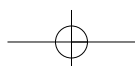
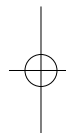
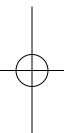
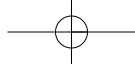

Statement of Accounts for the City Fund & Pension Funds

year ended 31 March 2009

city of london





Statement of Accounts for the City Fund and the Pension Funds

year ended 31 March 2009

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Explanatory Foreword

Introduction

1 The City of London Corporation has four main accounts, City Fund, City's Cash and Bridge House Estates together with the City of London Pension Fund. These accounts are not consolidated. This document sets out the 2008/09 City Fund accounts which cover the City's activities as a local authority, police authority and port health authority, together with the accounts of the City of London Pension Fund and the Police Pension Fund.

2 The document comprises:

City Fund Income and Expenditure Account - summarising all of the revenue resources that the City has generated, consumed or set aside in providing services during the year - page 14.

Statement of Movement on the City Fund Unallocated Reserve - reconciling the balance of resources generated/consumed or set aside in the year with statutory requirements for raising Council Tax - page 16.

Statement of Total Recognised Gains and Losses - demonstrating how the movement in net worth in the Balance Sheet is linked to the Income and Expenditure Account and to other unrealised gains and losses - page 18.

City Fund Balance Sheet - setting out its financial position - page 19.

Cash Flow Statement - summarising the City Fund capital and revenue inflows and outflows of cash - page 20.

Housing Revenue Account - showing its ring-fenced income and expenditure related to housing services - page 51.

Collection Fund Revenue Account - detailing income from Non-Domestic Rates and Council Tax and its distribution to the City Fund, precepting authorities and the National Non-Domestic Rates Pool - page 56.

The Accounts for the City of London Pension Fund - showing its income and expenditure for the year and the disposition of the Fund's assets - page 60.

The Police Pension Fund Account - showing income and expenditure for the year - page 70.

The Statement of Responsibilities for the Statement of Accounts - setting out the respective responsibilities of the City of London and the Chief Financial Officer - page 72.

Annual Governance Statement - setting out the framework for the continuous review and improvement of the effectiveness of internal control and risk management systems - page 73.

Adoption of the Statement of Accounts - by the Chairman and Deputy Chairman of the Finance Committee - page 81.

Report of the Auditors - giving their opinion on the City Fund accounts - page 82.

Glossary of Terms - page 87.

3 The City Fund accounts are supported by the Statement of Accounting Policies on pages 8 to 13 which explains the basis for recognition, measurement and disclosure of transactions and other events in the accounts. In addition, various notes accompany the financial statements.

The Core Financial Statements

4 The core financial statements comprise: the Income and Expenditure Account, the Statement of Movement on the City Fund Unallocated Reserve, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the Cash Flow Statement.

5 The Income and Expenditure Account measures the City of London's financial performance in terms of revenue resources generated and consumed in providing services during the year. It is prepared using essentially the same accounting conventions that a company would use to produce its profit and loss account. However, this accounting basis does not reflect certain items which the City of London, as a local authority, is required by statute and non-statutory proper practices to debit or credit to the City Fund. For example, statute allows capital expenditure to be directly funded from revenue but generally accepted accounting practice excludes this from the Income and Expenditure Account: generally accepted accounting practice also requires depreciation of fixed assets to be included in the Income and Expenditure Account whereas statute precludes depreciation being charged to the City Fund. Therefore, although the outturn on the Income and Expenditure Account is important, to give a full presentation of the City of London's financial performance, the impact of statutory requirements and non-statutory proper practices has to be considered.

6 The Statement of Movement on the City Fund Unallocated Reserve provides a reconciliation between the outturn on the Income and Expenditure Account and the balance established under the relevant statutory provisions and non-statutory proper practices. It is this movement which indicates whether reserves are drawn upon or added to for the year and hence the actual spending power carried forward to future years.

7 The Statement of Total Recognised Gains and Losses brings together the operational gains and losses for the year recognised in the Income and Expenditure Account and other gains and losses which are only recognised in the Balance Sheet, for example the revaluation of fixed assets or pension actuarial gains or losses, to show the total movement in the City Fund's net worth for the year.

8 The Balance Sheet shows the assets and liabilities of the City Fund. These are balanced by an attribution of the net worth between:

- the revenue and capital resources available to meet future expenditure
- unrealised gains and losses (particularly in relation to the revaluation of fixed assets)
- adjustment accounts that absorb the effect of differences between UK Generally Accepted Accounting Principles (GAAP) and statutory accounting requirements (the Capital Adjustment Account and the Pensions Reserve).

9 The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Impact of Economic Climate

10 The severe economic conditions during 2008/09 particularly resulted in significant reductions in property asset values and earnings on cash balances. It is however anticipated that most of the fall in asset values will be recovered through future upturns in the economic cycle and, in advance of this, there is no general requirement to raise capital through disposals.

11 With regard to interest earnings, these have substantially declined due to the unprecedented reduction in rates. The impact in 2008/09 was mitigated to a degree by taking advantage of longer term deposits before rates reduced, but this will be lost during 2009/10 and subsequent years as maturing deposits are reinvested (unless interest rates increase in the interim).

12 Rent income from investment properties has been and remains relatively resilient. Tenants' accounts are closely monitored and thus far rent arrears and bad debts have not increased significantly.

13 To address the loss of interest earnings and ensure that the City Fund revenue account is balanced over the medium term, with limited drawing from reserves, a package of specific measures is being pursued. These include blanket and targeted efficiency squeezes on budgets, meeting the costs of certain discretionary services from other funds of the City Corporation, realigning particular property holdings, taking advantage of investment property opportunities where there is a good covenant and rent incomes are higher than interest earnings on deposits, and applying the City Offset which has been restored by the Government from 2009/10. The City Offset is an amount which the Government allows the City Corporation to retain from the National Non-Domestic Rates paid by City Businesses in order to reflect the unique characteristics of the Square Mile.

Overall Financial Position on the City Fund

14 The following table shows that after taking into account those items which the City of London, as a local authority, is required by statute and non-statutory proper practices to debit or credit to the City Fund, the movement on the Unallocated Reserve for 2008/09 was an increase of £1m compared to a £2m reduction in 2007/08.

	2008/2009 £m	2007/2008 £m
Net operating expenditure	144	144
Government grants and local taxes	(112)	(108)
Income and Expenditure Account deficit for the year	32	36
Net additional amount required by statute and non-statutory proper practices to be credited to the City Fund Unallocated Reserve	(33)	(34)
(Increase)/Decrease in City Fund Unallocated Reserve	(1)	2

15 Cash backed reserves have decreased to £253m at 31 March 2009 compared with £352m a year earlier. They comprise the usable capital receipts reserve and most revenue reserves with the exception of the HRA reserve which although it is cash backed is ring-fenced by statute for housing purposes.

	2008/2009 £m	2007/2008 £m
Cash backed reserves – revenue	119	116
– capital	134	236
Total cash backed reserves	253	352

16 The £3m increase in cash backed revenue reserves relates to the £1m increase in the Unallocated Reserve and £2m net increase in earmarked reserves. The £101m reduction in cash backed capital reserves is the result of sums applied to finance capital expenditure partly offset by proceeds from disposals during the year.

2008/09 Revenue Outturn compared to Budget

17 Set out below is a summary of the movement on the City Fund Unallocated Reserve, comparing actual expenditure for the year with the latest budget approved by the Court of Common Council in March 2009.

	Budget £m	Actual £m	Variation £m
Net Cost of Services	177.2	170.0	(7.2)
Interest Income	(21.4)	(23.7)	(2.3)
Investment Properties	(22.7)	(22.0)	0.7
Pension Interest Costs	31.0	31.0	-
Gain on Disposal of Fixed Assets	-	(11.2)	(11.2)
Other Operating Costs	0.1	0.1	-
Net Operating Expenditure	164.2	144.2	(20.0)
Income from Government Grants and Local Taxpayers	(111.9)	(112.1)	(0.2)
Deficit for the year on the Income and Expenditure Account	52.3	32.1	(20.2)
Net additional amount required by statute to be credited to the Unallocated Reserve	(47.0)	(33.2)	13.8
(Increase)/Reduction in Unallocated Reserve	5.3	(1.1)	(6.4)

18 For the year to 31 March 2009, £1.1m has been added to the Unallocated Reserve which compares to the budget assumption that £5.3m would be required from the Reserve. This positive variation of £6.4m can be analysed as follows:

	£m	
Transfers (from)/to earmarked revenue reserves	4.0	The budget assumed a net contribution of £2.4m from earmarked reserves compared to an actual net contribution to reserves of some £1.6m. This was primarily as a result of lower expenditure on Police and an increased transfer to the On Street Parking Reserve.
Police	(3.0)	Additional income from government grants and other reimbursements and contributions, partly offset by additional expenditure on supplies and services and third party payments.
Interest on cash balances and loans	(2.3)	Higher interest rates and beneficial cashflow movements.
Central Contingencies	(1.3)	Not all of the contingencies were required.
Cultural, Environmental, Regulatory and Planning Services	(1.0)	A successful rating appeal relating to the Barbican Centre together with reduced expenditure on employees and supplies and services in relation to the Libraries, Archives and Guildhall Art Gallery.
Central Services	(0.9)	Reduced expenditure on contractor's costs and charitable rate relief within local tax collection together with other smaller variations on other services.
Investment Properties	0.7	A reduction in net rent and service charge income.
Highways	(0.6)	Increased income from on street parking together with reduced expenditure on supplies and services.
Adult Social Care	(0.4)	The increase in needs and costs in relation to adult social care packages was not as high as anticipated.
Housing	(0.5)	Reduced expenditure on non HRA premises related expenses and administration of homelessness and benefits.
Trading Services	(0.3)	Reduced expenditure on premises and vehicles repairs and maintenance.
General reduced requirement	(0.8)	The aggregate of smaller variations on other services.
Total change in Requirement from Unallocated Reserve	<u>(6.4)</u>	

2008/09 Capital Outturn compared to Budget

19 The approved capital budget for 2008/09 totalled £136m. Actual capital expenditure during the year was £124m, an underspend of £12m compared with the budget. This reduction was mainly due to slippage and/or rephasing of expenditure on a number of schemes, primarily relating to investment properties and streetscene projects and a revised assessment of the City Fund's share of the costs of the Guildhall Improvement Project.

City Fund Total Assets and Liabilities

20 As at 31 March 2009, the City Fund Balance Sheet indicates that total assets exceed total liabilities (i.e. net assets) by £1,040m, a decrease of £132m compared to the previous year. The net assets are represented by capital and revenue reserves of £1,352m and £126m respectively, partly offset by the negative pension reserve of £438m which primarily relates to the Police Scheme. The main reasons for the decrease in net assets are set out below:

	£m	£m
Fixed Assets		
Net unrealised losses on revaluation of investment properties	179	
Net unrealised gains on revaluation of other fixed assets	(20)	
Acquisitions	(118)	
Adjustment relating to disposed assets	(1)	
Depreciation and impairment	25	
		65
Reduction in net current assets primarily relating to a large debtor being included in the previous year's accounts for the Bishops Square, Spitalfields capital receipt (the majority of which was effectively applied in 2008/09 to finance new acquisitions)		109
Decrease in pension liability		(35)
Other changes		(7)
Reduction in net assets		132

21 The majority of the City's reserves relate to the method of capital accounting by local authorities and are not 'cash backed'. Consequently, only those reserves indicated in paragraph 15 are available to finance future expenditure.

Pension Liability

22 The 2008/09 Balance Sheet includes a pension liability of £438m (2007/08: £473m). The liability arises from applying the requirements of Financial Reporting Standard (FRS) 17. This accounting standard is complex, but is based on the principle that an organisation should recognise liabilities for pension benefits as they are earned, even if the payment of such benefits will be many years into the future. The liability relates primarily to the historic deficit in the unfunded Police Pension Scheme.

23 The estimated deficit on the (non-Police) City of London Pension Scheme is not included in the balance sheet. This exclusion arises because the Pension Fund is the responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three funds. Thus the City Fund does not have an exclusive relationship with the City of London Pension Fund and the portion of the Pension Fund relating to City of London employee members engaged on City Fund activities is not separately identifiable. Consequently, in

accordance with FRS17, the pension arrangements are treated as a defined contribution scheme in the City Fund accounts. This means that only the employer's contributions to the scheme are included in the accounts.

Risk identification

24 The City of London has established a robust programme of risk management as a key element of its strategy to preserve its assets, enhance efficiency for service users and members of the public and protect its employees.

25 The Strategic Risk Management Group has a remit to ensure that risk management policies are applied, that there is an ongoing review of risk management activity and that appropriate advice and support is provided to Members and officers.

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

27 The Annual Governance Statement is set out on pages 73 to 80.

Statement of Responsibilities for the Statement of Accounts

28 Local Authorities are required to include in their statement of accounts a Statement of Responsibilities which sets out the respective responsibilities of the authority and relevant financial officer for the accounts. These respective responsibilities are given on page 72.

Statement of Accounting Policies

1 General The Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice* (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2 Accruals The accounts of the City of London are maintained on an accruals basis. Consequently, sums due to or from the City of London during the year are included, whether or not the cash was actually received or paid in the year.

