03-2022
£m		£m
	Investment assets	
	Pooled funds	
243.2	Diversified growth funds	257.3
562.4	Global equity	590.3
117.3	Multi asset credit	120.2
182.3	UK equities	197.2
1,105.2		**1,165.0**
	Other investments	
62.8	Infrastructure funds	68.7
88.2	Pooled property investments	101.1
38.0	Private equity funds	34.1
189.0		**203.9**
0.2	Investment income due	0.0
1,294.4	**Total investment assets**	**1,368.9**
	Long-term investments	
0.2	Equities	0.2
1,294.6	**Net investment assets**	**1,369.1**

a. Reconciliation of movements in investments

The table below shows the movement in market values by asset type

	Market Value 31-03-2021	Purchases During the Year	Sales During the Year	Change in Value	Market Value 31-03-2022
	£m	£m	£m	£m	£m
Infrastructure funds	62.8	0.3	(7.9)	13.5	68.7
Long-term investments	0.2	0.0	0.0	0.0	0.2
Pooled investments	1,105.2	121.6	(126.5)	64.7	1,165.0
Pooled property investments	88.2	6.6	(0.6)	6.9	101.1
Private equity funds	38.0	0.2	(12.8)	8.7	34.1
	1,294.4	**128.7**	**(147.8)**	**93.8**	**1,369.1**
Investment income due	0.2				0.0
Net investment assets	**1,294.6**				**1,369.1**

	Market Value 31-03-2020	Purchases During the Year	Sales During the Year	Change in Value	Market Value 31-03-2021
	£m	£m	£m	£m	£m
Infrastructure funds	62.3	0.1	(0.9)	1.3	62.8
Long-term investments	0.2	0.0	0.0	0.0	0.2
Pooled investments	848.3	40.0	(52.7)	269.6	1,105.2
Pooled property investments	66.1	22.3	(0.6)	0.4	88.2
Private equity	34.7	1.4	(6.7)	8.6	38.0
	1,011.6	**63.8**	**(60.9)**	**279.9**	**1,294.4**
Cash deposits	11.9				0.0
Investment income due	0.1				0.2
Net investment assets	**1,023.6**				**1,294.6**

b. Investments analysed by fund manager

Market value 31-03-2021		Market value 31-03-2022
£m		£m
	Investments managed by the London CIV	
183.9	LCIV Global Alpha Growth Fund*	171.7
117.3	LCIV MAC Fund	0.0
0.0	LCIV Alternative Credit Fund*	120.2
0.2	London CIV	0.2
301.4		**292.1**
	Investments managed outside the London CIV	
58.7	Alternative assets	51.7
94.4	Artemis Institutional Equity Income Fund*	104.3
29.5	Aviva Lime Property Fund	32.6
140.9	C Worldwide Global Equities*	156.6
106.6	Harris Associates Global Equity Fund*	113.4
42.1	IFM Global Infrastructure (UK)	51.1
48.3	Lindsell Train UK Equity Fund	50.9
29.0	M&G UK Residential Property Fund	36.3
29.7	M&G Secured Property Income Fund	32.2
39.6	Liontrust UK Equity Fund	42.0
136.7	Pyrford Global Total Return Fund*	142.8
106.5	Ruffer Absolute Return Fund*	114.5
131.0	Veritas Global Focus Fund*	148.6
993.0		**1,077.0**
1,294.4	**Total**	**1,369.1**
0.2	Investment income due	0.0
1,294.6	**Net investment assets**	**1,369.1**

*These investments each singularly represent over 5% of the net assets of the Fund.

Alternative assets comprise of private equity and infrastructure investments managed through eleven separate investment managers.

13. Fair value - basis for valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Item	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key Sensitivities affecting the valuations provided
Pooled investments - equity funds (UK and Global)	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – multi-asset funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled property investments	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by significant changes in rental growth, vacancy levels, and the discount rate applied to future cash flows as well as more general changes in market conditions.
Private equity funds	Level 3	Comparable valuation of similar companies in accordance with international private equity valuation guidelines.	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Valuations include assumptions based on non-observable market data, such as discounts applied either to reflect changes in the fair value of financial assets or to adjust earnings multiples.
Infrastructure funds	Level 3	Discounted cashflows applied to equity and debt instruments. The Funds determine fair value for these securities by engaging external valuation services.	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Valuations include assumptions based on non-observable market data, such as discounts applied either to reflect changes in the fair value of financial assets or to adjust earnings multiples.

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Assessed valuation range	Market value 31-03-2022	Value on increase	Value on decrease
	(+/-)	£m	£m	£m
Private equity funds	10%	34.1	37.5	30.7
Pooled property investments	10%	101.1	111.2	91.0
Infrastructure funds	10%	68.7	75.6	61.8
		203.9	**224.3**	**183.5**

a. Fair value hierarchy

Assets have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

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

Level 2

Financial instruments at level 2 are those where quoted market prices are not available for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. Products classified as level 2 comprise open ended pooled investment vehicles which are not exchange traded, unquoted bonds and repurchase agreements.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include private equity investments and infrastructure funds which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of pooled property investments are based on valuations provided by the fund managers which in turn represent estimates by independent professional valuers of the open market value of those investment as at the reporting date.

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

These valuations are prepared in accordance with the international private equity and venture capital valuation guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are typically undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Guidance released by the Pensions Research Accountants Group (PRAG) in 2016 provides further clarification on the classification of pooled investment vehicles as level 1, 2 and 3. Pooled funds that are not quoted on an exchange are classed as level 2, as these do not meet the definition of level 1 investment: *The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.* The table that follows provides an analysis of the assets of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values as at 31 March 2021					Values as at 31 March 2022			
Quoted market price	**Using observable inputs**	**With significant unobservable inputs**			**Quoted market price**	**Using observable inputs**	**With significant unobservable inputs**	
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
£m	£m	£m	£m		£m	£m	£m	£m
				Financial assets at fair value through profit and loss				
0.0	0.0	62.8	62.8	Infrastructure funds	0.0	0.0	68.7	68.7
0.0	0.0	0.2	0.2	Long-term investments	0.0	0.0	0.2	0.2
0.0	1,105.2	0.0	1,105.2	Pooled investments	0.0	1,165.0	0.0	1,165.0
0.0	0.0	88.2	88.2	Pooled property investments	0.0	0.0	101.1	101.1
0.0	0.0	38.0	38.0	Private equity funds	0.0	0.0	34.1	34.1
0.0	**1,105.2**	**189.2**	**1,294.4**	**Total investment assets**	**0.0**	**1,165.0**	**204.1**	**1,369.1**
0.2	0.0	0.0	0.2	Investment income due	0.0	0.0	0.0	0.0
0.2	**1,105.2**	**189.2**	**1,294.6**	**Net investment assets**	**0.0**	**1,165.0**	**204.1**	**1,369.1**

b. Reconciliation of fair value measurements within level 3

The table below shows the movements in level 3 disclosures for 2021/22

Disclosures for level 3	Market value at 31-03-2021	Transfers into level 3	Transfers out of level 3	Purchases at cost	Sales	Unrealised gains / (losses)	Realised gains / (losses)	Market value at 31-03-2022
	£m	£m	£m	£m	£m	£m	£m	£m
Private equity	38.0	0.0	0.0	0.2	(12.8)	6.1	2.6	34.1
Pooled property investments	88.2	0.0	0.0	6.6	(0.6)	6.9	0.0	101.1
Infrastructure	62.8	0.0	0.0	0.3	(7.9)	11.4	2.1	68.7
Long term investment	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Total level 3	**189.2**	**0.0**	**0.0**	**7.1**	**(21.3)**	**24.4**	**4.7**	**204.1**

14. Financial Instruments

a. Classification of financial instruments

at 31 March 2021					at 31 March 2022			
Fair Value through profit and loss	Assets held at amortised cost	Financial liabilities at amortised cost	Total		Fair Value through profit and loss	Assets held at amortised cost	Financial liabilities at amortised cost	Total
£m	£m	£m	**£m**		£m	£m	£m	**£m**
				Financial assets				
62.8	0.0	0.0	**62.8**	Infrastructure funds	68.7	0.0	0.0	**68.7**
0.0	0.2	0.0	**0.2**	Long-term investments	0.0	0.2	0.0	**0.2**
1,105.2	0.0	0.0	**1,105.2**	Pooled investments	1,165.0	0.0	0.0	**1,165.0**
88.2	0.0	0.0	**88.2**	Pooled property investments	101.1	0.0	0.0	**101.1**
38.0	0.0	0.0	**38.0**	Private equity funds	34.1	0.0	0.0	**34.1**
0.0	7.2	0.0	**7.2**	Cash	0.0	19.9	0.0	**19.9**
0.0	0.2	0.0	**0.2**	Investment income due	0.0	0.0	0.0	**0.0**
0.0	0.1	0.0	**0.1**	Other debtors*	0.0	0.0	0.0	**0.0**
1,294.2	**7.7**	**0.0**	**1,301.9**		**1,368.9**	**20.1**	**0.0**	**1,389.0**
				Financial liabilities				
0.0	0.0	(0.1)	**(0.1)**	Creditors*	0.0	0.0	(0.1)	**(0.1)**
1,294.2	**7.7**	**(0.1)**	**1,301.8**	**Total**	**1,368.9**	**20.1**	**(0.1)**	**1,388.9**

*The table above excludes debtors valued at £0.5m (31 March 2021: £0.1m) and creditors valued at £1.3m (31 March 2021: £0.8m) which are non-contract based transactions and balances and therefore do not meet the criteria of financial instruments. Further information on current assets and current liabilities outstanding at the reporting date is detailed in notes 19 and 20 below.

b. Net (Gains) and Losses on Financial Instruments

2020-21		2021-22
£m		£m
	Financial Assets	
279.9	Fair value through profit and loss	93.8
279.9		**93.8**

15. Risk and risk management

The Pension Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio.