3 Tangible Fixed Assets Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised provided that the expenditure is material and the asset yields benefits to the City of London, and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service accounts.

- Properties regarded as operational have been valued at their Open Market Value in Existing Use, or where this could not be assessed because there was no market for the subject asset, the Depreciated Replacement Cost. In some cases, specialist properties have required specialist valuation assumptions or alternative use valuations have been carried out.
- Investment properties are based on market value.
- Non-operational assets under construction are included at historic cost.
- Infrastructure assets and community assets are included in the balance sheet at historic cost, net of depreciation, where appropriate.
- Vehicles, plant, equipment and intangible assets are included at cost, net of depreciation, as a proxy for current value.
- Property asset values used in the accounts are based upon valuations prepared by the City Surveyor, apart from specialist and most investment properties which are valued by external valuers. Since 1 April 1994, when all properties were originally valued, a rolling programme of revaluation has operated. All properties are revalued within a five year period with subsequent additions being included in the accounts at their cost of acquisition.

Revaluations and Impairment

a) Assets other than Investment Properties

Where a fixed asset increases in value, the difference between the latest value and the amount at which the asset was included in the balance sheet immediately prior to the (re)valuation is credited to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

Where a reduction in value of a fixed asset is caused by a clear consumption of economic benefits (e.g. physical damage or a deterioration in the quality of the service provided by the asset, i.e. if it is similar in nature to depreciation), this impairment loss is charged to the Income and Expenditure Account and any accumulated gains in the Revaluation Reserve for that asset, up to an amount equal to the value of the loss, are transferred from the

Revaluation Reserve to the Capital Adjustment Account. In order that the impairment loss does not increase the amount to be met from taxation, it is reversed out by crediting the 'Statement of Movement on the City Fund Unallocated Reserve' and debiting the Capital Adjustment Account.

Other impairments (reflecting a general fall in prices) are written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the Income and Expenditure Account. Again, the excess is reversed out as described above.

b) Investment Properties

When an investment property increases in value, the difference between the latest value and the amount at which the asset was included in the balance sheet immediately prior to the (re)valuation is credited to the Investment Revaluation Reserve to recognise unrealised gains. Unrealised losses which reflect general falls in prices are debited to this Reserve when the reductions are not anticipated to be permanent. Where reductions are unlikely to be temporary, the loss is charged to the Income and Expenditure Account.

The Investment Revaluation Reserve contains revaluation gains and losses recognised since 1 April 2007 only. Gains and losses arising before that date have been consolidated in the Capital Adjustment Account.

c) Impairment Reviews

Where a fixed asset (other than freehold land) is not depreciated or has a life of more than 50 years, an annual impairment review is carried out.

d) Disposals

Upon disposal, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Proceeds from the disposal are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital receipts are credited to the Usable Capital Receipts Reserve and 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. Receipts are appropriated to the Reserve from the 'Statement of Movement on the City Fund Unallocated Reserve'.

The written off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Therefore, amounts are appropriated to the Capital Adjustment Account from the 'Statement of Movement on the City Fund Unallocated Reserve'.

4 Intangible Fixed Assets

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

5 Depreciation

Depreciation is provided for on all tangible fixed assets with a finite useful life, other than freehold land and investment properties. 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 over the following indicative periods:

General operational buildings	50 years
Leasehold improvements	30 years
Certain 'listed' operational buildings	75-100 years
Infrastructure	10 years
Cars and light vans	5 years
Heavy vehicles and plant	7 years
Equipment	5-12 years
Computer systems	3-7 years

6 Amortisation

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

Computer software	3-7 years
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7 Revenue Expenditure Funded from Capital under Statute

Prior to the 2008 SORP, expenditure that regulations permitted to be funded from capital resources, but which did not satisfy the SORP's criteria to be classified as capital expenditure (e.g. capital grants made to other bodies or individuals) were charged to the balance sheet as deferred charges which were then amortised to revenue in the year the expenditure was incurred. A transfer in the Statement of Movement on the Unallocated City Fund Reserve to the Capital Adjustment Account reversed the charges so there was no impact on the level of Council Tax. The 2008 SORP has effectively replaced deferred charges with a new category of expenditure - Revenue Expenditure Funded from Capital under Statute.

Revenue Expenditure Funded from Capital under Statute is debited to the relevant service revenue account in the year rather than being initially taken to the balance sheet and then amortised. Where the cost of this expenditure is being met from existing capital resources a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the Unallocated City Fund Reserve so there is no impact on the level of council tax.

8 Basis of Revenue Charges for Capital

Service revenue accounts are charged with depreciation for all fixed assets used in the delivery of services based on the value of assets at the start of the year. Where the effects of major additions or disposals occurring during the year are material, these are also reflected in capital charges to service revenue accounts. Investment properties are not directly used in the delivery of services and therefore do not attract a charge for capital; likewise, assets under construction are not depreciated. Amortisation charges in respect of the value of intangible assets at the start of the year are also charged to service revenue accounts.

9 Government Grants and Contributions

Specific revenue grants are credited to the appropriate service revenue account, grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure. Capital grants relating to fixed assets are credited to a Government Grants Deferred Account. Amounts are released from this account and credited to revenue over the useful life of the asset to match the depreciation of the asset to which the grant relates.

10 Capital Receipts

Capital receipts arise from the sale of assets such as land and council dwellings. Legislation requires that a proportion of Housing Revenue Account (HRA) capital receipts are paid to a Government pool. The amount of capital receipts remaining after 'pooling' payments is held in the Usable Capital Receipts Reserve, to be used for financing future capital expenditure.

11 Stocks

Stocks are valued at the lower of average cost and net realisable value.

12 Intangible Current Assets

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

13 Overheads

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

14 VAT

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.

15 Reserves

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

16 Interest Income

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

17 Non-Property Investments

Non-property investments are shown in the City Fund Balance Sheet at the lower of historic cost and net realisable value.

18 Property Investments

The net income from investment properties is credited to the Income and Expenditure Account below the net cost of services.

19 Leases

Rents payable or receivable under operating leases are accounted for in the period to which they relate and are charged or credited to the appropriate service revenue account.

20 Financial Instruments

The 2007 SORP introduced major changes in the accounting treatment of Financial Instruments. A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial Instruments are valued on an amortised cost basis using the Effective Interest Rate (EIR) method. They are shown at fair value. This is defined as the amount for which an asset could be exchanged or a liability settled, assuming the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

21 Pension Costs – City of London Staff

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

For the purposes of FRS 17, the City of London Pension Scheme is treated as defined contribution. This recognises that the City Fund does not have an exclusive relationship with the City of London Pension Fund and that the Scheme's assets and liabilities cannot be identified to each of the City of London's funds.

Charges are made to revenue for pension costs based on the recommendations of the Fund's actuary so as to spread the full cost of retirement benefits to be met by the Fund over the estimated average service lives of the City of London's staff.

Pension costs are accounted for on the basis of contributions payable as the City Fund's share of the deficit on the scheme cannot be identified.

22 Pension Costs – Police Officers and Judges

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 new arrangements the schemes remain unfunded but are no longer on such a basis as far as individual police authorities are concerned. The City no longer meets pension costs directly; instead it contributes a percentage of police pay into the Police Pension Fund. At the year end the Police Pension Fund is balanced to zero by either receiving a contribution from the City Fund equal to the amount by which the amounts payable from the Pension Fund for the year exceed the amounts receivable or, by paying to the City Fund the amount by which sums receivable by the Pension Fund for the year exceed the amounts payable. Where the City Fund makes a transfer to the Pension Fund, the Home Office will pay an equivalent top-up grant to the City. Where a transfer is made out of the Pension Fund, the City must pay the amount to the Home Office.

The estimated liability on the Police Pension Scheme is determined by independent actuaries in accordance with FRS 17. The net cost of service includes the current service cost rather than payments to pensioners, and net operating expenditure includes a pension interest cost. However, the charge required to be made against the Council Tax is based on the amount payable for the year, so the FRS 17 costs are reversed out through an appropriation to the negative pension reserve. In the Balance Sheet the negative pension reserve is matched by a pension liability.

The payment of pensions to former judges is the responsibility of the Treasury with the City of London reimbursing the Treasury for the City's share of the liability. The City of London's estimated liability has been determined by independent actuaries in accordance with FRS 17. The accounting treatment for the estimated liability is similar to that outlined above for the Police Pension Scheme.

23 Pension Costs - Teachers

The payment of pensions to former teachers is the responsibility of the Teachers' Pensions Agency. Consequently the teachers' pension fund contributions together with the employer's contributions are paid by the City of London to that Agency.

24 Social Security Deductions

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

Income and Expenditure Account

for the year ended 31 March 2009

The Income and Expenditure Account shows the revenue costs of providing services, where the money came from towards meeting these costs and the deficit for the year.

Services	Notes	2008/2009			2007/2008 Restated
		Gross expenditure £m	Gross income £m	Net expenditure £m	Net expenditure £m
Children's and Education Services	2	9.1	(5.9)	3.2	3.4
Adult Social Care		7.2	(0.6)	6.6	7.2
Housing Services					
Housing Revenue Account (HRA)		13.7	(12.2)	1.5	(2.3)
Housing (non HRA)		18.0	(17.7)	0.3	0.1
Highways and Transport Services		27.7	(14.7)	13.0	12.0
Police Services		90.2	(34.3)	55.9	62.8
Cultural, Environmental, Regulatory and Planning Services					
Planning and Development Services		13.4	(9.4)	4.0	3.6
Environmental and Regulatory Services		26.6	(13.6)	13.0	12.4
Barbican Centre	3	44.3	(17.2)	27.1	29.9
Other Cultural and Related Services		25.6	(1.4)	24.2	22.9
Court Services		8.2	(5.8)	2.4	2.3
Central Services					
Corporate and Democratic Core		8.9	(2.9)	6.0	6.0
Emergency Planning		1.5	(0.6)	0.9	0.8
Local Tax Collection		2.9	(1.8)	1.1	1.1
Elections		0.3	-	0.3	0.2
Registration of Births, Deaths and Marriages		0.1	-	0.1	0.1
Non Distributed Costs	4	0.3	-	0.3	2.0
Exceptional item - impairment of fixed assets	5	10.1	-	10.1	9.2
Net cost of services C/F		308.1	(138.1)	170.0	173.7

Notes	2008/2009			2007/2008 Restated
	Gross expenditure £m	Gross income £m	Net expenditure £m	Net expenditure £m
NET COST OF SERVICES B/F	308.1	(138.1)	170.0	173.7
(Gain) or Loss on Disposal of Fixed Assets	(1.3)	(9.9)	(11.2)	(6.7)
Precepts to Inner and Middle Temples	0.3	-	0.3	0.2
Other Levies	0.1	-	0.1	0.1
Contribution to or (from) Trading Services 6	5.4	(6.1)	(0.7)	(0.4)
Housing capital receipts to Government Pool	0.4	-	0.4	0.3
Investment properties 1	12.8	(34.8)	(22.0)	(28.4)
Interest on balances	-	(23.7)	(23.7)	(20.3)
Pension interest cost	31.0	-	31.0	25.7
NET OPERATING EXPENDITURE	356.8	(212.6)	144.2	144.2
Collection Fund - Council Tax and precept adjustment			(5.3)	(5.2)
Contribution from Non-Domestic Rate Pool			(71.3)	(65.4)
Revenue Support Grant			(9.9)	(11.0)
Police Grant			(20.2)	(22.8)
Area Based Grant 7			(0.8)	-
Non-Domestic Rate Premium			(4.6)	(3.6)
DEFICIT FOR YEAR			32.1	36.2

All activities are continuing in the current year.

Statement of Movement on the City Fund Unallocated Reserve

for the year ended 31 March 2009

This statement provides a reconciliation between the outturn on the Income and Expenditure Account and the balance established under the relevant statutory provisions and non-statutory proper practices. It is this movement which indicates whether reserves are drawn upon or added to for the year and hence the actual spending power carried forward to future years.

	2008/2009	2007/2008
	£m	Restated £m
Deficit for the year on the Income and Expenditure Account	32.1	36.2
Net additional amount required by statute and non-statutory proper practices to be credited to the City Fund Unallocated Reserve for the year (analysed on next page)	(33.2)	(34.1)
Decrease/(increase) in the City Fund Unallocated Reserve for the year	(1.1)	2.1
City Fund Unallocated Reserve brought forward	(46.7)	(48.8)
City Fund Unallocated Reserve carried forward	(47.8)	(46.7)

Note of reconciling items for the Statement of Movement on the City Fund Unallocated Reserve

	Notes	2008/2009		2007/2008
		£m		Restated £m
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the City Fund Unallocated Reserve for the year				
Depreciation and impairment of fixed assets (excluding Housing Revenue Account dwellings)		(24.3)		(22.1)
Excess of Major Repairs Allowance element of Housing Subsidy over depreciation charged to HRA services		0.7		0.7
Government grants deferred amortisation		8.2		8.0
Revenue expenditure funded from capital under statute		(6.3)		(5.6)
Movement in pension liabilities		(24.2)		(24.9)
Net gain or (loss) on sale of fixed assets		11.2		6.7
			(34.7)	(37.2)
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the City Fund Unallocated Reserve for the year				
Repayment of Loan		-		1.0
Capital expenditure charged in-year to the City Fund Unallocated Reserve	8	1.6		2.1
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool		(0.4)		(0.3)
			1.2	2.8
Other transfers that are required to be taken into account when determining the movement on the City Fund Unallocated Reserve for the year				
Exclusion of Housing Revenue Account Balance		(0.9)		1.8
Net transfer to or (from) earmarked reserves		1.6		(1.1)
Transfer from Capital Adjustment Account re Museum of London	1	(0.4)		(0.4)
			0.3	0.3
Net additional amount required to be credited to the City Fund Unallocated Reserve for the year			(33.2)	(34.1)

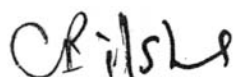
Statement of Total Recognised Gains and Losses

This statement brings together the operational gains and losses for the year recognised in the Income and Expenditure Account and other gains and losses which are only recognised in the Balance Sheet, for example the revaluation of fixed assets or pension actuarial gains or losses, to show the total movement in the City Fund's net worth for the year.

	Notes	2008/2009 £m	2007/2008 Restated £m
Deficit for the year on the Income and Expenditure Account		32.1	36.2
Deficit/(Surplus) arising on revaluation of fixed assets	30A & 30B	158.7	(14.8)
Actuarial gains on Pension Fund assets and liabilities	30E	(58.9)	(28.9)
Collection Fund deficit/(surplus)	30F	-	0.1
Total recognised losses/(gains) for the year		131.9	(7.4)

Balance Sheet

		31 March 2009		31 March 2008 Restated
	Notes	£m	£m	£m
TANGIBLE FIXED ASSETS	16			
Operational				
Council Dwellings		209.0		202.1
Other Land and Buildings		350.7		345.7
Leasehold Improvements		53.8		9.6
Vehicles, Plant and Equipment		14.3		13.8
Infrastructure Assets		23.7		23.4
Community Assets		9.2		9.0
			660.7	603.6
Non-Operational				
Investment Properties			555.8	678.2
Work in Progress			0.2	0.1
			1,216.7	1,281.9
INTANGIBLE FIXED ASSETS	18		0.2	0.2
LONG TERM INVESTMENTS	24		34.5	24.1
LONG TERM DEBTORS	1&19		14.9	15.7
CURRENT ASSETS				
Stocks		0.4		0.5
Intangible Current Assets	20	-		0.3
Debtors and Payments in Advance	21	41.6		210.2
Investments	24	311.0		275.2
Cash and Bank		9.3		-
			362.3	486.2
LESS CURRENT LIABILITIES				
Creditors and Receipts in Advance	22	(126.8)		(137.0)
Cash overdrawn		-		(4.8)
			(126.8)	(141.8)
TOTAL ASSETS LESS CURRENT LIABILITIES			1,501.8	1,666.3
GRANTS & CONTRIBUTIONS DEFERRED	28		(24.3)	(22.2)
PENSION LIABILITY	37,38		(437.9)	(472.6)
TOTAL ASSETS LESS TOTAL LIABILITIES			1,039.6	1,171.5
FINANCED BY:				
CAPITAL RESERVES				
Revaluation Reserve (excluding Investment Properties)	30A	38.6		19.0
Investment Property Revaluation Reserve	30B	(202.6)		(36.6)
Capital Adjustment Account	1&30C	1,370.8		1,292.5
Usable Capital Receipts	30D	134.5		235.6
Major Repairs Reserve		10.4		9.6
			1,351.7	1,520.1
PENSION RESERVE	30E		(437.9)	(472.6)
REVENUE RESERVES				
Unallocated	30		47.8	46.7
Other Revenue Reserves	30F		78.0	77.3
TOTAL EQUITY			1,039.6	1,171.5



Cash Flow Statement

for the year ended 31 March 2009

	Notes	2008/2009			2007/2008 Restated
		£m	£m	£m	£m
REVENUE ACTIVITIES					
Revenue Activities Net Cash Outflow/(Inflow)	31A			(11.8)	19.4
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received				(22.2)	(17.0)
CAPITAL ACTIVITIES					
Cash Outflows					
Purchase of fixed assets		124.0			19.6
Purchase of long term investments		10.4			5.2
Other capital cash payments		0.3			0.3
			134.7		25.1
Cash Inflows					
Sale of fixed assets		(145.4)			(72.8)
Reimbursements		(1.9)			(2.9)
Capital Grants received		(3.3)			(7.5)
			(150.6)		(83.2)
Capital Activities Net Cash Outflow/(Inflow)				(15.9)	(58.1)
Net Cash Outflow/(Inflow) before liquid resources and financing				(49.9)	(55.7)
MANAGEMENT OF LIQUID RESOURCES					
Increase in short-term deposits	31C		35.8		59.8
FINANCING					
Repayment of borrowing			-		1.0
Net Cash Outflow/ (Inflow) from financing and liquid resources				35.8	60.8
DECREASE/(INCREASE) IN CASH	31B			(14.1)	5.1

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Restatement of 2007/08 Comparative Figures The 2007/08 comparative figures have been re-stated in relation to changes arising from the SORP 2008 primarily arising from the replacement of deferred charges by Revenue Expenditure Funded from Capital under Statute. The main impact of this change has been on the Cash Flow Statement where Revenue Expenditure Funded from Capital under Statute is included in revenue activities whereas deferred charges were included in capital activities.

In addition to the above change the 2007/08 comparative figures have been restated to reflect changes in the treatment of annual charges, including interest, to the Museum of London in relation to the repayment of historic expenditure on specific projects initially met by City Fund which were previously treated as revenue income. The outstanding balance of £11.8m as at 31 March 2008 is now recognised as a long term debtor. Repayments of this outstanding sum are used to write down the debtor and a compensating transfer is made between the Capital Adjustment Account and the Statement of Movement on the City Fund Unallocated Reserve to avoid an increase in the amount to be met from taxation.

Other changes are the inclusion of accrued interest as part of the carrying amount of the investment rather than within debtors and the inclusion of payments of capital receipts from the sale of HRA dwellings to the government pool as a capital cash outflow as opposed to deducting the payment from the capital receipt. There has also been a presentational change in the treatment of costs in relation to a vacant operational property which are being held centrally and not recharged to services. These costs were included within the Income and Expenditure Account under corporate and democratic core and are now included as non distributed costs.

The changes have had the following impact on the comparative figures for 2007/08 compared with those in the published 2007/08 financial statements (only figures that have changed are included in the table below):-

	2007/2008 Published £m	2007/2008 Restated Comparatives £m	Adjustment £m
Income and Expenditure			
Corporate and Democratic Core	8.0	6.0	(2.0)
Non Distributed Costs	-	2.0	2.0
Investment Properties	(28.8)	(28.4)	0.4
Impact on Deficit for Year			0.4
Statement of Movement on the City Fund Unallocated Reserve			
Net additional amount credited to the City Fund Unallocated Reserve for the year	(33.7)	(34.1)	(0.4)
Impact on the City Fund Unallocated Reserve for the year			-
Balance Sheet			
Long term debtors	3.9	15.7	11.8
Current assets			
Debtors and payments in advance	217.6	210.2	(7.4)
Investments	267.8	275.2	7.4
Total assets less total liabilities	-	-	11.8
Capital Adjustment Account	1,280.7	1,292.5	11.8
Impact on total equity			11.8
Cash Flow Statement			
Revenue Activities Net Cash Outflow	19.2	19.4	0.2
Capital Activities			
Purchase of fixed assets	25.2	19.6	(5.6)
Other capital cash payments	-	0.3	0.3
Sale of fixed assets	(72.4)	(72.8)	(0.4)
Capital grants received	(9.7)	(7.5)	2.2
Increase in short-term deposits	56.5	59.8	3.3
Impact on cash			-

The impact of these adjustments on the 2007/08 Balance Sheet is an increase of £11.8m in the total equity as at 31 March 2008 from £1,159.7m to £1,171.5m.

2. Dedicated Schools Grant In 2008/09, the City of London received a specific grant – the Dedicated Schools Grant (DSG) of £1.801m (2007/08: £1.755m) which was credited against the Education service outturn in the Income and Expenditure Account. 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 2008. The Schools Budget includes elements for a range of education services provided on an authority wide basis and for the Individual School Budget.

Details of the deployment of DSG received for 2008/09 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure	Individual School Budget	Total
	£m	£m	£m
Underspend brought forward from 2007/08	(0.11)	-	(0.11)
Grant allocation for 2008/09	(0.66)	(1.14)	(1.80)
Actual expenditure for the year	0.61	1.14	1.75
Underspend carried forward to 2008/09	(0.16)	-	(0.16)

3. Arts Council England The Barbican Centre's income for 2008/09 includes a grant of £0.2m from Arts Council England towards its contemporary music programme.

4. Non Distributed Costs Premises costs in relation to a vacant operational property have been held centrally and not recharged to services.

5. Exceptional Items Impairment, as defined in Financial Reporting Standard 11, is the reduction in value of a fixed asset below its carrying amount on the balance sheet. Losses on revaluation of investment properties which were unlikely to be temporary in nature of £8.1m arose in 2008/09 and impairments in relation to operational assets of £2.0m (this excludes impairments of £1.1m on H.R.A. operational assets) have also been included as an exceptional item.

6. Contribution to or (from) Trading Services

	2008/09			2007/08
	Gross Expenditure	Gross Income	Deficit (Surplus)	Deficit (Surplus)
	£m	£m	£m	£m
Spitalfields Market	4.5	(5.1)	(0.6)	(0.5)
Vehicle Maintenance	0.9	(1.0)	(0.1)	0.1
TOTAL	5.4	(6.1)	(0.7)	(0.4)

Spitalfields Market is a horticultural market serving wholesalers, retailers and caterers from London and a wide area in the Home Counties.

7. Area Based Grant Area Based Grant (ABG) replaced Local Area Agreement (LAA) Grant and a number of other service specific grants from 2008/09. As ABG is a new grant its introduction does not amount to a change in accounting policy, consequently comparative figures for 2007/08 are not restated in the Income and Expenditure Account. However, specific government grants are included in the Income and Expenditure Account within the Net Cost of Services whereas ABG, as a non-ringfenced general grant with no conditions imposed on its use, is included in the Income and Expenditure Account with other general income sources such as income from the Collection Fund, Non-Domestic Rates distributions and other general grants. This means that the 2007/08 net expenditure figures for several services include income from certain specific grants which were transferred to ABG and the income is therefore not included in those services in 2008/09. The amounts transferred are set out in the table below:

	2008/2009 £m	2007/2008 £m
Children's and Education Services	-	0.4
Adult Social Care	-	0.2
Central Services	-	0.1
Area Based Grant	0.8	-
Total	0.8	0.7

8. Financing of Capital Expenditure Revenue financing of capital expenditure in 2008/09 was met from the following sources:

	Actual £m
Direct revenue financing	0.8
On-Street Parking Reserve	0.5
Spitalfields Market Reserve	0.3
Total Financing	1.6

9. Publicity Section 5 (i) of the Local Government Act 1986 requires local authorities to keep a separate account of their expenditure on publicity. Details of City Fund expenditure on publicity which is included within individual services, is set out in the following table:

	2008/09 £m	2007/08 £m
Accounts and Statutory Reports	0.03	0.03
Statutory Notices	0.07	0.03
Recruitment Advertising	0.33	0.46
Public Relations/Economic Development	0.52	0.50
Other	0.24	0.29
Total	1.19	1.31

10. Agency Services The City of London carries out certain work on an agency basis for which it is fully reimbursed. The design, maintenance and improvement of sewers are undertaken on behalf of Thames Water Utilities (T.W.U.). During 2008/09, £0.2m (2007/08: £0.3m) was incurred and recovered from T.W.U.

Revenue and capital work costing £0.9m (2007/08: £0.6m) and £4.0m (2007/08: £5.5m) respectively was undertaken on behalf of Transport for London. These sums were fully reimbursed.

11. Leasing

City of London as Lessor

For 2008/09 rent of £33m was received or receivable all of which related to operating leases (2007/08: £40m, restated to exclude rents from housing tenants). No agreements were required to be treated as finance leases.

City of London as Lessee

In 2008/09 the rents payable by the City under operating leases were £1.4m (2007/08: £1.8m).

As at 31 March 2009, the City is committed to making payments of £1.6m in 2009/10 in respect of operating leases for land and buildings analysed between:

	£m
Those in which the commitment expires in the second to fifth years from 31 March 2009	0.4
Those in which the commitment expires over five years from 31 March 2009	1.2
	1.6

No agreements were required to be treated as finance leases.

12. Remuneration of Senior Employees The number of officers wholly employed on City Fund services whose emoluments in the year were £50,000 or more grouped in rising bands of £10,000 is set out in the following table.