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

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

As part of each of the external fund managers' investing there is also a strict adherence to the principles of liquidity risk management in order to ensure cash flow requirements are met as and when they fall due.

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

16. Market risks

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors, asset classes and individual securities. To mitigate market risk, the Pension Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

In consultation with its investment consultant, Mercer Ltd, the Fund has determined that the following movements in market price risk are reasonably possible for 2021/22, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type	Value as at 31 March 2022	Change	Value on increase	Value on decrease
	£m	%	£m	£m
Developed market global equities	745.6	18.9%	886.5	604.7
Emerging market global equities	42.1	28.6%	54.1	30.1
Diversified growth funds	257.3	11.8%	287.7	226.9
Multi asset credit	120.2	10.8%	133.2	107.2
UK property (proxy for residential property)	36.3	9.9%	39.9	32.7
Long lease UK property	64.8	16.5%	75.5	54.1
Private equity	34.1	24.8%	42.6	25.6
Unlisted infrastructure	68.7	16.2%	79.8	57.6
Total	**1,369.1**		**1,599.3**	**1,138.9**

Asset type	Value as at 31 March 2021	Change	Value on increase	Value on decrease
	£m	%	£m	£m
Developed market global equities	688.3	18.7%	817.0	559.6
Emerging market global equities	56.6	28.6%	72.8	40.4
Diversified growth funds	243.2	11.6%	271.4	215.0
Multi asset credit	117.3	10.5%	129.6	105.0
UK property (proxy for residential property)	29.0	16.4%	33.8	24.2
Long lease UK property	59.2	9.7%	64.9	53.5
Private equity	38.0	24.7%	47.4	28.6
Unlisted infrastructure	62.8	16.1%	72.9	52.7
Total	**1,294.4**		**1,509.8**	**1,079.0**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. The pooled multi-asset investments are indirectly subject to interest rate risks, as underlying holdings include fixed income instruments, and this represent the risk that the fair value or these financial instruments will fluctuate because of changes in market interest rates. Fund managers have the discretion to manage interest risk exposure through the use of derivatives.

The Fund's indirect exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value. Bonds and cash balances are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

Value as at 31 March 2021	Change	Value on increase	Value on decrease	Assets exposed to interest rate risk	Value as at 31 March 2022	Change	Value on increase	Value on decrease
£m	%	£m	£m		£m	%	£m	£m
7.2		7.2	7.2	Cash and cash equivalents	19.9		19.9	19.9
231.5	1.00%	230.2	240.2	Bonds	245.9	1.00%	241.2	250.7
238.7		**237.4**	**247.4**	**Total**	**265.8**		**261.1**	**270.6**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments owned directly or through a pooled structure, that are denominated in any currency other than the functional currency of the Fund (UK sterling).

Currency	As at 31 March 2022			
	Value	Change	Value on increase	Value on decrease
	£m	%	£m	£m
United States Dollar	417.7	2.41%	427.8	407.6
Euro	123.2	1.54%	125.1	121.3
Japanese Yen	37.7	2.67%	38.7	36.7
Australian Dollar	31.1	2.32%	31.8	30.4
Swiss Franc	17.1	2.00%	17.4	16.8
Hong Kong Dollar	14.9	2.37%	15.3	14.5
Taiwanese Dollar	11.4	2.08%	11.6	11.2
Indian Rupee	10.7	3.11%	11.0	10.4
Swedish Krona	10.3	1.97%	10.5	10.1
Indonesian Rupiah	10.1	2.18%	10.3	9.9
Other overseas	57.1	1.85%	58.2	56.0
Overseas total	**741.3**		**757.7**	**724.9**
Sterling	627.8			
Net investment assets	**1,369.1**			

The table above summarises the position as at 31 March 2022, and the comparable position as at 31 March 2021 is shown below. The analysis uses historical currency volatility data sourced from the fund custodian, BNY Mellon.

Currency	As at 31 March 2021			
	Value	Change	Value on increase	Value on decrease
	£m	%	£m	£m
United States Dollar	376.1	2.35%	384.9	367.3
Euro	120.0	1.56%	121.9	118.1
Japanese Yen	35.0	2.74%	36.0	34.0
Australian Dollar	20.8	2.27%	21.3	20.3
Swiss Franc	17.5	2.24%	17.9	17.1
Hong Kong Dollar	16.4	2.34%	16.8	16.0
Chinese Yuan	13.3	2.38%	13.6	13.0
Taiwanese Dollar	10.8	2.00%	11.0	10.6
Indian Rupee	10.8	2.61%	11.1	10.5
Swedish Krona	10.3	2.28%	10.5	10.1
Other overseas	70.1	2.40%	71.8	68.4
Overseas total	**701.1**		**716.8**	**685.4**
Sterling	593.5			
Net investment assets	**1,294.6**			

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Officers monitor cash flows and take steps to ensure that there are adequate cash resources to meet the Fund's commitments. The Fund has immediate access to its cash holdings.

Liquid assets are those that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2022, liquid investment assets were £1,165.0m representing 85% of total fund assets (£1,105.4m at 31 March 2021 representing 85% of the Fund at that date). These investments can in fact be liquidated within a matter of days.

Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high-quality counterparts, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle transactions in a timely manner.

17. Funding arrangements

In accordance with statutory regulations a triennial valuation of the Pension Fund was completed by the City's independent consulting actuaries, Barnett Waddingham LLP, as at 31 March 2019 using the projected unit method and the resulting employers' contribution were implemented for the three financial years commencing 1 April 2020. A more recent valuation was undertaken as at 31 March 2022, and employer contribution rates resulting from this exercise will apply from 1 April 2023.

The main funding assumptions which follow were incorporated into the funding model used in the 31 March 2019 and the 31 March 2022 valuations (Consumer Price Inflation has been used as basis to reflect the actuarial assumption in real terms):

	March 2019		March 2022	
	% p.a.	% p.a.	Real % p.a.	Real % p.a.
Financial assumptions				
Discount rate	5.1	2.5	4.6	2.9
Retail Price Inflation	3.6	1.0	3.2	1.0
Consumer Price Inflation	2.6	-	2.9	-
Pension increases	2.6	-	2.9	-
Pay increases	3.6	1.0	3.9	1.0

The discount rate reflects the asset allocation embedded in Fund's long-term strategy; the below table outlines how these assumptions translate into an overall discount rate assumption as at 31 March 2019 and 31 March 2022.

Future assumed returns at 31 March 2019	Percentage of Fund	Return Assumption	Real (relative to CPI)
	%	%	%
Equities	55.0	6.7	4.1
Property and infrastructure	15.0	6.1	3.5
Absolute return fund - inflation plus 3.7%	30.0	6.3	3.7
Expenses (deduction)		(0.2)	(0.2)
Neutral estimate of discount rate based on long-term investment strategy		6.3	3.7
Prudence allowance		(1.2)	(1.2)
Discount rate		5.1	2.5

Future assumed returns at 31 March 2022	Percentage of Fund	Return Assumption	Real (relative to CPI)
	%	%	%
Equities	55.0	6.9	5.2
Property and infrastructure	15.0	6.4	4.7
Absolute return fund - inflation plus 3.7%	30.0	4.9	3.2
Expenses (deduction)		(0.2)	(0.2)
Neutral estimate of discount rate based on long-term investment strategy		**6.0**	**4.3**
Prudence allowance		(1.4)	(1.4)
Discount rate		**4.6**	**2.9**

Demographic assumptions

The assumed life expectancy from age 65 is shown below for the 31 March 2019 valuation and 31 March 2022 valuation.

Life expectancy from age 65		31 March 2019
Retiring today	Male	21.7
	Female	24.3
Retiring in 20 years	Male	23.1
	Female	25.8

Life expectancy from age 65		31 March 2022
Retiring today	Male	21.0
	Female	23.5
Retiring in 20 years	Male	22.3
	Female	24.9

Commutation assumption

As part of the 31 March 2019 valuation the actuary assumed that members on average exchanged pension to get approximately 50% of the maximum available cash on retirement.

50:50 membership

The actuary has assumed that existing members will continue to participate in their current section

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Funding Position at Valuation date

The valuation at 31 March 2019 and 31 March 2022 revealed that the relationship between the values placed on the assets held by the Fund and the liabilities accrued in respect of pensionable service at that date was as follows:

	March 2019	March 2022
Past service liabilities	**£m**	**£m**
Active members	(383.7)	(448.0)
Deferred pensioners	(236.7)	(286.0)
Pensioners	(555.3)	(670.0)
Total	**(1,175.7)**	**(1,404.0)**
Assets	1,062.9	1,369.0
Deficit	**(112.8)**	**(35.0)**
Funding level	**90%**	**98%**

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

	March 2019	March 2022
	Contribution rate %	**Contribution rate %**
Future service funding rate	15.0	18.5
Past service adjustment	5.5	2.5
Total contribution rate	**20.5**	**21.0**

The secondary rate contributions agreed with individual employers were set at the 31 March 2019 valuation to restore the Fund to a funding position of 100% over a recovery period of no longer than 14 years. This deficit recovery plan was maintained at the 31 March 2022 valuation (i.e. the secondary rates established in 2022 aim to restore 100% funding over 11 years).

Whilst the Fund level contribution rate is now 21.0% per annum, within this individual employer contribution rates vary. Having considered the basic rate of employer's contributions above, the City of London Corporation set contribution rates applicable to its employees of 21.0% for each of the financial years 2020/21 to 2022/23. Exceptions are City Academy and the Multi Academy Trust who both pay 17.1% p.a., the London CIV (15.0%), Veolia (17.6%) and the Museum of London (16.1%).

Following the 31 March 2022 valuation, most employers will continue to pay contribution rates of 21.0% for the three years commencing 1 April 2023 apart from the City Academy and the Multi Academy Trust (17.1%); the Museum of London (16.1%) and the London CIV (15.0%).

18. Funded Obligation of the Overall Pension Fund

31 March 2021		31 March 2022
£m		**£m**
(2,304.4)	Present Value of the defined benefit obligation*	(2,201.1)
1,301.1	Fair Value of Fund Assets (bid value)	1,388.1
(1,003.3)	Net Liability	**(812.9)**

*The present value of the funded obligation consists of £2,171.4m in respect of vested obligations and £29.6m in respect of non-vested obligations (2020/21: £2,262.4m and £42.0m respectively).

The above figures show the total net liability of the Fund as at 31 March 2022 and have been prepared by the fund actuary (Barnett Waddingham LLP) in accordance with IAS26. In calculating the disclosed numbers, the value of Fund's liabilities calculated for the funding valuation as at 31 March 2019 have been rolled forward, using financial assumptions that comply with IAS19.

at 31 March 2021		Assumptions	at 31 March 2022	
% p.a.	**Real % p.a.***		**% p.a.**	**Real % p.a.***
2.85	-	CPI increase	3.20	-
3.85	1.00	Salary increase	4.20	1.00
2.85	-	Pension increase	3.20	-
2.00	-	Discount Rate	2.60	-

* Consumer Price Inflation has been used as basis to reflect the actuarial assumption in real terms.

Life expectancy from age 65		31 March 2021	31 March 2022
Retiring today	Males	21.6	21.0
	Female	24.3	23.5
Retiring in 20 years	Males	22.9	22.3
	Female	25.7	24.9

McCloud and Sargeant judgments

The Government reformed public service pension schemes in 2014 and 2015 and introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination.
The present value of the defined benefit obligation includes an allowance for the impact of any amendments that may be required to the Local Government Pension Scheme as a result of the Court of Appeal judgement on the McCloud and Sargeant cases on the basis that there is a constructive obligation as at 31 March 2022.

Guaranteed Minimum Pension (GMP) Equalisation

On 22 January 2018, the Government published the outcome of its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. The present value of the defined benefit obligation assumes that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the calculation assumes that the Fund will be required to pay the entire inflationary increase.

19. Current assets

Current assets include cash balances of £19.9m at 31 March 2022 (£7.2m at 31 March 2021) and accruals for contributions of £0.5m (£0.2m at 31 March 2021).

20. Current liabilities

Current liabilities represent accruals for investment management expenses, custodian fees and benefits payable.

21. Additional voluntary contributions

Market Value at 31 March 2021		Market Value at 31 March 2022
£m		**£m**
2.1	Prudential	2.1
0.6	Standard Life Investments	0.6
0.2	Utmost Life and Pensions	0.1
2.9		2.8

Additional voluntary contributions (AVCs) are managed externally and independently from the rest of the Pension Fund. They are paid by members to the Corporation and transferred directly to the relevant fund managers – Prudential, Standard Life Investments and Utmost Life and Pensions (formerly Equitable Life). AVCs of £0.44m were paid in 2021/22 (2020/21: £0.44m).

In accordance with Regulation 4(1) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid, and the assets of these investments are not included in the Fund's accounts.

22. Related party transactions

The City of London Pension Fund is administered by the City of London Corporation. Consequently, there is a strong relationship between the local authority and the Pension Fund.

During the reporting period, the administering authority incurred salary expenses amounts to £0.6m (2020/21: £0.6m) which were recharged to the Pension Fund.

The Corporation is also the single largest employer of members of the Pension Fund and the employer contributions paid by it was £31.2m in 2021/22 (2020/21: £31.3m).

23. Key management personnel

The key management personnel of the Fund as at 31 March 2022 were the Chamberlain, Corporate Treasurer, Pensions Manager (Administration) and Group Accountant for Pensions and Treasury Management. Total remuneration payable from the Pension Fund to key management personnel is set out below and has been apportioned based on an estimate of management personnel's time attributable to the Pension Fund.

2020-21		2021-22
£m		**£m**
0.2	Short-term benefits	0.2
0.2		**0.2**

24. Contingent liabilities and contractual commitments

The Fund had external outstanding capital commitments relating to property amounting to £38.6m as at 31 March 2022 (31 March 2021: £0m), which are expected to be called down in the next 12-18 months. Further outstanding capital commitments at 31 March 2022 totalled £6.9m (31 March 2021: £8.0m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

Accounting Policies

Accounting Policies

1. Accounting Policies

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

1.1. Basis of Preparation

This Statement of Accounts is prepared for the City of London Corporation (“the City Corporation”) only to the extent that it exercises functions in relation to the collection fund of the Common Council, the City Fund administered by the Common Council (collectively referred to as “the City Fund”), as required by the Local Audit and Accountability Act 2014. Accordingly, the reporting entity, for the purpose of these accounts, is the City Fund which is a portion of the City Corporation but is not in itself a legal entity. This means the legal party to transactions and balances allocated to the City Fund is the City Corporation.

Assets, liabilities and transactions of the City Corporation are allocated to the City Fund where they relate to the economic activity of the City Corporation’s local authority function, for example where they relate to education, housing, social care; policing; and port health authority functions. Similarly, transactions and balances that relate to the City Corporation’s other economic activities are excluded from these accounts.

The basis of allocation has been made on a consistent basis for a number of years and are reported in more detail in the section below – Applying Accounting Policies.

The Statement of Accounts summarises the authority’s transactions for the 2021-22 financial year and its position at the year end of 31 March 2022. The Statement of Accounts have been prepared on the base that the Corporation will remain a “going-concern” and will continue to operate in the foreseeable future. The accounts are prepared in accordance with proper accounting practices as required by the Accounts and Audit Regulations 2015. This comprises the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2. Accruals of Expenditure and Income

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

- Revenue from contracts with service recipients, whether for service or the provision of good, is recognised when (or as) the good or services are transferred to the service recipient in accordance with the performance obligations in the contract;

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and

- 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 it is subsequently identified that 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.

1.3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours less cheques and BACS payments issued but not presented. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the City Fund's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.
Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period and are disclosed in the notes.

1.5. Charges to Revenue for Non-current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

- amortisation of intangible assets attributable to the service.

The City Fund is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, if it had a borrowing requirement it would be required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount, the Minimum Revenue Provision (MRP), calculated on a prudent basis determined in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation would then be replaced by the MRP by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves.

1.6. Employee Benefits

(a) Short-term employee benefits

Short-term benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, wages, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service.

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

(b) Termination benefits

Termination benefits are amounts payable as a result of a decision to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service in the CI&ES at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the City Fund Balance to be charged with the amount payable by the employer to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

(c) Retirement benefit costs

(i) Pension Costs – City of London Staff

With the exception of serving police officers and teachers, City of London staff are eligible to contribute to the City of London Pension Fund, which is a funded defined benefits scheme. The estimated net deficit on the Fund is the responsibility of the City of London Corporation as a whole, as one employer, rather than the specific responsibility of any of its three funds (City Fund, City's Cash and Bridge House Estates). The Corporation and its three funds have a policy in place to share the net defined benefit cost of the pension fund across the three funds. As such the City Fund recognises the net defined benefit cost along with a share of scheme assets and scheme liabilities. The total net defined benefit cost is apportioned across the Corporation's three funds based on the proportion of pensionable payroll of each fund.

- The liabilities attributable to the City Fund are included on the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions including mortality rates, employee turnover rates and projections of earning for current employee;

- Liabilities are discounted to their value at current prices;

- The assets attributable to the City Fund are included in the balance sheet at their fair value using estimated bid values where necessary.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:

  - current service cost, the increase in liabilities as a result of years of service earned this year, allocated in the CI&ES to the services for which the employees worked;
  - past service cost, the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the CI&ES as part of non-distributed costs;

  - net interest on the net defined benefit liability is charged to the financing and investment income and expenditure line of the CI&ES. The interest is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments

- Remeasurements comprising:

- the return on plan assets, excluding amounts included in the net interest on the net defined benefit liability, charged to the pensions reserve as other comprehensive income and expenditure;

- actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the pensions reserve as other comprehensive income and expenditure

• Contributions paid to the Pension Fund, cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the City Fund unallocated reserve to be charged with the amount payable to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are transfers to and from the pension reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the pension reserve thereby measures the beneficial impact to the City Fund unallocated reserve of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

(ii) Pension Costs – Police Officers and Judges'

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

The payment of pensions to former judges' is the responsibility of the Treasury with the City of London reimbursing the Treasury for the City Fund's share of the liability. The City Fund's estimated liability has been determined by independent actuaries in accordance with IAS19.

The accounting treatment for the estimated liabilities on the Police and Judges' schemes are similar to that outlined above for the City of London Pension Scheme.

(iii) <u>Pension Costs - Teachers</u>

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

1.7. Events After the Reporting Period

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

(a) Adjusting Events

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

(b) Non-adjusting Events

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

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

1.8. Financial Instruments

(a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CI&ES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

(b) Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

(i) **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CI&ES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CI&ES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CI&ES.