Salary Range £	2008/09	2007/08	2008/09	2007/08
	Police Officers		Other	
50,000 - 59,999	210	193	68	51
60,000 - 69,999	54	43	20	17
70,000 - 79,999	7	7	12	16
80,000 - 89,999	4	7	8	5
90,000 - 99,999	1	1	3	4
100,000 - 109,999	1	-	1	-
110,000 - 119,999	-	-	2	3
120,000 - 129,999	-	1	2	1
130,000 - 139,999	-	-	1	1
140,000 - 149,999	1	1	-	-
150,000 - 159,999	-	-	1	-
160,000 - 169,999	-	-	-	-
170,000 - 179,999	-	1	1	-
180,000 - 189,999	1	-	-	-

The City Corporation also has a number of other officers earning £50,000 or more but as part or all of their time is spent on activities that do not form part of the City Fund it is inappropriate to include them in the table.

13. Building Control Account The Building Control Account required by the Building Act 1984, and specifically the Local Authority Building Control Charges Regulations, is summarised in the table below.

	Chargeable £m	Non-chargeable £m	Total £m
Expenditure			
Employees	1.2	0.3	1.5
Supplies and Services	0.1	-	0.1
Support Services	0.3	0.1	0.4
Total Expenditure	1.6	0.4	2.0
Income from Building Regulation Charges	(2.1)	-	(2.1)
(Surplus)/Deficit for year	(0.5)	0.4	(0.1)
Comparatives for 2007/08			
Expenditure	1.7	0.4	2.1
Income	(2.1)	-	(2.1)
(Surplus)/Deficit for year	(0.4)	0.4	-

14. Audit and Inspection Fees

	2008/09 £m	2007/08 £m
External audit services carried out by the appointed auditor under the Audit Commission's Code of Audit Practice in accordance with section 5 of the Audit Commission Act 1998.		
Authority	0.23	
City of London Pension Fund	0.04	
	0.27	0.24
Statutory inspection under section 10 of the Local Government Act 1999 (carried out by the Audit Commission).	0.03	0.15
Certification of grant claims and returns by the appointed auditor under section 28 of the Audit Commission Act 1998.	0.06	0.04
	0.36	0.43

15. Related Party Transactions The code of practice on local authority accounting requires the City of London to disclose information on “related party transactions” in accordance with Financial Reporting Standard 8.

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

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

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

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

Disclosure Members and Chief Officers have been requested to disclose related party transactions in 2008/09. They have also been requested to make disclosures in instances where their close family has made transactions with the City of London.

During 2008/09 services to the value of £0.6m were commissioned from companies in which seven Members had an interest. Contracts were entered into in compliance with the City of London’s procedures. In addition, grants totalling £0.6m were paid to organisations in which four Members had an interest. The relevant Members did not take part in any discussion or decision relating to the grants.

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

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

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. The City of London’s contribution in 2008/09 was £6.6m (2007/08: £5.3m). Half of the appointments to the Board are made by the City of London. However, the City of London does not exercise control of the Museum.

Related Party Transactions Disclosed Elsewhere in the Accounts

- Government Grants
- Precepts from other Authorities
- Pension Fund
- Staff car loans
- City’s Cash
- Bridge House Estates

Expenditure for capital purposes (including revenue expenditure funded from capital under statute) during 2008/09 and methods of financing are set out below:

	Fixed Assets	Revenue Expenditure Funded from Capital under Statute *	Total 2008/09 £m	2007/08 £m
Methods of Financing				
Direct revenue financing	1.6	-	1.6	2.1
HRA	1.1	-	1.1	0.3
Usable Capital receipts	109.6	1.0	110.6	10.3
Grants and Contributions				
- Received and applied in year	-	5.1	5.1	5.6
- Deferred in year	5.2	-	5.2	9.2
	117.5	6.1	123.6	27.5

* Included within the Income and Expenditure Account in accordance with Note 7 of the Statement of Accounting Policies

Analysis of Fixed Assets – Number of Properties

	31 March 2009	31 March 2008
Commercial Properties		
Housing and Guest Accommodation	102	102
Investment Properties	87	86
Barbican	13	13
Total Commercial Properties	202	201
Operational Properties		
The Barbican Centre	1	1
Guildhall Complex (part)	1	1
Courts	1	1
Education Building	1	1
Golden Lane Leisure Centre	1	1
Community Education Centre	1	1
Cobalt Square	1	1
Lauderdale Place	1	1
Art Galleries	1	1
Police Buildings	3	3
Police Housing	2	2
Information Centre – St Paul's	1	1
City Marketing Suite	1	1
Cemetery	1	1
Crematorium	1	1
Animal Reception Centre	1	1
New Spitalfields Market	1	1
Off-Street Car Parks	5	5
Finsbury Circus Pavilion	1	1
Public Conveniences	8	8
Walbrook Wharf	1	1
Reference Libraries	2	2
Lending Libraries	3	3
Manuscripts Areas, Guildhall Yard	1	1
Woodredon & Warlies Park Estate	1	1
Portoken Community and Health Facility	1	1
Total Operational Properties	43	43
Community Assets		
Roman Remains at Guildhall	1	1
Housing Properties		
Housing Revenue Account	1,886	1,887
Barbican Residential	113	114
Former Spitalfields Market	18	18
Total Housing Properties	2,017	2,019

Fixed Asset Valuation

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

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

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

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

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

The following have been revalued at 31 March 2009 in accordance with the Rolling Five Year Programme of Revaluation:

- Barbican Estate residential properties, Car Bays and Baggage Stores
- Investment properties
- Housing Dwellings
- Woodredon and Warlies Park Estate
- Public Car Parks
- Animal Reception Centre
- Community and Children's Services New Office Accommodation
- Cleansing Staff Accommodation
- The Pavilion
- Calcutta House

For assets not revalued in 2008/09 as part of the Rolling Five Year Programme of Revaluation the City is not aware of any material change in value and therefore the valuations have not been updated.

The current asset values used in the accounts for the Barbican Centre, Central Criminal Court, Woodredon and Warlies Park, Cemetery and Crematorium and most of the investment properties are based on assessments by external valuers. The firms of chartered surveyors who have prepared valuations for the City of London are Atisreal, Knight Frank LLP, Allsop LLP, Thompson Yates, Gerald Eve and Bidwells.

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

City Fund - Capital Commitments

The City Fund has the following capital commitments above £3m.

- During 2008/09 the City Corporation agreed with the Government to contribute towards the costs of constructing Crossrail. It has been agreed that a total of £200m will be provided from City Fund with the payment of this amount being dependent on the achievement of a number of conditions. At this stage it is anticipated that the contribution will be made in 2017/18.
- Purchase of investment properties £17m
- Additional funds for improvement works to the Museum of London by making capital grants of £4.8m.

17. Contingent Liabilities The assessed cost of the main contract works on a major capital project could increase once comprehensive details of the contractor's claims have been received and assessed by the Contract Administrator and the Quantity Surveyor.

The City faces potentially significant costs to ensure it doesn't compromise an important development anticipated to be completed in 2009/10.

18. Intangible Fixed Assets Intangible fixed assets as at 31 March 2009 comprised £0.17m (2008: £0.21M) for computer software.

19. Long Term Debtors

	31 March 2009 £m	31 March 2008 £m
Mortgages on the sale of Housing Properties	-	0.1
Loans to Museum of London (repayable by 2032)	3.1	3.1
Museum of London Rent	11.4	11.8
Museum in Docklands Loan	0.4	0.5
Other Loans	-	0.2
	14.9	15.7

20. Intangible Current Assets This represents the value as at 31 March 2009 of unused landfill usage allowances. The Landfill Allowances Trading Scheme (LATS) is a "cap and trade" scheme which commenced operation on 1 April 2006. Under the scheme, allowances to use landfill at a specified level (the "cap") are allocated free of charge to Waste Disposal Authorities (WDAs) by the Government. A WDA is able to use its allowances to meet its liability for actual landfill usage or to sell to another WDA. If a WDA uses more allowances than its "cap" it must either purchase allowances from another WDA or pay a financial penalty to the Government. A surplus of allowances available nationally in 2008/09 led to the market value reducing to nil as at 31 March 2009.

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

	Notes	31 March 2009 £m	31 March 2008 £m
Rents		6.1	8.0
Ratepayers		11.9	9.1
Government – Non-Domestic Rates Pool	A	-	37.3
Sundry	B	20.0	155.1
Government Departments		4.5	6.1
Season Ticket and Loans to Employees		0.8	0.6
Prepayments		6.9	4.0
Customs and Excise		2.0	0.6
		52.2	220.8
Provision for Doubtful Debts		(10.6)	(10.6)
		41.6	210.2

A At 31 March 2008 payments to the Government's Non Domestic Rates Pool exceeded the income from business ratepayers and therefore a debtor was raised for the balance due from Government. At 31 March 2009 the situation is reversed with a balance of £1.6m being due to Government and included in creditors.

B The main reason for the reduction in sundry debtors is that in 2007/08 an accrual was made for a receipt due from a developer following the disposal of an investment property in November 2007 for some £135m. Under the agreed terms the developer was able to defer payment of this amount for six months subject to the addition of interest. The capital receipt has now been received.

22. Creditors and Receipts in Advance

	Notes	31 March 2009 £m	31 March 2008 £m
Ratepayers	A	(22.4)	(47.2)
Government – Non Domestic Rates Pool		(1.6)	-
Sundry		(29.0)	(33.5)
Deposits	B	(54.0)	(37.0)
Receipts in advance		(14.3)	(11.6)
Government Departments		(4.5)	(5.4)
Customs and Excise		-	(1.4)
Spitalfields Market Tenants Fund		(1.0)	(0.9)
		(126.8)	(137.0)

A Reductions in rateable values following successful rating appeals were advised too late for refunds to ratepayers to be processed within the 2007/08 financial year.

B Monies held under Section 106 of the Town and Country Planning Act 1990 have increased. This section permits local planning authorities to enter into enforceable 'planning obligations' with developers and monies held are restricted to being spent only in accordance with the agreement with the developer; such monies are therefore held as creditors until the conditions of the agreement are met.

23. Long-Term Borrowing As at 31 March 2009, the City had no borrowing exposure and no plans to borrow to finance future expenditure.

24. Financial Instruments Balances The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31 March 2009 £m	31 March 2008 £m	31 March 2009 £m	31 March 2008 £m
Borrowings				
Cash overdrawn	-	-	-	4.8
Total Borrowings	-	-	-	4.8
Investments				
Loans and receivables	34.5	24.1	311.0	275.2
Total Investments	34.5	24.1	311.0	275.2

Cash overdrawn

The cash balances of the City of London Corporation's various funds are pooled and cash that is not required for day to day purposes is invested in deposits of varying lengths in the London money markets. As at 31 March 2008 cash was shown as overdrawn in the Balance Sheet as it included cheques and BACS payments 'issued' but not 'presented'. However, the aggregate balances on the City of London Corporation's various bank accounts were in credit at 31 March as they did not include the unpresented items. This situation is not unusual as it is part of the treasury management function to invest cash until it is needed to cover the 'presentation' of cheques and automated payments rather than when such payments are 'issued'.

Investments

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

25. Fair Value of Financial Instruments Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The fair value of trade and other receivables is taken to be the invoiced or billed amount. Where the City's investments in the London money markets mature in the next twelve months, carrying amount is assumed to approximate to fair value.

	31 March 2009		31 March 2008	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Loans and receivables	345.5	345.5	299.3	299.3

26. Gains and Losses on Financial Instruments The gains and losses recognised in the Income and Expenditure account in relation to financial instruments are made up as follows:

	2008/09 Financial Assets	2007/08 restated Financial Assets
	Loans and Receivables £m	Loans and Receivables £m
Impairment Losses	0.8	2.1
Interest Income	(23.7)	(20.3)
Net (gain)/loss for year	(22.9)	(18.2)

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of Long term A, Short term F1 Individual B, Support 3. The lending list is reviewed on a regular basis using advice from credit rating agencies and in-house judgements based on credit default swap rates.

The money markets were extremely volatile in 2008/09 and the adverse economic conditions resulted in a number of potential counterparties being removed from the City's lending list. By the end of the year the City effectively only had seven potential borrowers and it was necessary to increase the individual maximum lending limits to accommodate lending requirements. More specifically, the lending limit attributable to Lloyds TSB Bank was increased to £160m on a temporary basis in late 2008/09, and this was confirmed on an ongoing basis from May 2009, as was an increased limit of £120m for Nationwide Building Society. Other potential borrowers for 2009/10 are Abbey National and Barclays at £100m, Coventry and Leeds Building Societies at £60m, Northern Rock (up to 3 months only) at £50m. The list also contains five foreign banks with individual limits of £25m, National Australia Bank, Australia and New Zealand Banking Group, Rabobank, NV Bank Nederlandse Gemeenter and Svenska Handelsbanken, but these institutions do not normally operate in the City Corporation's marketplace. As a further means of alleviating the situation the Government supported Royal Bank of Scotland Group have been added to the list for 2009/10.

The following analysis summarises the City Fund's potential maximum exposure to credit risk, based on past experience and current market conditions.

	Amount at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2009	Estimated maximum exposure to default and uncollectability	Estimated maximum exposure at 31 March 2008
	£m	%	%	£m	£m
Deposits with banks and financial institutions	345.5	-	-	-	-
Customers	11.4	1.8	1.8	0.2	0.2
Total	356.9			0.2	0.2

No credit limits were exceeded during the reporting period and although several longer term loans are still outstanding with institutions that no longer meet the City's minimum lending criteria, full repayment on the due date of these deposits is still expected.