(ii) Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets (excluding statutory amounts such as council tax and NNDR) held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

The City Corporate currently has finance lease debtors for ground rents due on leases properties. Due to the low value of these rents compared to the investment lessees have made in these properties it is highly unlikely that default will occur and therefore no expected credit loss has been applied to these amounts.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

(iii) Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly;
- Level 3 inputs – unobservable inputs for the asset.

(iv) Financial Assets Measured at Fair Value through Other Comprehensive Income (designated equity instruments)

The authority has designated an equity investment in the Municipal Bonds Agency as a financial asset measured at FVOCI on the basis that it is not held for trading and is held for strategic purposes. Fair Value gains and losses are recognised through other comprehensive income and expenditure. Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CI&ES.

The City Fund is not party to any material finance guarantees and therefore no adjustment to the accounts has been made.

1.9. Interest Income

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

1.10. Government Grants and Other Contributions

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

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.

(a) Revenue

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

(b) Capital

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

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

When, at a future date, the expenditure to be financed from the grant or contribution is incurred, the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

1.11. Business Improvement Districts

A Business Improvement District (BID) scheme applies across an area of the City (Cheapside). The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the CI&ES.

1.12. Community Infrastructure Levy

The City Corporation has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The City Corporation charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the CI&ES in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

1.13. Heritage Assets

Heritage assets are those assets intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Where the cost or value of heritage assets cannot be obtained at a cost which is commensurate with the benefits to the users of the financial statements, such assets will not be recognised in the Balance Sheet. The City Corporation does not consider the expense of obtaining information on cost or values to be justified and therefore recognises on the City Fund balance sheet only those heritage assets for which information on costs is readily available. The City Corporation considers that heritage assets will have indeterminate lives and high residual values; hence the City Corporation does not consider it appropriate to charge the City Fund depreciation for these assets (see note 14, page 57, for details of these assets).

1.14. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CI&ES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Unallocated Reserve. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Unallocated Reserve. The gains and losses are therefore reversed out of the Unallocated Reserve in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.15. 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 Fund. 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.

1.16. 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 Fund. 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.

1.17. Provisions

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

1.18. Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Freehold land has an indefinite life and the land within the lease is recorded as an operating lease unless it is an immaterial part of the lease.

(a) Finance Leases

(i) City Fund as Lessee

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

(ii) City Fund as Lessor

Amounts due from lessees under finance leases are recorded in the Balance Sheet as a debtor at the amount of the net investment in the lease. The lease payments receivable is apportioned between repayment of the debtor and finance income. The finance income is credited to revenue and calculated so as to give a constant periodic rate of return from the net investment. The asset is written out of the balance sheet as a disposal. A gain, representing the net investment in the lease is credited to income and the difference shown as a gain or loss on disposal. Where the lessee acquires the asset through payment of a premium at the commencement of the lease, this is included as a capital receipt and there is no remaining finance lease asset.

(b) Operating Leases

(i) City Fund as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease). Where rent concessions have been granted because of the Covid-19 pandemic, these have included the forgiveness of a portion of or all lease payments for an agreed period (i.e. a temporary rent reduction or rent holiday). These concessions have been recognised over the periods that the change relate to.

(ii) City Fund 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 is credited to the CI&ES. Credits are made on a straight-line basis over the period of the lease, even if the payments are not received on this basis (e.g. there is a premium paid at the commencement of the lease).

1.19. Overheads

The costs of support service overheads 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 (including capital charges) are apportioned on the basis of the office area utilised by each service.

1.20. Property, Plant and Equipment

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

(a) Recognition

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

(b) Valuation

Property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset so that it is capable of operating in the manner intended. Assets are then carried in the Balance Sheet using the following measurement bases:

- Properties regarded as operational - current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), or where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost, based on modern equivalent assets, as an estimate of current value;
- Council dwellings – current value, determined using the basis of existing use value for social housing;
- Non-operational assets under construction – historic cost
- Infrastructure, community and heritage assets - historic cost, net of depreciation, where appropriate
- Vehicles, plant and equipment - cost, net of depreciation, as a proxy for current value.
- Surplus assets – fair value, estimating highest and best use

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

(c) Revaluations

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

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

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

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

(d) Impairments

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

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

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

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

(e) De-recognition

The carrying amount of an item of property, plant and equipment (except for infrastructure assets) is derecognised:

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

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

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

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

If the asset derecognised was carried at a re-valued amount, an additional entry is required; the balance on the Revaluation Reserve is written off to the Capital Adjustment Account and reported in the Movement in Reserves Statement. The Capital Receipts Reserve can only be used for new capital investment or set aside to reduce any underlying need to borrow (the capital financing requirement). A proportion of receipts relating to Housing Revenue Account disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.

For infrastructure assets, the provisions under The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 allow for the derecognition of replaced elements of infrastructure assets to be assumed to be at nil value. This provision has been utilised in forming the statement of accounts. In the event that a disposal proceed was received for an infrastructure asset, the accounting treatment described above would be utilised for this receipt.

(f) Depreciation

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

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

(g) Components

Assets other than Housing Revenue Account (HRA) Dwellings

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

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

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

HRA Dwellings

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

1.21. Fair value measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset of liability; or

(b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

1.22. Reserves

Specific amounts have been set aside as reserves for future policy purposes or to cover contingencies. Details of the City Fund's earmarked reserves are set out in note 12(page 50). Certain reserves are required by the Code to manage the accounting process for long-term assets and retirement benefits and do not represent usable resources. Details of these unusable reserves are set out in note 31 (page 82-85).

1.23. Revenue expenditure funded from capital under statute

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

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

1.24. Value Added Tax

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

1.25. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

1.26. Accounting for Council Tax and National Non-Domestic Rates

The council tax and National Non-Domestic Rates (NNDR) income included in the CI&ES is the City Fund's share of accrued income for the year. However, regulations determine the amount of council tax and NNDR that must be included in the City Fund. Therefore, the difference between the income included in the CI&ES and the amount required by regulation to be credited to the City Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the City Fund's share of the end of year balances in respect of council tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

1.27. Accounting for the London Business Rates Pool Pilot

In 2018-19 the City of London undertook the role of Lead Authority for the 100% London Business Rates Pool Pilot which borough together the business rates generated across the 32 London Boroughs, the City Corporation and the GLA. The City of London has continued this role on 2020-21. In its role as Lead Authority, the City Corporation has received funds and made payments on behalf of the pool and retaining funds for distribution to pool members in the future. The City Corporation has treated these transactions as an agent on behalf of the pool members and therefore has not accounted for these transactions in its CI&ES. Any outstanding transaction to or from the pool are shown as a debtor or creditor balances on the City Corporation balance sheet.

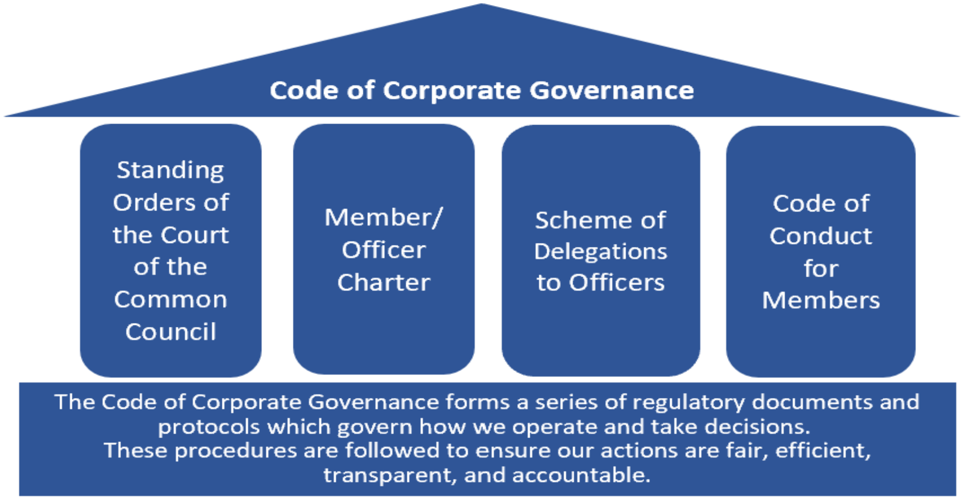
Annual Governance Statement

Executive Summary

1. The City Corporation has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework 2016.*
2. This statement explains how the City Corporation has complied with the code and also meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.
3. The City of London Corporation is satisfied that appropriate governance arrangements are in place. The organisation is committed to continuous improvement and changes that are due to be made in the coming year will strengthen this position further.
4. **The Head of Internal Audit and Risk Management has provided an annual opinion stating that the City has adequate and effective systems of internal control (which includes governance arrangements) in place to manage the achievement of its objectives. This is informed by completed Audit work, discussion with key officers and observation of the governance process in operation, with particular regard to the implementation and continued operation of amended governance processes to address the impact of the COVID-19 pandemic.**

Code of Corporate Governance

5. The principles of good governance are embedded within a comprehensive published Code of Corporate Governance. This code covers both the Local authority and Police Authority roles, and links together a framework of policies and procedures, all of which are published on the City of London Corporations web pages at the following location: Corporate Governance - City of London



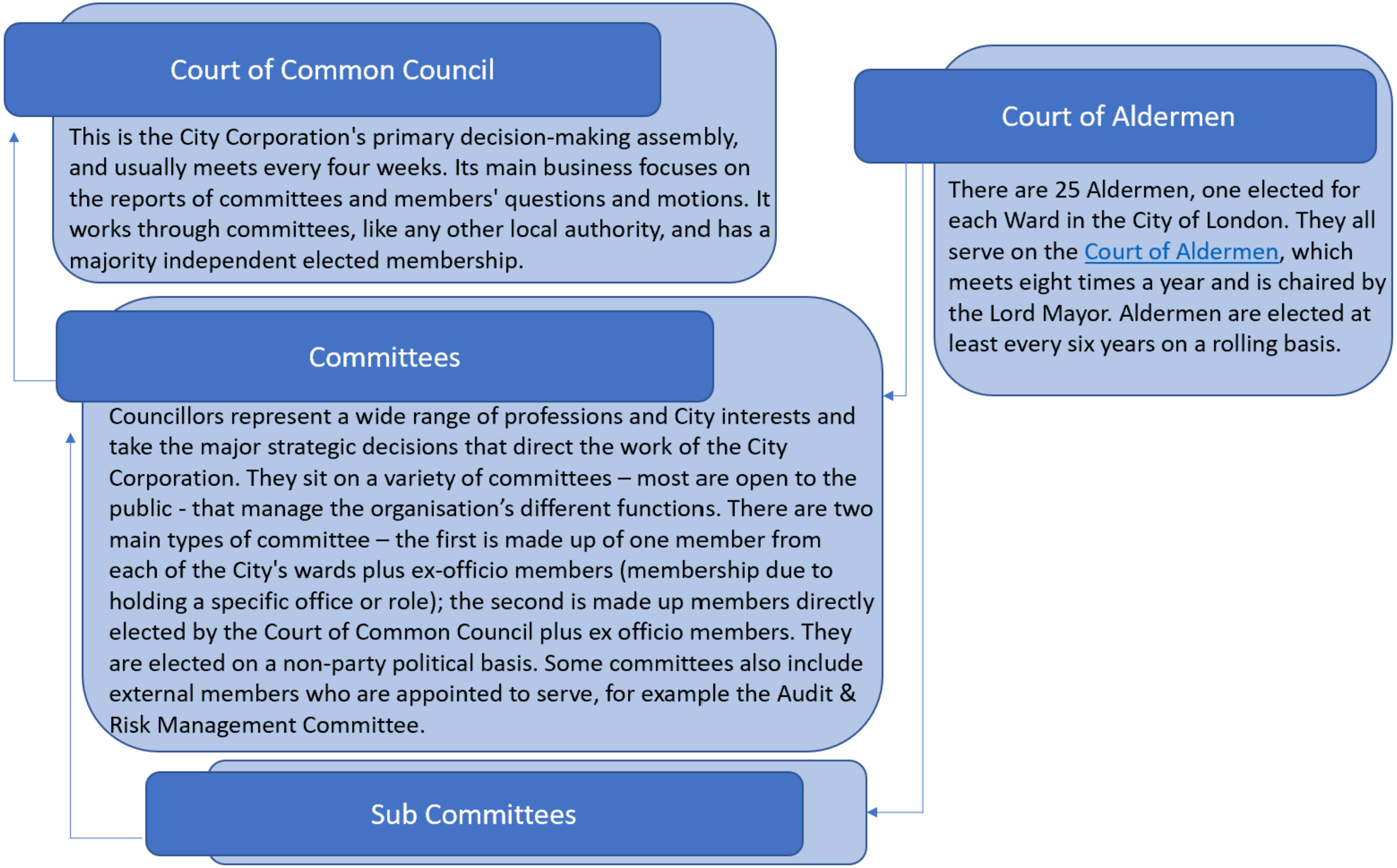
The Standing Orders of the Court of the Common Council outline how the court shall be run.

Our Member/Officer Charter, in conjunction with the City Corporation's Member and Employee codes of conduct, ensures that appropriate working relationships and mutual expectations are more clearly established and promoted between Members and Officers.

The Court of Common Council has agreed the principle that authority should be delegated to Chief Officers (and their nominated Deputies or Assistants) under the Scheme of Delegations to Officers for carrying out the day-to-day management of all services and for the discharge of specific statutory and non-statutory functions.

The Code of Conduct for Members states members shall have regard for the Seven Principles of Public Life: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

6. Our decision-making arrangements operate on a committee-based system whereby elected Members (Councillors) are appointed annually to serve on our many committees and sub committees. These committees, the principal governing body being the Court of Common Council, meet regularly throughout the year.



7. Key features of the City Corporation's Governance Framework include effective leadership, scrutiny and review, and robust decision making and risk management.

Key Elements of the Governance Framework

Scrutiny and Review

[Committees](#) scrutinize and review the City Corporation's policy, plans and performance:

- Audit and Risk Management Committee
- Efficiency and Performance Sub (Finance) Committee
- Finance Committee
- Policy and Resources Committee
- Police Authority Board
- Bridge House Estates Board

Corporate risks are considered quarterly by the Executive Leadership Board and reported to the Audit and Risk Management Committee

Decision making

Committee meetings are held in public and recordings are available on City of London Corporation – YouTube channel for up to one year

Decisions are recorded on the City Corporation website

Town Clerk and Chief Executive, Deputy Town Clerk and Chief Officers

The Town Clerk and Chief Executive is the Head of Paid Service and responsible for City Corporation staff and for leading the Chief Officer executive leadership team.

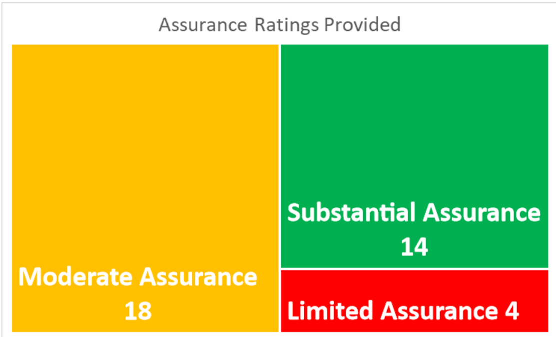
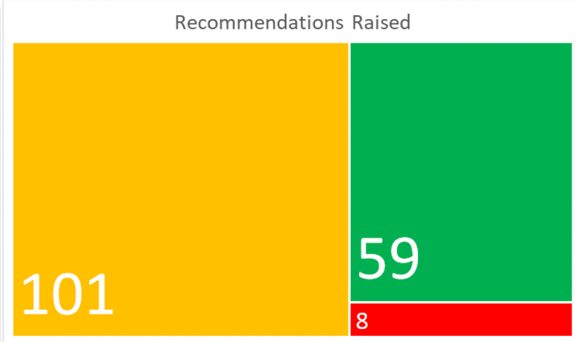
The Deputy Town Clerk is

The Chamberlain and Chief Finance Officer is the City Corporation's s.151 Officer responsible for ensuring the City Corporation's financial position.

The Corporate Plan 2018-23

8. The City of London Corporation Corporate Plan 2018-23 provides the framework for the delivery of our services. We aim to contribute to a flourishing society, support a thriving economy and shape outstanding environments. Our annual Business Planning process is aligned to the Corporate Plan outcomes, with the objective of focusing the City Corporation's ambition, resources and performance on the achievement of twelve strategic outcomes. Development of the Corporate Plan 2025-30 is underway under the direction of the new Chief Strategy Officer, appointed in 2021.

Review of Effectiveness

Governance Key Performance Indicators	Outcome
Internal Audit Work: 38 Internal Audit reviews were completed in 2021/22, 50% of which resulted in a Moderate Assurance opinion, a small minority of Limited Assurance opinions were given with the remainder of areas reviewed receiving Substantial Assurance. A total of 168 recommendations were raised by Internal Audit, more than half of which were given an Amber priority rating, requiring prompt attention from Management. Less than 5% of recommendations raised were Red (critical) priority, all of which have been promptly resolved.	 
Fraud identification: proven fraudulent activities carried out by members or staff	None in 2021/22
Outcomes of investigations carried out by Monitoring Officer or Standards Committee	None in 2021/22
s151 formal issues raised	None in 2021/22
Local Government Ombudsman referrals (where upheld)	None in 2020/21 (update when the 2021/22 data is available)
Meeting statutory deadlines/targets as per Electoral Commission Performance Standards	Achieved
Freedom of Information and Environmental Information Regulations	2021: 95.5% of FOI and EIR requests responded to within the statutory compliance deadline. Information Commissioners Office target: 90% of FOIs responded to in time. Complaints received concerning request responses: 9% upheld, 13% partially upheld, 77% not upheld.

The Governance Review

9. Robert Rodgers, The Lord Lisvane, was commissioned to undertake an independent review of the City Corporation's governance arrangements in 2019. His findings were received in September 2020. The review was scrutinised by the Court of Common Council through regular Member Engagement Sessions; each aspect of the review and the Court's decision-making arrangements was explored in detail and views were sought on revising the committee structure and governance arrangements to be a more effective, efficient and relevant decision-making structure. Initially, up until 31 March 2021, consideration had been given to the organisation's constitutional arrangements and support given to the abolition of the Standards Committee and the Standards Appeal Committee, the introduction of Independent Panels to receive allegations of misconduct, determine whether to investigate, present findings to the Court, and hear any appeal; the creation of the now-named Competitiveness Advisory Board as well an Emergency Committee to provide Member oversight in emergency

situations in future. In December 2021, further changes were agreed upon by Court and full implementation of a revised structure will take place after the 2022 Ward elections. This will see a wholesale restructure of the Court's Committees, in line with the Review recommendations. Committees will then be responsible for enacting changes with respect to their sub-committees. There will still be ongoing development in some areas of governance, such the City's Planning and housing functions. The Court of Common Council has agreed to review all new Governance arrangements after two years, however, if any areas are identified as problematic, an urgent focused assessment will be conducted to recommend changes to the appropriate body. Work undertaken by Internal Audit during 2020/21 did not identify any material issues or weaknesses, though various recommendations have been made to improve governance arrangements within individual operational areas. These recommendations do not form part of the Annual Governance Statement action plan but remain within the oversight of Internal Audit and the Audit and Risk Management Committee.