Therefore the potential maximum exposure to credit risk is with customers for which prudent provision for bad debts has been included within the accounts. The City does not generally allow credit for customers. The age profile of general debtors, i.e. those not subject to statutorily prescribed recovery processes, is summarised below.

	Amount as at 31 March 2009 £m	Amount as at 31 March 2008 £m
Less than three months	7.3	7.8
Three to six months	1.0	1.5
Six months to one year	1.3	0.9
More than one year	1.8	1.1
Total	11.4	11.3

Liquidity risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. At present, the City has no borrowing exposure and has no plans to borrow to finance future capital expenditure.

Market risk

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

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

The dramatic reduction in interest rates during 2008/09 has had a severe adverse impact on the income earnings of the City Fund and HRA, which is anticipated to continue in 2009/10. 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 would be:

	31 March 2009 £m	31 March 2008 £m
Increase in interest receivable on money market deposits		
City Fund	4.1	3.3
HRA	0.2	0.1
Total	4.3	3.4

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

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

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

28. Grants and Contributions Deferred Account

	£m	£m
Balance 1 April 2008		(22.2)
Received in year		
- Grants	(2.2)	
- Contributions	(3.0)	(5.2)
Released to Income and Expenditure Account in year		
- Grants	1.9	
- Contributions	1.2	3.1
Balance 31 March 2009		(24.3)

When the acquisition of a fixed asset has been financed by a government grant or contribution, the amount of grant or contribution is credited to this account. Subsequently, amounts are released to the appropriate revenue account to match the depreciation charged on the asset to which it relates.

In addition grants and contributions of £5.1m were received and applied in year to revenue expenditure funded from capital under statute. This amount is fully amortised to the Income and Expenditure Account in the year.

29. Analysis of Net Assets Employed

	31 March 2009 £m	31 March 2008 £m
City Fund	829.8	970.9
HRA	209.8	200.6
Total Net Assets	1,039.6	1,171.5

30. Summary of Movements on Reserves

	Balance 1 April 2008	Net Movement in Year	Balance 31 March 2009	Purpose of Reserve	Further Details of Movements
	£m	£m	£m		
Capital					
Revaluation Reserve (excluding Investment Properties)	19.0	19.6	38.6	Gains on revaluation of fixed assets (excluding Investment Properties) from 1 April 2007 not yet realised	A below
Investment Property Revaluation Reserve	(36.6)	(166.0)	(202.6)	Temporary losses on revaluation of investment properties from 1 April 2007 not yet realised	B below
Capital Adjustment Account	1,292.5	78.3	1,370.8	Resources set aside relating to financing of past capital expenditure partly offset by the consumption of fixed assets based on historic costs	C below
Usable Capital Receipts	235.6	(101.1)	134.5	Proceeds of fixed asset sales to meet future capital investment.	D below
Major Repairs Reserve (HRA)	9.6	0.8	10.4	Resources available to meet capital investment in council dwellings	HRA Statements page 54
Total Capital Reserves	1,520.1	(168.4)	1,351.7		
Pensions Reserve	(472.6)	34.7	(437.9)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	E below
Revenue					
Housing Revenue Account	7.2	(0.9)	6.3	Resources available to meet future costs for council dwellings	HRA Statements page 52
City Fund Unallocated Reserve	46.7	1.1	47.8	Resources available to meet future costs for non-HRA services.	Statement of Movement on City Fund Unallocated Reserve, page 16
Earmarked Revenue Reserves	70.1	1.6	71.7	Revenue resources set aside to meet future expenditure for specific purposes.	F below
Total Revenue Reserves	124.0	1.8	125.8		
Total	1,171.5	(131.9)	1,039.6		

A Revaluation Reserve (excluding Investment Properties) The movement on the account can be broken down between the City Fund and Housing Revenue Account as follows:

	City Fund £m	HRA £m	Total £m
Balance 1 April 2008	9.5	9.5	19.0
Unrealised gains on revaluation of fixed assets	9.6	10.3	19.9
Depreciation on revalued assets transferred to Capital Adjustment Account	(0.2)	(0.1)	(0.3)
Balance 31 March 2009	18.9	19.7	38.6

B Investment Property Revaluation Reserve The movement on the account can be analysed as follows:

	Total £m
Balance 1 April 2008	(36.6)
Transfer to Capital Adjustment Account	12.6
Net unrealised losses on revaluation of fixed assets	(178.6)
Balance 31 March 2009	(202.6)

C Capital Adjustment Account

	£m	Total £m
Balance brought forward 1 April 2008		1,292.5
Financing of fixed assets		
- from City Fund revenue	1.6	
- from Housing Revenue Account	1.1	
- from usable capital receipts	110.6	
- from grants and reimbursements	5.1	
		118.4
Release of deferred grants and contributions		3.1
Transfers from Revaluation Reserve		(12.3)
Depreciation / Impairment		(25.4)
Revenue expenditure funded from capital under statute		(6.3)
Loan repayments received		(0.1)
Museum of London rent received		(0.4)
Adjustments re disposed assets		1.3
Balance carried forward 31 March 2009		1,370.8

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 adjustment re disposals of fixed assets.

D Usable Capital Receipts

	£m	Total £m
Balance brought forward 1 April 2008		235.6
Proceeds of disposals		
- City Fund	9.4	
- HRA	0.5	9.9
Payable to National Housing Capital Receipts Pool		(0.4)
Transfer to Capital Adjustment Account		(110.6)
Balance carried forward 31 March 2009		134.5

E Pension Reserve

	Police £m	Judges £m	Total £m
Balance brought forward 1 April 2008	(471.6)	(1.0)	(472.6)
Statement of Movement on the			
City Fund Unallocated Reserve	(23.8)	(0.4)	(24.2)
Actuarial Gain	58.7	0.2	58.9
Balance carried forward 31 March 2009	(436.7)	(1.2)	(437.9)

F Movement in Earmarked Reserves

		Balance 1 April 2008 £m	Net transfers (to)/from Revenue £m	Net transfers (to)/from Other Reserves £m	Balance 31 March 2009 £m
Highway improvements	(i)	14.15	(0.15)	-	14.00
Renewals and repairs:	(ii)				
London Fruit and Wool Exchange		0.04	-	-	0.04
London Metropolitan Archives		0.01	-	-	0.01
New Spitalfields Market Building Defects		0.09	(0.03)	-	0.06
6-8 Bonhill Street		0.50	(0.03)	-	0.47
School's reserve	(iii)	0.23	(0.19)	-	0.04
Police future expenditure	(iv)	5.52	2.16	-	7.68
Resilience Reserve	(v)	46.35	-	-	46.35
Collection Fund	(vi)	0.29	-	0.01	0.30
Service projects	(vii)	1.02	-	-	1.02
E-Government	(viii)	0.02	-	-	0.02
Spitalfields Market	(ix)	0.49	(0.27)	-	0.22
Judges Pensions	(x)	0.80	0.20	-	1.00
Landfill Allowances	(xi)	0.44	(0.14)	-	0.30
Energy Savings Scheme	(xii)	0.10	0.03	-	0.13
Total		70.05	1.58	0.01	71.64

(i) *Highway improvements* - Created from on-street car parking surpluses to finance future highway improvement schemes and related projects as provided by section 55 of the Road Traffic Regulation Act 1984, as amended by the Road Traffic Act 1991.

(ii) *Renewals and repairs* - These items comprise

- London Fruit and Wool Exchange Building - Sums set aside to maintain the building that was part of the Old Spitalfields Market.
- London Metropolitan Archives Building - The objectives are to provide for the refurbishment of existing premises and for historic property related commitments.
- New Spitalfields Market Building Defects - Sums obtained from the developer of the new building to fund repairs to the Market, particularly the concrete slab.
- 6-8 Bonhill Street – Sums obtained on the surrender of the headlease and set aside to fund cyclical maintenance and repair works to the property and void costs.

(iii) *School's reserve* - The cumulative balance from the local management budget delegated to the Sir John Cass's Foundation Primary School.

(iv) *Police future expenditure* - Revenue expenditure for the City Police service is cash limited. However, underspendings against this limit may be carried forward as a reserve to the following financial year. The City Police have therefore set aside £7.1m to finance revenue expenditure in subsequent years.

(v) *Resilience Reserve* - To meet costs which may arise from damage by terrorism or other cause to uninsured infrastructure assets such as highways, and expenses which may be incurred in order to assist businesses and others to resume their normal operation.

(vi) *Collection Fund* - The surplus is used to reduce the Council Tax amounts.

(vii) *Service Projects* - A number of reserves for service specific projects and activities have been aggregated under this generic heading.

(viii) *E-Government* - A reserve to provide funding for E-Government initiatives.

(ix) *Spitalfields Market Reserve* - To help finance City of London expenditure on the Market.

(x) *Judges Pensions* - Sums set aside to assist with the City of London's share of liabilities.

(xi) *Landfill Allowances* - Income arising from the sale of Landfill Allowances is being set aside to fund the future purchase of Landfill Allowances and to meet increases in the cost of waste disposal due to changes in the method of disposal in order to meet landfill targets.

(xii) *Energy Saving Scheme* - Sums set aside for a self sustaining fund for energy savings projects in the various City Fund Properties.

31. Cash Flow**A Reconciliation between net deficit on the Income and Expenditure Account to the Revenue Activities Net Cash Flow.**

	2008/09	2007/08
	£m	Restated £m
Net deficit Income and Expenditure Account	32.1	36.2
Collection Fund deficit	-	0.1
Interest	22.2	17.0
Non-Cash Transactions:		
Contribution from (to) reserves and provisions	(36.3)	(38.4)
Increase / (decrease) in intangible current assets	(0.3)	(0.5)
Items on an accruals basis:		
Increase / (decrease) in debtors	(33.2)	39.5
Decrease / (increase) in creditors	3.7	(34.5)
Net Cash Outflow/(Inflow) from Revenue Activities	(11.8)	19.4

B Movement in cash and cash equivalents

	2008/09	2007/08
	£m	£m
Balance 1 April	4.8	(0.3)
Balance 31 March	(9.3)	4.8
Cash Outflow / (Inflow)	(14.1)	5.1

C Movement in liquid resources

	2008/09	2007/08
	£m	£m
Short Term Deposits		
Balance 1 April	275.2	215.4
Balance 31 March	311.0	275.2
Cash Outflow / (Inflow)	35.8	59.8

The category of liquid resources represents cash that is not required for day to day purposes which is invested in short term deposits in the London money markets.

D Government Grants

	2008/09 £m	2007/08 £m
Revenue Support Grant	9.9	11.0
Police Grant	20.2	22.8
Area Based Grant	0.8	-
Non-Domestic Rate Receipts from National Pool	71.3	65.4
	102.2	99.2
Police Services		
Counter Terrorism	11.0	10.6
Crimefighting Fund	1.4	1.4
Economic Crime	1.2	1.1
Police Pension	8.0	3.0
Other	4.0	1.8
Children's Services and Education		
Dedicated Schools Grant	1.8	1.8
Other	2.8	2.7
Housing Benefit & Council Tax Rebates	4.3	3.6
HRA Subsidy	0.7	2.5
Supporting People	0.7	0.7
Other Grants	4.4	3.9
	40.3	33.1

32. Trust Funds - The City of London is sole trustee for three Education Trust Funds and Keats House. The Barbican Centre Trust Ltd is a controlled company in accordance with the Local Authorities (Companies) Order 1995.

Education

(i) *Higher Education Research and Special Expenses Fund* - The object of this trust is to provide study grants to teachers and lecturers working within the former London County Council area. The fund balance at 31 March 2009 was £0.33m (2008: £0.39m).

(ii) *Archibald Dawnay Scholarship* - The Trust's objective is to provide scholarships to students following approved courses with a technical component, preference being given to courses connected with civil engineering held at colleges, schools or other institutions approved by the Trustees. The fund balance at 31 March 2009 was £0.12m (2008: £0.15m).

(iii) *Robert Blair Fellowship for Applied Science and Technology* - The Scheme's provisions include:

- the promotion of postgraduate study and research in applied science and technology with a preference for engineering science;
- grants to be awarded for work in the United States, the Dominions or other countries;
- grants to be awarded every two or three years according to resources;
- candidates should have been trained in a relevant field. Preference is given to those who have completed a course of study in London or who have been identified with the London teaching service, but the scheme is also open to those engaged in engineering.

The fund balance at 31 March 2009 was £0.13m (2008: £0.17m).

Summary revenue accounts for the three Educational Trust Funds are as follows.

	Higher Education Research & Special Expenses Fund	Archibald Dawnay	Robert Blair Fellowship
	2008/09 £m	2008/09 £m	2008/09 £m
Income	(0.02)	(0.01)	(0.01)
Expenditure	-	-	0.01
Net incoming resources	(0.02)	(0.01)	-
Unrealised losses on investment assets	0.08	0.04	0.04
Net movement in funds	0.06	0.03	0.04
Funds brought forward 1 April 2008	(0.39)	(0.15)	(0.17)
Funds carried forward 31 March 2009	(0.33)	(0.12)	(0.13)

Keats House

The object of this charity is to preserve, maintain and restore for the education and benefit of the public the Keats House property as a museum and live memorial to John Keats and as a library meeting place and centre. A summarised statement of the income and expenditure of the Trust is set out below.

	2008/09 £m
Income	(0.28)
Expenditure	0.28
Net incoming resources	-
Funds brought forward 1 April 2008	(0.03)
Funds carried forward 31 March 2009	(0.03)

Barbican Centre Trust Limited

The City of London is not sole trustee of the Barbican Centre Trust Limited. It is a controlled company in accordance with the Local Authorities (Companies) Order 1995. The Trust is a charitable company limited by guarantee and therefore the directors have no shareholding interest. The object of the Trust is to foster and promote the maintenance, improvement and development of artistic taste and the knowledge, understanding, education and appreciation of the arts amongst the inhabitants of the City and generally. A copy of the Trust's accounts may be obtained from the Company Secretary at the Barbican, Silk Street, London EC2Y 8DS.

	2008/09 £m
Income	(0.11)
Expenditure	0.12
Net outgoing resources	0.01
Funds brought forward 1 April 2008	(0.07)
Funds carried forward 31 March 2009	(0.06)

33. The Euro Preparations for the Euro will not be accelerated unless any timetable for its introduction becomes firmer. Consequently, a reasonable estimate of likely cost is not available at this stage. The City of London's major financial systems provide for Euro compliance.

34. Issue of the Financial Statements The unaudited Financial Statements were authorised for issue on 28 July 2009 by the Chamberlain. Events after the balance sheet date and up to 23 July 2009 have been considered in respect of material impact on the financial statements.

35. City of London Pension Scheme The City of London operates a funded defined benefit pension scheme for its staff employed on activities relating to its three funds (City Fund, City's Cash and Bridge House Estates). The Pension Fund is the responsibility of the City of London as a whole, which is one employer, and not the responsibility of any of its three funds. The City Fund does not have an exclusive relationship with the City of London Pension Fund, neither is the portion of the Pension Fund that relates to City of London employee members engaged on City Fund activities separately identifiable. Consequently, in accordance with FRS17, the pension arrangements are treated as a defined contribution scheme in the City Fund accounts. This means that the FRS17 surplus or deficit on the Pension Fund is not included in the City Fund Balance Sheet.

The 2008/09 employer's contribution to the scheme for staff engaged on City Fund activities was £12.2m out of a total of £19.1m for all three funds (2007/08: £11.9m out of £18.5m). There are no outstanding or pre-paid contributions at the balance sheet date.

Disclosures in relation to the overall scheme which satisfy the requirements of FRS17 are given below for information. The FRS17 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.

Change of Accounting Policy

Under the 2008 SORP the City has adopted the amendment to FRS17 which changed the method of valuing quoted securities held as assets from mid-market value to bid price. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £442.3m to £437.9m, a decrease of £4.4m.

Assets and Liabilities in Relation to Retirement Benefits

a. Reconciliation of fair value of the scheme assets

	31 March 2009 £m	31 March 2008 As restated £m
1 April	437.9	454.6
Expected rate of return	33.1	35.2
Actuarial gains and losses	(90.4)	(54.9)
Employer contributions	20.2	19.0
Contributions by scheme participants	7.2	6.0
Benefits paid	(25.3)	(22.0)
31 March	382.7	437.9

The expected return on scheme assets is based on the long-term future expected investment return for each asset class at the beginning of the period (i.e. as at 1 April 2008 for the year to 31 March 2009). The return on gilts and other bonds are assumed to be the gilt yield and the corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities is then assumed to be a margin above gilt yields.

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

	31 March 2009 %	31 March 2008 %
Equity Investments	81.2	77.2
Gilts	12.1	16.9
Cash	5.1	4.4
Bonds	1.6	1.5
Total	100.0	100.0

The following expected total rates of return were assumed at 31 March 2009 and 31 March 2008:

	31 March 2009 %	31 March 2008 %
Equity Investments	8.1	8.4
Gilts	4.0	4.3
Cash	3.0	5.0
Bonds	6.5	6.6

b. Reconciliation of present value of the scheme liabilities

	31 March 2009 £m	31 March 2008 £m
1 April	(671.7)	(791.4)
Current service cost	(16.3)	(21.1)
Interest cost	(44.3)	(40.9)
Actuarial gains	96.9	166.2
Losses on curtailments	(0.4)	(0.6)
Benefits paid	24.7	21.5
Past service costs	(2.2)	-
Contributions by scheme participants	(7.2)	(6.0)
Unfunded pension payments	0.6	0.6
31 March	(619.9)	(671.7)

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham) using the projected unit method, based upon the latest full valuation of the scheme as at 31 March 2007 and updated to the balance sheet date. The main assumptions used in the calculations are set out below.

	31 March 2009	31 March 2008
Life expectancy from age 65 (years)		
Retiring today		
Men	20.8	20.8
Women	23.9	23.9
Retiring in 20 years		
Men	21.8	21.8
Women	24.8	24.8
Price Increases	3.0%	3.7%
Salary Increases	4.5%	5.2%
Pension Increases	3.0%	3.7%
Proportion of employees opting to take a commuted lump sum	50.0%	50.0%
Discount Rate	6.7%	6.6%

Scheme History

	2004/05 £m	2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m
Present value of liabilities	(662.4)	(772.8)	(791.4)	(671.7)	(619.9)
Fair value of assets	338.5	410.6	454.6	437.9	382.7
Surplus/(deficit) in the scheme	(323.9)	(362.2)	(336.8)	(233.8)	(237.2)

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

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

The total contributions expected to be made to the scheme in the year to 31 March 2010 is £19.1m.

History of Experience Gains and Losses

	2004/05 %	2005/06 %	2006/07 %	2007/08 %	2008/09 %
Experience gains/(losses) on assets	1.6	11.0	1.8	(12.5)	(23.6)
Experience gains/(losses) on liabilities	(0.8)	-	-	(5.5)	-

36. The Teachers' Pension Scheme The Teachers' Pension Scheme is administered by the Teachers Pensions Agency on behalf of the Department for Children, Schools and Families (DCSF) as a multi-employer defined benefit scheme. As it is not possible to identify the assets and liabilities at individual employer level, the pension arrangements are treated as a defined contribution scheme in the City of London's accounts for the purposes of FRS17.

The pension cost charged to the accounts is the contribution rate set by the DCSF on the basis of a notional fund. In 2008/09 the City of London's contribution to the Teachers' Pension Scheme was £0.08m which represents 14% of teachers' pensionable pay (2007/08: £0.07m and 14%).

In addition, the City of London is responsible for all pension payments relating to added years that it has awarded, together with the related increases. In 2008/09 these amounted to £0.01m representing 2% of pensionable pay (2007/08: £0.01m and 2%).

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

As the scheme is unfunded, it has no assets. The main assumptions used in calculating liabilities are the same as set out in note 35 above for the City of London Pension Scheme. There are no outstanding or pre-paid employee contributions at the balance sheet date.

Reconciliation of present value of the scheme liabilities

	31 March 2009		31 March 2008	
	2006 Scheme £m	1987 Scheme £m	2006 Scheme £m	1987 Scheme £m
1 April	(0.3)	(471.3)	(0.1)	(475.7)
Current service cost	(0.4)	(9.9)	(0.3)	(10.9)
Interest cost	(0.1)	(30.8)	-	(25.7)
Actuarial gains	0.2	58.6	0.4	28.4
Benefits paid	0.1	20.4	(0.2)	15.9
Contributions by scheme participants	(0.2)	(3.0)	(0.1)	(3.3)
31 March	(0.7)	(436.0)	(0.3)	(471.3)

Scheme History

	2004/05 £m	2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m
Present value of liabilities					
2006 Scheme	-	-	(0.1)	(0.3)	(0.7)
1987 Scheme	(415.1)	(467.5)	(475.7)	(471.3)	(436.0)
Total	(415.1)	(467.5)	(475.8)	(471.6)	(436.7)

Statutory arrangements for funding the deficit in the scheme mean that the financial position of the City remains sound.

The total employer contribution expected to be made to the scheme in the year to 31 March 2010 is £7.4m (1987 Scheme = £6.9m, 2006 Scheme = £0.5m).

History of Experience Gains and Losses

	2004/05 %	2005/06 %	2006/07 %	2007/08 %	2008/09 %
Experience gains/(losses) on liabilities					
– 2006 Scheme	-	-	-	(74.3)	-
Experience gains/(losses) on liabilities					
– 1987 Scheme	1.8	-	-	9.9	-

38. Judges Pension Scheme The Judges Pension Scheme is defined benefit and unfunded. The scheme is subject to the provisions of the Judicial Pensions and Retirement Act 1993. The Treasury is responsible for payment of Judges pensions and the City of London reimburses them in accordance with regulations made under the Act. As the scheme is unfunded it has no assets. The main assumptions used in calculating liabilities are the same as set out in note 35 above for the City of London Pension Scheme.

Reconciliation of present value of the scheme liabilities

	31 March 2009 £m	31 March 2008 £m
1 April	(1.0)	(0.8)
Current service cost	(0.2)	(0.2)
Interest cost	(0.2)	(0.1)
Actuarial gains	0.2	0.1
31 March	(1.2)	(1.0)

Scheme History

	2004/05 £m	2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m
Present value of liabilities	(0.4)	(0.6)	(0.8)	(1.0)	(1.2)

History of Experience Gains and Losses

	2004/05 %	2005/06 %	2006/07 %	2007/08 %	2008/09 %
Experience gains/(losses) on liabilities	-	(4.7)	(1.3)	1.4	(11.8)

39. Transactions Relating to Defined Benefit Pension Schemes within the Financial Statements Retirement benefits from defined benefit pension schemes (Police and Judges) are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the Unallocated City Fund Reserve. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement on the Unallocated City Fund Reserve during the year:

	Police Pension Schemes		Judges Pension Scheme	
	2008/09 £m	2007/08 £m	2008/09 £m	2007/08 £m
Income and Expenditure Account				
Net Cost of Services				
Current service cost	10.3	11.2	0.2	0.2
Net Operating Expenditure				
Interest cost	30.9	25.7	0.1	0.1
Net Charge to the Income and Expenditure Account	41.2	36.9	0.3	0.3

Statement of Movement on the Unallocated City Fund Reserve				
Reversal of net charges made for retirement benefits in accordance with FRS17	(41.2)	(36.9)	(0.3)	(0.3)
Actual amount charged against the Unallocated City Fund Reserve	17.3	12.3	-	-

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £58.9m (2008: £28.9m) were included in the Statement of Total Recognised Gains and Losses.

Housing Revenue Account

for year ended 31 March 2009

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure - maintenance, management, rent rebates and capital charges and how these are met by rents, subsidy and other income.

HRA Income and Expenditure Account	Notes	2008/09 £m	2007/08 £m
Income			
Dwelling rents (gross)	2	(7.1)	(6.7)
Non-dwelling rents (gross)		(1.6)	(1.5)
Charges for services and facilities		(2.9)	(2.8)
Contributions towards expenditure		(0.1)	-
HRA Subsidy receivable	3	(0.5)	(2.5)
Total Income		(12.2)	(13.5)
Expenditure			
Repairs and maintenance		4.8	3.9
Supervision and management		6.3	5.9
Depreciation		1.4	1.3
Impairment		1.1	-
Increased provision for bad or doubtful debts		-	0.1
Total Expenditure		13.6	11.2
Net Expenditure/(Income) from HRA as included in the City Fund Income and Expenditure Account		1.4	(2.3)
Interest payable and similar charges		0.7	0.7
Interest and investment income		(0.9)	(0.9)
Deficit/(Surplus) for the year on HRA services		1.2	(2.5)

Statement of Movement on the HRA Reserve	Notes	2008/09 £m	2007/08 £m
Deficit/(Surplus) for the year on the HRA Income and Expenditure Account		1.2	(2.5)
Net additional amount required by statute to be debited/(credited) to the HRA reserve for the year	1	(0.3)	0.7
Decrease or (increase) in the HRA reserve		0.9	(1.8)
HRA surplus brought forward 1 April		(7.2)	(5.4)
HRA surplus carried forward 31 March 2009		(6.3)	(7.2)

Notes to the Housing Revenue Account

1 Note to the Statement of Movement on the HRA Reserve

	2008/09		2007/08
	£m	£m	£m
Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA reserve			
Depreciation on "non-dwellings" and impairment on dwellings		(1.3)	(0.2)
Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA reserve			
Capital expenditure funded by the HRA	0.1		-
Transfer to the Major Repairs Reserve	0.7		0.7
Voluntary set aside for debt repayment	0.2	1.0	0.2
			0.9
Net additional amount required by statute to be debited/(credited) to the HRA reserve for the year		(0.3)	0.7

2 Dwelling Rents The total rent income from dwellings was £7.1m (2007/08: £6.7m). On average during the year, routine and non-routine vacant properties amounted to 0.7% of HRA stock (2007/08: 0.6%). In line with Government social rent reform the City of London separated service charges from rent. As at 31 March 2009 average rents and service charges were £73.16 and £10.04 a week respectively (31 March 2008: £68.66 rent and £9.38 service charge).