Independent Panel

10. The review of the Standards regime resulted in the abolition of the previous Standards Committee and the Standards Appeal Committee and the creation of an Independent Panel. The new Panel comprises a diverse group of independent persons only appointed by the Court of Common Council following a transparent advertising and recruitment process. Its purpose is to receive allegations of misconduct, determine whether to investigate, consider the outcome of investigations and if necessary, hold a hearing and only appeal and present recommendations to the Court. The new regime involves a three-stage process, an assessment stage, a hearing stage and an appeal stage. The new Panel is also responsible for considering requests for dispensations. Other elements of the Standards Committee's work are currently retained under the auspices of the Policy and Resources Committee, pending the outcome of the governance review, e.g. promoting and maintaining high standards of conduct by Members and Co-opted Members and keeping under review and monitoring the following: -

- City of London Corporation's Member Code of Conduct together with any guidance
- City of London Corporation's Employee Code of Conduct by way of an annual update by the Director of HR
- The Protocol on Member/Officer Relations
- Training Members and Co-opted Members on matters relating to the City of London Corporation's Code of Conduct

Performance Management

11. Work had previously started on a Corporate Performance Framework (CPF) aiming to capture around 300 organisational performance indicators from data streams collated from across the organisation. This work was paused in Q2 2021 while the Corporate Strategy and Performance Team (CSPT) went through its Target Operating Model (TOM) review. Following the TOM restructure work remained on hold as a consequence of staff changes and recruitment, recommencing at the end of 2021, once the new Assistant Director for Corporate Performance & Analysis was in post. An informal review of existing CPF activity has been completed. Findings indicated that the original performance indicators identified may be of value to some areas of the organisation where they relate to specific work programmes. However, collectively they fall short of providing overarching strategic performance indicators for City Corporation. The Framework also lacked any way of delivering strategic oversight of organisational activity. Nor did the CPF provide a means of visualising organisational activity or progress over time. A shift towards performance indicators measuring outcomes – especially when these are specific, measurable, achievable,

relevant and timebound – and ways of visualising data to make it more accessible, and allow for increased analysis, is necessary to provide more depth to corporate understanding of performance and use this data to inform strategic decision making.

12. In late March 2022 a discussion took place on the CPF at the Executive Leadership Board. Agreement was reached that it was necessary to refocus previous activity in order to deliver a workable solution for the CPF. This iteration of the framework aims to be focussed on identifying ways of tracking relevant strategic outcomes, developing ways of using data that underpin this to visualise activity for City Corporation. The updated CPF will also be designed for continuous improvement, with ongoing feedback on content encouraged. This work is being developed in tandem with the new Corporate Plan so as to ensure alignment of performance and strategic plans – however, parts of the CPF will be available in 2022, in advance of the new plan.

Financial Management Arrangements

13. The Chamberlain is the Chief Finance Officer in accordance with section 151 of the Local Government Act 1972 and has overall responsibility for the proper administration of the City's financial affairs. CIPFA's 2010 Statement on the Role of the Chief Financial Officer in Local Government defines the key responsibilities of this role and sets out how the requirements of legislation and professional standards should be met. The City's financial management arrangements were reviewed and found to conform to the governance requirements of the Statement. The Chamberlain also fulfils the role of Treasurer of the Police Authority. Compliance with CIPFA's Financial Management Code has been reviewed and areas for action in relation to this have been determined.

14. The City Corporation culture is to maximise returns from its resources and seek value for money. It assesses the scope for improvements in efficiency/value for money by a variety of means, including improvement priorities set by the Policy & Resources Committee through the annual resource allocation process, and internal examination and review by the Efficiency & Performance (Finance) Sub Committee. The Efficiency & Performance Sub Committee has responsibility for monitoring and oversight of the Efficiency and Sustainability Plan and of departmental Economy, Efficiency and Effectiveness (EEE) Health Checks. These include consideration of income, helping to embed further a value for money culture within the City Corporation's business planning processes. The Projects Sub Committee meets monthly to ensure that projects align with corporate objectives and strategy and provide value for money. Oversight for the major programmes is provided by the Capital Buildings Committee, meeting every two months, supported by a monthly Major Programme Assurance board.

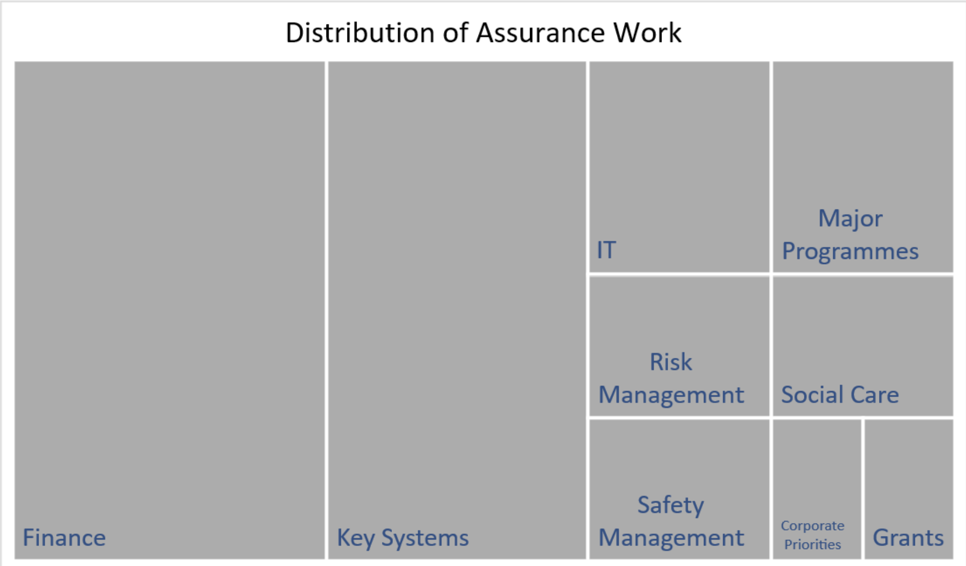
Risk Management

15. The City Corporation has established formal Risk Management arrangements which include the development and maintenance of corporate, departmental, and service risks, their regular review by departmental senior management, through the Chief Officer Risk Management Group, and reported to the relevant Grand/Service Committee. These arrangements are subject to annual review by the Audit and Risk Management Committee and have continued to operate effectively.
16. The Audit and Risk Management Committee continued to play an important and integral part in ensuring that our most important risks were reviewed through regular risk updates and deep dives of corporate risks on a rolling basis. The Committee also continued to operate the Informal Risk Challenge process, meeting with Chief Officers individually to evaluate their approach to managing risk within their operations.
17. An external Risk Management Health check was undertaken in 2021/22 which found that:

> "Overall, the Health Check review found that the City Corporation's risk management approach aligns with best practice, it strives for continuous improvement, recognising that there are always improvements that can be made to its effectiveness."

Role of Internal Audit

18. Internal Audit has provided independent and objective assurance across a range of City Corporation activities and services, in accordance with the Annual Internal Audit Plan (part of a 3-year Strategic Audit Plan). The Audit Plan has been managed proactively throughout the year with the engagement and support of the Audit and Risk Management Committee; amendments were made to accommodate the continued impact of the Target Operating Model review, with work being reprioritised and rescheduled accordingly. The diagram below indicates the broad categorisation of assurance work within the Internal Audit programme of work and the key themes emerging from Audit findings:



Key themes emerging:

- Roles and Responsibilities (ambiguity)
- Compliance and Enforcement (2nd Line of Defence)
- Education and Awareness
- Poorly Defined Deliverables (and reporting against)
- Governance (accountability, ownership, structure,
- Lessons Learned

19. In accordance with the requirements of the Public Sector Internal Audit Standards, an annual self-assessment has been undertaken and confirmed that the City Corporation's Internal Audit function conforms with the requirements of the standards.

Audit and Risk Management Committee

20. The Audit & Risk Management Committee has a wide-ranging but focused brief that underpins the City of London Corporation's governance processes. It met this remit via structured independent challenge and oversight of the adequacy of Corporate and departmental risk management, in addition to the internal controls and financial reporting frameworks.