3 Housing Subsidy The Government pays a subsidy to the Housing Revenue Account. Subsidy is based on Government formulae that are used to calculate a number of elements in a notional account as set out below.

HRA subsidy entitlement	2008/09 £m	2007/08 £m
Management allowance	3.2	3.2
Maintenance allowance	2.6	2.6
Major repairs allowance	1.8	1.8
Charges for capital	0.9	0.8
Rental constraint allowance	(0.3)	1.4
Rent income	(7.7)	(7.3)
Total HRA Subsidy	0.5	2.5

4 Housing Stock As at 31 March 2009 the City of London's HRA rental stock was 1,886 dwellings. The HRA also includes costs and service charge income relating to sold properties of which there were 872 as at 31 March 2009.

Rental stock	2008/09 No.	2007/08 No.
Houses and bungalows	27	27
Flats	1,859	1,860
Total	1,886	1,887

Change in the stock	2008/09 No.	2007/08 No.
Stock at 1 April	1,887	1,889
Sales	(2)	(3)
New Build	1	1
Stock at 31 March	1,886	1,887

5 Arrears of Rent, Service and Other Charges As at 31 March 2009 arrears in respect of gross income due for the year from current residential tenants were 2.00% of the amount due (31 March 2008: 1.97%). The total arrears for rent, service charges and other charges are £0.56m (31 March 2008: £1.0m) as follows:

	31 March 2009 £m	31 March 2008 £m
Former residential tenants	0.08	0.07
Current residential tenants	0.16	0.18
Commercial tenants	0.04	0.04
Service charges	0.22	0.64
Other charges	0.06	0.07
Total arrears	0.56	1.00

6 Provision for Bad and Doubtful Debts

	2008/09 £m	2007/08 £m
Provision at 1 April	0.30	0.33
Bad debts written off	(0.02)	(0.07)
Increase in provision	0.01	0.04
Provision at 31 March	0.29	0.30

7 HRA fixed assets

	Assets Under Construction Dwellings £m	Operational assets			Total £m
		Dwellings £m	Other Land and Buildings £m	Equipment £m	
Balance Sheet value 1 April 2008	0.04	167.05	16.59	0.15	183.83
Reclassifications	(0.03)	(0.63)	0.66	-	-
Impairments	-	(1.13)	-	-	(1.13)
Depreciation	-	(1.13)	(0.15)	(0.08)	(1.36)
Additions	0.02	1.25	0.12	-	1.39
Disposals	-	(0.21)	-	-	(0.21)
Revaluation	-	9.35	1.22	-	10.57
Balance Sheet value 31 March 2009	0.03	174.55	18.44	0.07	193.09

In accordance with Government guidelines, dwellings have been valued at their 'existing use with vacant possession' and then reduced to reflect 'existing use for social housing'. The vacant possession value at 31 March 2009 is estimated to be £416m which has been reduced to £175m to reflect social housing use. This social housing use value is included in the City Fund Balance Sheet. The reduction of £241m is a measure of the economic cost of providing council housing at less than open market rents. Other land and buildings are assessed at existing use value.

8 Major repairs reserve

	£m
Balance 1 April	(9.60)
Depreciation from HRA	(1.36)
Depreciation on "non-dwellings" transferred back to HRA	0.23
Additional transfer from HRA	(0.64)
Capital expenditure (dwellings)	0.99
Balance 31 March	(10.38)

From 1 April 2001 local authorities are required to establish and maintain a Major Repairs Reserve (MRR) in relation to their HRA property. The main credit to the reserve is an amount equivalent to the total depreciation charges for all HRA assets. Where HRA depreciation charges are less than the major repairs allowance it is a requirement that an amount equal to the difference is also transferred from the HRA to the MRR. The reserve is used to finance capital expenditure and the balance is included with other capital reserves in the City Fund Balance Sheet.

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

	2008/09 £m	2007/08 £m
Expenditure in year		
Fixed assets		
Assets under construction	0.02	0.03
Dwellings	1.25	0.40
Other Land and Buildings	0.12	-
Equipment	-	0.01
Revenue expenditure funded from capital under statute	0.36	-
	1.75	0.44
Methods of financing		
HRA Direct Revenue Financing	0.12	0.02
Capital Receipts	0.08	0.09
Major Repairs Reserve	0.99	0.28
Reimbursements	0.52	0.01
Borrowing (from City Fund)	0.04	0.04
	1.75	0.44

Revenue expenditure funded from capital under statute relates to expenditure on sold properties which are not City of London assets.

10 HRA Capital Receipts Capital receipts from the sale of dwellings, land and other property are as follows.

	2008/09 £m	2007/08 £m
Dwellings	0.5	0.5
Land	-	-
Other	-	-
Total	0.5	0.5

From 2004/05 the Government requires 75% of new capital receipts from the sale of HRA dwellings to be contributed to a national pool. For 2008/09 the net amount retained by the City of London was £0.1m (2007/08: £0.1m).

The Collection Fund

for the year ended 31 March 2009

The Collection Fund reflects a statutory obligation to account separately for non-domestic rates and the council tax and the way in which they have been distributed to preceptors, the Government and the City Fund.

REVENUE ACCOUNT

	Notes	2008/09 £m	2007/08 £m
Income			
Income from Business Ratepayers	1	(539.8)	(435.9)
Council Taxes		(5.6)	(5.3)
Council Tax Benefit		(0.2)	(0.3)
Reduction in Provision for Uncollectable Amounts	3	(0.8)	(3.8)
Total Income		(546.4)	(445.3)
Expenditure			
Contribution to the National Non-Domestic Rates Pool		534.4	434.3
Cost of Collection Allowance	4	1.6	1.8
Precept from Greater London Authority		0.5	0.5
Precept from City Fund - Council Tax	5	5.3	5.2
Non-Domestic Rates Premium	1	4.6	3.6
Total Expenditure		546.4	445.4
Deficit for Year		-	0.1
Balance 1 April		(0.3)	(0.4)
Balance 31 March		(0.3)	(0.3)

Notes to the Collection Fund

1 Income from Business Rates The Local Government Finance Act 1988 replaced the Locally Determined Non-Domestic Rate with a National Non-Domestic Rate (NNDR) set by the Government. In addition to the NNDR, there is a discounted rate for small businesses known as the Small Business Non-Domestic Rate (SBNDR). In 2008/09 the City of London set a Standard Non-Domestic Rate of 46.6p and a Small Business Non-Domestic Rate of 46.2p. This comprises the NNDR and SBNDR of 46.2p and 45.8p respectively, plus a premium of 0.4p to provide additional funding to enable the City to continue to support Police, security activity and contingency planning in the City at an enhanced level.

	2008/09 £m	2007/08 £m
Non-domestic rates income	(556.4)	(426.5)
Government transition scheme	(11.7)	(52.6)
Non-domestic rates income after transition scheme	(568.1)	(479.1)
Less Voids	15.0	23.8
Mandatory and discretionary relief	5.7	5.8
Small Business Relief	0.1	0.1
Partly occupied allowance	1.5	4.4
Interest	5.1	7.3
Write offs	0.9	1.8
Net income from business ratepayers	(539.8)	(435.9)

The total rateable value of the City at 31 March 2009 was £1,380m (31 March 2008: £1,379m).

2 Calculation of council tax The Local Government Finance Act 1992 introduced the Council Tax from 1 April 1993, replacing the Community Charge. The Act prescribes the detailed calculations that the City of London, as a billing authority, has to make to determine the Council Tax amounts. The City of London set a basic amount of £840.50 for a Band D property for 2008/09 calculated as follows:

	£m	£m
City of London's Original Budget		112.3
Less		
Distribution from Non-Domestic rates pool	71.3	
Non-Domestic rates premium	5.6	
Government grants	30.1	
Estimated Collection Fund surplus	0.3	
		107.3
Estimated amounts to be raised from Council Tax		5.0
Divided by		
Council Tax base for the City area (number of Band D equivalent properties)		No: 5,901
Basic amount for Band D Property		£840.50

To this £840.50 is added £82.80 in respect of the precept from the Greater London Authority to arrive at the total Council Tax of £923.30 for a Band D property in 2008/09. 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	615.53
B	7/9	718.12
C	8/9	820.71
D	9/9	923.30
E	11/9	1,128.48
F	13/9	1,333.66
G	15/9	1,538.83
H	18/9	1,846.60

Tax bases 2008/09 The table below shows the number of chargeable dwellings in each valuation band converted to an equivalent number of Band D dwellings. The totals for each area are described as "aggregate relevant amounts". These amounts, multiplied by the collection rate of 95%, produce the tax base for each of the areas shown.

Band	Middle Temple	Inner Temple	City area excluding Temples	Total City area
A	-	-	4.50	4.50
B	-	-	305.82	305.82
C	-	-	740.40	740.40
D	-	-	316.10	316.10
E	7.33	3.24	2,117.68	2,128.25
F	38.93	22.17	1,168.63	1,229.73
G	26.42	54.25	1,215.50	1,296.17
H	2.00	4.00	184.60	190.60
Aggregate relevant amounts	74.68	83.66	6,053.23	6,211.57
Collection rate	95%	95%	95%	95%
Tax bases	70.95	79.48	5,750.57	5,901.00

3 Provision for Uncollectable Amounts This provision has been re-assessed and reduced by £0.8m from £5.5m at 31 March 2008 to £4.7m at 31 March 2009.

4 Cost of Collection Allowance In accordance with paragraph 6 of Schedule 1 to the Non-Domestic Rating Contributions (England) Regulations, the City of London is allowed to deduct collection costs of £1.6m for 2008/09 from the gross amount of rates receivable.

5 Council Tax This represents the sums payable to the City Fund in respect of:

	2008/09 £m
Council Taxes	5.0
The estimated collection fund balance at 31 March 2008	0.3
	5.3

Pension Fund Accounts

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

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

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

Accounting Policies

- i. The pension fund statements have been prepared in accordance with the Local Government Pension Scheme Regulations 2007 (as amended) and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2008, having regard to the Statement of Recommended Practice, Financial Reports of Pension Schemes (revised May 2007).
- ii. The pension fund accounts are accounted for on an accruals basis for income and expenditure, with the exception of transfer values in and out, which are accounted for on a cash basis.
- iii. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.
- iv. Equities traded through the Stock Exchange Electronic Trading Service (SETS), are valued on the basis of the latest bid price. Other quoted investments are also valued on the basis of the bid value quoted on the relevant stock market.
- v. Comparative figures for the value of investment assets have not been restated following the change in the basis of valuation from mid-market to bid values as the difference is not considered to be material.
- vi. Unquoted securities in the form of private equity holdings are valued by the individual investment managers at the year end in accordance with generally accepted guidelines. A significant restriction affects the ability to realise these private equity holdings until they reach maturity and thus their values are difficult to establish as they are not readily traded. Estimates of their values have therefore been used.
- vii. The value of fixed interest investments in the Scheme's investment portfolio excludes interest earned but not paid over at the Scheme year end. The interest is included separately within accrued investment income.
- viii. Acquisition costs are included in the purchase costs of investments.
- ix. Assets and liabilities in overseas currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Transactions during the year are translated at rates applying at the transaction dates.
- x. The cost of administration is charged directly to the fund.

- xi. Income due from equities is accounted for on the date stocks are quoted ex-dividend.
- xii. Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.
- xiii. Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis.
- xiv. Income from other investments is accounted for on an accruals basis.
- xv. 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.
- xvi. When foreign exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at year end. Income from overseas investments is translated into sterling at an average rate for the period.
- xvii. Surpluses and deficits arising on conversion are dealt with as part of the change in market values of the investments.
- xviii. 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.
- xix. Under the rules of the Scheme, members receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.
- xx. Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the scheme. They take account of transfers where the trustees of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before year end, and where the amount of the transfer can be determined with reasonable certainty. A group transfer in respect of magistrates court staff has been accrued for, as the transfer was agreed prior to 31 March 2009, and is included in the 2008/09 accounts.
- xxi. Administration and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT.
- xxii. Receipts to meet the capital costs of early retirements are included as other income.

Actuarial valuation In accordance with statutory regulations a triennial valuation of the Pension Fund was completed by independent consulting actuaries as at 31 March 2007 using the projected unit method. The changes in employer contribution rates as a result of the March 2007 valuation were effective from 1 April 2008.

The main funding assumptions which follow were incorporated into the funding model:

Financial Assumptions	March 2007 % p.a.	Real % p.a.
Discount Rate	7.6	4.2
Pay Increases	4.9	1.5
Price Inflation/Pensions Increases	3.4	-

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

Past service liabilities	£m
Active members	262.6
Deferred pensioners	73.8
Pensioners	235.7
Total	572.1
Assets	(496.8)
Deficit	75.3
Funding Level	87%

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

	Contribution rate %
Future service funding rate	12.9
Past service adjustment	5.6
Total contribution rate	18.5

The past service adjustment assumes that the deficit is recovered over a 17 year period.

The contribution rate for 2008/09, 2009/10 and 2010/11 is 18.5% for each of the financial years.