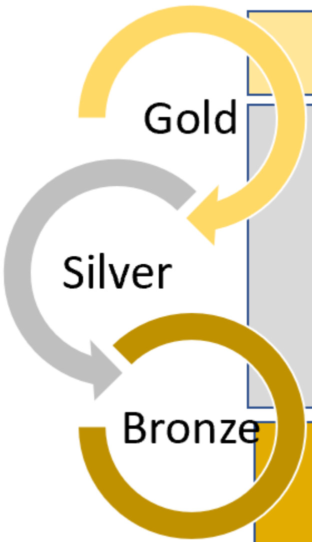
Headline outcomes for the year include:

- Adding greater depth to the oversight and scrutiny of effective risk management through the Informal Risk Challenge Process and "deep dive" reviews
- Driving the continued evolution of risk management organisation wide, both on the part of Officers within departments, and also elected Members
- Challenging and supporting the organisation in its response to the COVID-19 pandemic
- Supporting the process to ensure that Internal Audit activity is focussed towards areas of most significant risk
- Ensuring timely and effective implementation of Internal Audit recommendations through a robust process of follow-up activity

Key Governance Issues

COVID-19

21. Under the Civil Contingencies Act 2004 the City of London Corporation is a Category 1 responder. It therefore has statutory responsibilities under the act and the emergency provisions that comes with it. The outbreak of the COVID-19 pandemic in 2020 resulted in officers deploying command and control structures in order to effectively manage the City Corporation's response to the global crisis. Officers worked, and continue to work, with Public Health England and other partners, in accordance with current Government guidance, to maintain the organisation's critical and other services and to minimise the impact of COVID-19 on the City's communities as we enter a new period post the pandemic emergency.
22. The introduction of temporary emergency measures enabled formal decision-making meetings to be undertaken virtually until 6th May 2021. The ability to operate in this manner was very successful, it introduced more flexibility, helped to facilitate greater public scrutiny, and aided Members and officers in conducting business more efficiently. Prior to the introduction of virtual meetings, matters which required an immediate formal committee decision were dealt with in accordance with Standing Order No 41(a) i.e. under the urgency procedures. Decisions taken in this manner usually involves consultation with just the Chairman and Deputy Chairman of a committee, but the process was extended so all Members of a committee had the opportunity to comment before a decision was taken. The arrangements were lifted but temporarily re-imposed from 16 December 2021 to 27 January 2022 due to the Omicron outbreak.
23. The management of risk has been at the heart of the governance arrangements employed to manage the City Corporation's response to COVID-19. The City Corporation's Gold group agreed a risk management protocol which set out the process by which the corporate risk for COVID-19 (CR34) and operational risks (silver/ thematic group) were identified, assessed, managed, and reported. The Audit and Risk Management Committee received detail of all the COVID-19 risks.



A City Corporation-wide Gold group had been established at the start of the pandemic to oversee the response across all its areas.

A Silver group was established in Community and Children's Services, chaired by the Director of Community and Children's Services, comprising the Department Leadership Team and relevant external stakeholders such as Health Colleagues and the voluntary and community sector. Meeting weekly throughout lockdown periods and when there were significant pandemic pressures, the group was responsible for identifying vulnerable groups and the mobilisation of critical support including the safeguarding of adults and children. Assistant Director of People's Services was the responsible lead for ensuring that access to social care and rough sleeping services were maintained. Assistant Director for Commissioning and Partnerships was responsible for maintaining our commissioned services and flexing these up where necessary.

A bronze group of Service Managers, chaired by the Assistant Director, Housing and Barbican, was established and brought together working knowledge of the impact of the pandemic on residents and services, proposed responses to this and raised any risks in maintaining services for vulnerable people to the Silver group.

24. Throughout the period, the City Corporation ensured that access to services was maintained for vulnerable people and that additional support was provided where required.
25. Since March 2020, the City has been delivering a range of Grant support to City Businesses, primarily focussed on the Retail, Hospitality and Leisure Sectors, on behalf of Central Government. The City's own City Business Support Grant scheme has delivered around £15m to SME Retail, Hospitality and Leisure businesses.

26. The City's Business Rate Enhanced Retail and Hospitality Relief scheme, gave 100% relief from business rates to businesses in these sectors in the first three months of 2021/22 financial year, followed by a 66% reduction for the remainder of the year.

Electoral arrangements

27. The City Corporation administers electoral registration and elections in the City of London and maintains a database of organisations and individuals in the City of London who are eligible to register to vote. Three separate registers are maintained: the Common Hall Register of Liverymen, the Ward Lists and the Electoral Register. Information on the electoral process and how to vote is published on the City Corporation website. Common Hall is one of the assemblies through which the City Corporation operates and is a meeting of the Liverymen of the City of London Livery Companies, held at Guildhall twice a year, to elect officers of the City including the Sheriffs and the Lord Mayor. The Lord Mayor is elected annually at Michaelmas, on 29 September, and the City's Sheriffs are elected after Midsummer day on 24 June. Sheriffs support the Lord Mayor in their official duties undertaken on behalf of the City Corporation.
28. City-wide elections due to be held in 2021 were delayed to March 2022. The COVID-19 pandemic had impacted on Ward List voter registration, businesses and workers were not present in the City, and it was uncertain whether it would be possible for the City of London Corporation to physically arrange and hold elections. At the time of making this decision to alter the electoral term for serving Members it was both unknown and unpredictable how long or far reaching the impacts of the pandemic would be on the city and its citizens. Delays to elections are rare and only happen in exceptional circumstances; this unusual and difficult decision was not taken lightly and it was the first time it had happened since the time of World War II. T, which illustrates how fundamental the City of London Corporation regarded it to be. Other governance changes were made due to the impacts of the pandemic to permit Alderman to continue to serve until the age of 75 and for the incumbent Lord Mayor to extend his 1 year term by 12 months.
29. A campaign to improve the voter statistics for the City, and a dedicated Speak for the City website that enabled voter registrations and provided information on how to stand as a candidate, meant workers and residents who were entitled to vote in the March 2022 election were not disenfranchised because of the effects of the pandemic. The City's electoral register for the March 2022 elections stood at its highest level for seven years with almost 20,000 voters, up nearly 50% on the previous year. 38 new members and 62 returning members were elected to the Court of Common Council. Of these, 32 were women – an increase of eight on the figure from 2017 (24). More than half of new candidates were either women or people from black, Asian or minority ethnic backgrounds. Aldermanic elections will resume after the publication of the Ward Lists in 2022.

Equality Diversity & Inclusion

30. Equality, Diversity & Inclusion (EDI) needs continued to gain increased prominence and recognition in the Corporation. The Tackling Racism Taskforce proposed 35 recommendations including on tackling historical issues such as statues and landmarks, that the City Corporation implemented to promote economical, educational, and social inclusion, and put diversity and inclusivity front and centre in everything it does, from staffing and governance arrangements to its family of schools, the City of London Police and its close relationship with the City's financial and professional services sector. The Corporation worked closely with Barbican Centre to respond to the publication of Barbican Stories, acting quickly to put in place an External Review by employment and equality law specialist Lewis Silkin LLP, and a HR Audit of working practices at the Barbican and beyond. The Barbican EDI Plan was updated and a dedicated Interim Director of Equity, Inclusion and Diversity was appointed. The Nominations, Effectiveness and Inclusions Committee oversees the Barbican Centre's EDI policies. In November 2021, funding of a small but focussed team to support the City Corporation's Head of Equality, Diversity & Inclusion (EDI) was agreed. The dedicated EDI function will provide access to professional expertise and specialist knowledge in the areas of Leadership, Culture, Line management, Behaviours, Career progression, Policies and practices, Customer satisfaction and Supply chain involvement. It will also be critical to the City Corporation in ensuring it meets its requirements under the Equality Act 2010. Executive Leadership Board approval was given to establish a pool of EDI reps in the organisation who will assist the City Corporation in meeting its requirements on EDI.

31. The City Corporation continued its upward progress in the Social Mobility Employer Index, moving up 10 places in 2021 to rank 40th in the national league table of organisations which work to attract and progress talent from a wide range of backgrounds. The City Corporation continued to lead the Government-commissioned Socio-Economic Diversity Taskforce, which has over 100 employers represented across UK financial and professional services. The City Corporation has identified some newly emerging recruitment and retention challenges that are related to the impacts of the pandemic, and that are also being widely experienced by other sectors, and its Target Operating Model implementation. Action to mitigate this is being taken forward by Chief Officers.

Target Operating Model

31. Implementation of a new Target Operating Model (TOM) for the Corporation was taken forward in 2021/22 to align activity and resources and build competence and capability to better enable the organisation to achieve Corporate Plan outcomes and drive competitiveness in the sectors where it operates. TOM Programme Office oversight of five workstreams - Tier 1 Restructure / Talent & Leadership, Organisational Design, Enabling Functions, Ways of Working, Institutions, and Behaviours & Culture - came to an end in March 2022 with oversight transferring to the Chief Strategy Officer. Effective governance was provided by the Design Advisory Board, TOM Steering Group, and Establishment Committee. All departments and institutions produced Committee proposals to align their structures with the TOM Organisational Design principles. The approved proposals mean that the financial target of the TOM has been met. Success measures and metrics are being developed for the Target Operating Model whilst Departments continue to seek agreement to implement further phases of change, and transition to business as usual. A post implementation Review will be undertaken in 2023.

Afghanistan

32. In September 2021 the City Corporation was informed that the government had secured two “bridging hotels” in the Square Mile to provide temporary homes to families evacuated from Afghanistan. The urgency with which this operation was delivered meant there was little early clarity in terms of the host local authority’s responsibilities or role. Early in the placement of these families the government asked the City Corporation to provide “wrap around” support. The support aims to ensure families health and welfare needs are being met, that people are safe, that children and young people get school and college places, and families can access to health, welfare benefits and other support. The delivery of this role was supported by government funding to the City Corporation. A Gold group established at the outset period to provide leadership and decision making to secure immediate resource and delivery was replaced by a humanitarian assistance working group chaired by the Executive Director – Community and Children’s Services. It brought together internal and external stakeholders to provide co-ordination and accountability. It is supported by an operations group. The department’s Head of Finance and two Assistant Directors form a finance group to assess and approve requests for funding to deliver services and ensure funding is used effectively and in line with the guidance of government. A policing group meets to review incidents and intelligence to ensure guests remain safe. The City Corporation also participates in London Councils’ Afghan Bridging Hotels group, where all London authorities hosting bridging hotels convene to identify common issues and share information

Ukraine

33. Following the Russian Invasion of Ukraine the UK has imposed a range of sanctions on Russia in addition to those which have been in place since 2020. A Gold Group chaired by the Chief Operating Officer was put in place in March 2022 to ensure that the City Corporation is compliant. The City Corporation’s City Bridge Trust is also helping Ukrainian refugees receive a warm and safe welcome.

Accountability and Action Plans

34. Progress has been taken to taken to address key governance issues identified in the Annual Governance Statement 2020-21:

Issue identified	Action Taken	Outcome
Work to further develop, refine, implement and embed a Corporate Performance Framework will resume once a team is in place (initiated in Nov 2021). In the meantime, a successful application to issue Power BI licences to all staff means that Departments can now access real-time performance data as and when required. Corporate Performance Framework will be used to provide performance information for scrutiny at Committee, corporate, strategic, departmental, service and operational levels, as well as in published reports.	Recruitment action was successfully completed through the end of 2021/22, enabling a review of the Corporate Performance Framework to be undertaken. Work on the CPF remains ongoing, with the future approach having been agreed by the Executive Leadership Board in March 2022.	Ongoing
In 2022, the Executive Leadership Board will consider Organisational Performance as a standing agenda item at its monthly meetings to ensure transparency, oversight, ownership and scrutiny of performance across the organisation.	Included as a regular item in the Executive Leadership Board Forward Plan for 2022.	
Officer Governance has been reviewed to enable more agile and proactive working. From June 2021 The Executive Leadership Board (ELB), made up of our senior leadership team with quarterly attendance from Heads of Institutions, will set, refresh and align on strategy, share major risks, review performance, make key decisions, manage talent & succession and collaborate across the organisation. Tier 2 leaders across the organisation will also be invited to attend quarterly meetings of the refreshed Senior Leaders Forum (SLF), which will connect on plans across the organisation, shaping strategy, initiatives and decisions before they are escalated to the ELB.	Officer governance and the route whereby issues can be escalated through the reshaped Senior Leaders Forum and Executive Leadership Board is included on the City Corporation intranet.	
Review of the decision-making process to be carried out to create more sustainable decision-making processes using hybrid meetings.	The Court of Common Council has agreed to review all new Governance arrangements after two years.	
Further consideration of the findings of the Lisvane review and implementation of recommendations as appropriate.	The Court of Common Council considered each aspect of the review, and changes agreed in December 2021, will see a revised committee structure put in place after the 2022 Ward elections. An Independent Panel, a Competitiveness Advisory Board and an Emergency Committee have been implemented.	
Risk management maturity exercise to be undertaken.	An external Risk Management Review by Risk Management Partners (RMP) in mid-2021 provided assurance to Executive Leadership Board and to the Audit and Risk Management Committee as to the effectiveness of risk management arrangements.	

35. The City Corporation proposes over the coming year to take the following actions to address these key governance issues:

Refining the Corporation's annual Business Planning Process, to ensure the development of the City of London Corporation Corporate Plan 2025-30

Lead:
Chief Strategy Officer

A redesign of the Corporate Performance Framework so it aligns to the development of the City of London Corporation Corporate Plan 2025-30

Lead:
Chief Strategy Officer

Further work on developing new Corporate Risks

Lead:
Chief Strategy Officer

Continuing to strengthen Equality, Diversity & Inclusion

Lead:
Chief Operating Officer

Establishing the agreed new Committee Structure and governance arrangements to conclude the implementation of the Lisvane Review

Lead:
Deputy Town Clerk

Ensure compliance with the CIPFA Financial Management Code

Lead:
The Chamberlain and Chief Finance Officer

Ensuring new Operating Model transition to business as usual and providing an assessment of its effectiveness via a Continuous Improvement and Review process.

Lead:
Chief Strategy Officer

36. This annual governance statement was approved by the City Corporation's Audit and Risk Management Committee on 12th July 2022.

John Barradell
Town Clerk and Chief Executive
Date: 12 July 2022

Christopher Hayward
Chair, Policy and Resources Committee
Date: 12 July 2022

Further Information

City's Cash The existence of City's Cash can be traced back to the fifteenth century and it has built up from a combination of properties, lands, bequests and transfers under statute since that time. It is accounted for separately and does not form part of the City Fund statements, although references are made to City's Cash in certain parts of the statements. The fund is now used to finance activities mainly for the benefit of London as a whole but also of relevance nationwide. These services include the work of the Lord Mayor in promoting UK trade overseas, numerous green spaces and work in surrounding boroughs supporting education, training and employment opportunities.

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

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

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

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

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

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

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

- termination of employees' services earlier than expected, for example as a result of discontinuing an activity, and
- termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

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

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

Defined benefit scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.
Defined contribution scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and has no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Depreciation	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
Direct revenue financing	Expenditure on the provision or improvement of capital assets met directly from revenue account.
Donated assets	Assets transferred at nil value or acquired at less than fair value.
Expected rate of return on pensions assets	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
Experience gains or losses	In pensions accounting, the element of actuarial gains and losses that relates to differences between the actual events as they have turned out and the assumptions that were made as at the date of the earlier actuarial valuation.
Fair value	Fair value is generally defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.
Heritage assets	A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
Impairment	A reduction in the value of an asset below its carrying amount on the balance sheet.
Infrastructure assets	Long-term assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways, footpaths, bridges and sewers.
Intangible assets	A non-physical item where access to future economic benefits is controlled by the local authority. An example is computer software.
Pensions interest cost	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment properties	Interest in land or buildings that are held for investment potential.
Levies	These are charges incurred by the City of London to meet London-wide services. They include payments to the London Boroughs Grants Committee, the Environment Agency and the London Planning Advisory Committee.
National Non-Domestic Rate (NNDR)	A flat rate in the pound set by the Government and levied on businesses who occupy offices and buildings within the City. The income is collected by the City of London and is passed on to Central Government and the Greater London Authority (GLA).
Net current replacement cost	The cost of replacing a particular asset in its existing condition and in its existing use.
Net realisable value	The open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.
Non-operational assets	Long-term assets held but not directly occupied, used or consumed in the delivery of service. Examples are investment properties.
Past service cost (pensions)	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
Projected unit method	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to: • the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.
Provision	An amount set aside in the accounts for liabilities of uncertain timing or amount that have been incurred. Provisions are made when: • the City of London has a present obligation (legal or constructive) as a result of a past event; • it is probable that a transfer of economic benefits will be required to settle the obligation; and • a reliable estimate can be made of the amount of the obligation.

Reserves	Reserves are reported in two categories in the Balance Sheet of local authorities: • Usable reserves - surpluses of income over expenditure and amounts set aside outside the definition of a provision and which can be applied to the provision of services. Certain reserves are allocated for specific purposes and are described as earmarked reserves. • Unusable reserves - those that cannot be used to provide services. This category of reserves include adjustment accounts which deal with situations where statutory requirements result in income and expenditure being recognised against the City Fund or HRA balance on a different basis from that expected by accounting standards.
Revaluation Reserve	Represents increases in valuations of assets since 1 April less amounts written off due to the 'additional depreciation' (including impairment due to consumption of economic benefit) arising because property, plant and equipment are carried at a revalued amount rather than historic cost. It can also include reductions in values to investment properties where the reductions are not considered to be permanent.
Revenue expenditure	The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, repairs, maintenance and supplies.
Revenue expenditure funded from capital under statute	Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to revenue and impact on council tax. These items are generally grant payments and expenditure on property not owned by the authority.
Scheme liabilities	The liabilities of a defined benefits pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.
Section 106 agreement	A legal agreement between Local Authorities and developers; these are linked to planning permissions and can also be known as planning obligations.
Section 278 agreement	A section of the Highways Act 1980 that allows developers to enter into a legal agreement with the Local Authority to make permanent alterations or improvements to a public highway as part of a planning approval.

AVC .... Additional Voluntary Contributions
BCMS .... Business Continuity Management System
BRS .... Business Rate Supplement
CFR .... Capital Financing Requirement
CIL .... Community Infrastructure Levy
CIPFA .... Chartered Institute of Public Finance & Accounting
CPI .... Consumer Price Index
DfE .... Department for Education
DSG .... Dedicated Schools Grant
EUV .... Existing Use value
FTE .... Full Time Equivalent
GAAP .... Generally Accepted Accounting Practice
GLA .... Greater London Authority
HRA .... Housing Revenue Account
IAS .... International Accounting Standards
IFRS .... International Financial Reporting Standards
ISB .... Individual Schools Budget
LASAAC .... Local Authority (Scotland) Accounts Advisory Committee
LGPS .... Local Government Pension Scheme
LIBOR .... London Interbank Offered Rate
MRP .... Minimum Revenue Provision
NNDR .... National Non-Domestic Rate
OFSTED .... Office for Standards in Education, Children’s Services and Skills
PCN .... Penalty Charge Notice
RPI .... Retail Price Index
SBNDR .... Small Business Non-Domestic Rate
SeRCOP .... Service Reporting Code of Practice
SETS .... Stock Exchange Electronic Trading Service
SI .... Statutory Instruments
SIP .... Strategic Investment Pot
SOLACE .... Society of Local Authority Chief Executives
VAT .... Value-Added Tax
VOA .... Valuation Office Agency

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTES TO THE COLLECTION FUND

NOTES TO THE CITY OF LONDON PENSION FUND