Of the employers contributions receivable in 2008/09 amounting to £20.5m, the amounts attributable to "deficit funding" are as follows:

	Future Funding £m	Past-service Deficit Funding £m	Total Contributions £m
Scheduled Bodies City of London	13.29	5.77	19.06
Museum of London	1.17	0.02	1.19
Admitted Bodies Irish Society	0.03	0.01	0.04
Guildhall Club	0.02	-	0.02
City Academy	0.17	-	0.17
	14.68	5.80	20.48

Pension Fund Account

for the year ended 31 March 2009

	Notes	2008/09 £m	2007/08 £m
Contributions and Benefits			
Contributions	2	(28.6)	(26.7)
Transfers in		(1.9)	(3.0)
Other income		(1.5)	(1.4)
		(32.0)	(31.1)
Benefits	3	27.1	24.6
Leavers	4	3.5	1.8
Administrative Expenses	5	0.6	0.7
Other Expenses		0.1	0.1
		31.3	27.2
Net additions from members		(0.7)	(3.9)
Returns on investments			
Income from investments	7	(19.1)	(17.8)
Change in market value of investments (realised and unrealised)		80.5	32.2
Investment Management Expenses	8	2.8	2.9
Net returns on investments		64.2	17.3
Net decrease in the fund during the year		63.5	13.4
Opening net assets of the scheme		(475.7)	(489.1)
Closing net assets of the scheme		(412.2)	(475.7)

Net Assets Statement

as at 31 March 2009

	Notes	2008/09 £m	2007/08 £m
Investment assets	9/10	(414.9)	(475.7)
Current liabilities	12	2.7	-
Net assets		(412.2)	(475.7)

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

Notes to the Pension Fund Accounts

1 Membership of the Fund

	Current Contributors No.	Beneficiaries in Receipt of Pension No.	Deferred Benefits No.	2008/09 Total No.	2007/08 Total No.
City of London	3,539	2,903	2,452	8,894	8,731
Scheduled bodies					
Museum of London	313	147	260	720	687
Magistrates Court	-	24	20	44	72
Probation Committee	-	3	-	3	3
Admitted bodies					
Irish Society	8	6	1	15	15
City Arts Trust	-	1	-	1	1
Transport Committee for London	-	3	29	32	32
Guildhall Club	7	2	2	11	11
City Academy	51	-	24	75	64
Totals	3,918	3,089	2,788	9,795	9,616

2 Contributions

	Normal £m	A.V.C.s £m	2008/09 £m	2007/08 £m
Employers:				
Scheduled bodies				
City of London	(19.06)	-	(19.06)	(18.46)
Museum of London	(1.19)	-	(1.19)	(1.10)
Admitted bodies				
Irish Society	(0.04)	-	(0.04)	(0.03)
Guildhall Club	(0.02)	-	(0.02)	(0.03)
City Academy	(0.17)	-	(0.17)	(0.14)
	(20.48)	-	(20.48)	(19.76)
Employees of:				
Scheduled bodies				
City of London	(7.51)	(0.13)	(7.64)	(6.40)
Museum of London	(0.54)	(0.02)	(0.56)	(0.48)
Admitted bodies				
Irish Society	(0.02)	-	(0.02)	(0.02)
Guildhall Club	(0.01)	-	(0.01)	(0.01)
City Academy	(0.07)	-	(0.07)	(0.05)
	(8.15)	(0.15)	(8.30)	(6.96)
Total Contributions	(28.63)	(0.15)	(28.78)	(26.72)

A.V.C.s are Additional Voluntary Contributions and are managed externally and independently from the rest of the Pension Fund. They are paid by members to the Corporation and then get paid directly to the Fund Managers – Prudential and Standard Life Investments.

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

3 Benefits

	2008/09 £m	2007/08 £m
EMPLOYERS: SCHEDULED BODIES		
City of London		
Retired Employees		
– pensions	17.39	16.27
– lump sums	5.15	4.25
Lump sum on death	0.84	0.24
Widows' or Widowers' pensions	2.27	2.17
Children's pensions	-	0.08
	25.65	23.01
Museum of London		
Retired Employees		
– pensions	0.89	0.76
– lump sums	0.18	0.46
Lump sum on death	0.01	-
Widows' or Widowers' pensions	0.07	0.07
Children's pensions	-	-
	1.15	1.29
Magistrates Court		
Retired Employees		
– pensions	0.08	0.08
Widows' or Widowers' pensions	0.04	0.04
	0.12	0.12
Probation Committee		
Retired Employees		
– pensions	0.04	0.04
ADMITTED BODIES		
Irish Society		
Retired Employees		
– pensions	0.05	0.05
City Arts Trust		
Retired employees		
– Pensions	0.01	0.01
Transport Committee for London		
Retired Employees		
– pensions	0.02	0.02
Guildhall Club		
Retired Employees		
– pensions	0.01	0.01
– lump sum	-	0.06
	0.01	0.07
City Academy	-	-
Total Benefits	27.05	24.61

4 Leavers

	2008/09		2007/08
	£m	£m	£m
Refunds of contributions		0.1	-
Transfers out			
Magistrates Court Group Transfer	2.4		
Individual Transfers	1.0	3.4	1.8
		3.5	1.8

5 Administrative expenses

	2008/09 £m	2007/08 £m
Central administration	0.5	0.6
Computer costs	0.1	0.1
	0.6	0.7

6 Audit Fees There are no Audit fees charged to the Pension Fund. Audit fees are met from the City Fund.

7 Income from investments

	2008/09 £m	2007/08 £m
Fixed interest		
UK Government	(3.1)	(3.2)
UK Other	(0.6)	(0.5)
Overseas Government	(1.2)	(1.0)
Overseas Other	(0.1)	-
UK pooled units	(0.2)	(0.2)
UK equities	(4.7)	(4.8)
Overseas equities	(8.1)	(6.8)
Cash	(1.1)	(1.3)
	(19.1)	(17.8)

8 Investment Management Expenses Included in these expenses are Actuary fees of £18,683.

9 Investment assets

	2008/09 £m	2007/08 £m
Managed investments		
Fixed interest securities:		
– UK public sector	(52.8)	(52.1)
– UK other	(6.0)	(6.8)
– Overseas	(16.4)	(28.3)
Pooled Units		
– UK	(1.4)	(2.9)
– Overseas	-	(0.3)
Listed Equities		
– UK	(84.2)	(95.8)
– Overseas	(226.9)	(260.7)
Private Equity	(4.5)	(7.6)
Managed Funds - Other	(21.1)	(18.3)
Total Managed investments	(413.3)	(472.8)
Cash deposits	-	(0.5)
Total investment assets	(413.3)	(473.3)

10 Movements in Investment Assets 2008/09

	Value at 01/04/2008 £m	Purchases at Cost £m	Sales Proceeds £m	Change in Market Value £m	Value at 31/03/2009 £m
Fund Manager					
Artemis	89.7	25.2	(27.5)	(15.3)	72.1
LSV	68.2	19.8	(15.8)	(25.9)	46.3
Pyrford	123.1	46.1	(43.6)	7.4	133.0
Southeastern	119.7	137.1	(124.3)	(35.4)	97.1
Wellington	64.5	35.9	(31.9)	(8.3)	60.2
ABN (Temporary)	0.1	-	-	-	0.1
Barings English Growth Fund	0.6	-	-	(0.3)	0.3
Standard Life	5.3	1.4	(1.4)	(1.8)	3.5
Yorkshire Fund Managers	1.4	0.1	(0.1)	(1.0)	0.4
Environmental Technologies	0.2	0.2	(0.2)	0.1	0.3
Total Investments	472.8	265.8	(244.8)	(80.5)	413.3
Accrued Income	3.3				2.2
Cash Deposits	0.5				-
Investment Fees Creditors	(0.9)				(0.6)
Closing Balance	475.7				414.9

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

12 Current liabilities Current liabilities relate to a group transfer of the pensions for staff of the Magistrates Court paid out of the Corporation and an overdrawn cash balance of the Chamberlain.

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

The Police Pension Fund Account

for the year ended 31 March 2009

	2008/09		2007/08
	£m	£m	£m
Contributions receivable			
- from employer	(7.5)		(7.7)
- from members	(3.4)		(3.4)
		(10.9)	(11.1)
Transfers in			
- individual transfers in from other schemes		(0.1)	(0.2)
Benefits payable			
- pensions	14.6		13.5
- commutations and lump sum retirement benefits	4.8		1.8
- lump sum death benefits	0.3		-
		19.7	15.3
Payments to and on account of leavers			
- individual transfers out to other schemes		0.6	1.0
Sub-total: Net amount payable for the year before transfer from Police Authority		9.3	5.0
Additional contribution from Police Authority		(9.3)	(5.0)
Net amount payable/receivable for the year		-	-

Net Assets Statement

as at 31 March 2009

	2008/09	2007/08
	£m	£m
Current assets	-	-
Current liabilities	-	-
	-	-

Notes to the Police Pension Fund

- i. The Police Pension Fund was established under the Police Pension Fund Regulations 2007 (SI 2007 No. 1932).
- ii. It is a defined benefits scheme, administered internally by the City of London and all City of London police officers are eligible for membership of the pension scheme.
- iii. Under the rules of the scheme, members may elect to commute a proportion of their pension in favour of a lump sum. Commutation lump sums are accounted for from the date of retirement. 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.
- iv. 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.
- v. 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.
- vi. 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.
- vii. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end (see also note 37 to the core financial statements).
- 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.

Statement of Responsibilities for the Statement of Accounts

The City of London's Responsibilities

The City of London is required to

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

The Chamberlain of London's Responsibilities

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

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 SORP.

The Chamberlain has also:

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

Chamberlain's Certificate

I certify that the Statement of Accounts present fairly the financial position of the City Fund and the Pension Funds of the City of London at 31 March 2009 and their income and expenditure for the year then ended.



.....
Chris Bilslund
Chamberlain of London
Date: 28 July 2009

Annual Governance Statement

Scope of Responsibility

- 1 The City of London Corporation is a uniquely diverse organisation with three main aims: to support and promote the City as the world leader in international finance and business services; to provide high quality local services and policing for the Square Mile; and to provide valued services to London and the nation as a whole. Its unique franchise arrangements support the achievement of these aims. This Statement refers only to the City of London Corporation in its capacity as local authority and Police authority.
- 2 The City of London Corporation ("the City") is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In exercising its local authority and Police functions, the City also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which those functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3 In discharging this overall responsibility, the City is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 4 The City has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on the City's website at www.cityoflondon.gov.uk. This statement explains how the City has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

The Purpose of the Governance Framework

- 5 The governance framework comprises the systems and processes, and culture and values, by which the City is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the City to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 6 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable rather than absolute assurance of effectiveness. The City's system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the City's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 7 The governance framework has been in place at the City for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

Key Elements of the Governance Framework

Business Strategy and Planning Process

8 The City has a clear hierarchy of plans, setting out its ambitions and priorities:

- A fully functional Local Strategic Partnership (The City Together) was established in 2002 to oversee the development of the Community Strategy, which is centred on the Square Mile and the City's local authority and Policing functions. During 2008, following approval of the sustainable community strategy, a review was conducted of the governance arrangements for the Partnership. Revised arrangements for the Board were agreed, including an additional resident representative, a second faith communities' representative and inviting the director of the City's 'umbrella' organisation for the Third Sector in the City to join the Board. An Adult Wellbeing Partnership has also been established, chaired by a representative from the City and Hackney Teaching Primary Care Trust.
- The refreshed sustainable community strategy for the City of London (The City Together Strategy: The Heart of a World Class City 2008-2014) was published in October 2008, following approval by the Court of Common Council and The City Together Board. The new strategy is a shared focus for the future, helping to co-ordinate partners' activities towards meeting the needs and aspirations of the City's diverse communities. This was informed by extensive consultation with a wide range of stakeholders and specific interest groups. It contains a revised Vision for the City of London, and five key themes, each with key goals and objectives.
- In March 2007, the City and The City Together Partnership agreed the City's first Local Area Agreement (LAA) with central Government. This sets out key policy objectives and challenging service delivery targets for the period 2007-10.
- The Local Government and Public Involvement in Health Act 2007 made it compulsory for all local authorities and the City of London Corporation to prepare a new LAA for 2008-11. The City's new LAA was signed off by the Secretary of State for Communities and Local Government on 30th June 2008. It includes six targets for indicators drawn from the centrally agreed National Indicator Set. The small number of targets reflects the City's unique nature.
- The annual Corporate Plan shows how the City's activities link to the sustainable community strategy vision and themes and how the City will fulfil its wider role as a provider of services outside of the City boundaries. The Corporate Plan has subsumed the Medium Term Strategy and includes a statement of the City's Core Values.
- Other corporate plans and strategies include: the Financial Strategy and Budget Policy, the Capital Strategy and Asset Management Plan; the Risk Management Policy, the Procurement Framework, the Treasury Management Strategy and the annual Investment Strategy.

9 Plans and strategies are informed by a range of consultation arrangements, such as central and local residents' meetings, an on-line City workers panel and surveys of stakeholders. Much of the City's approach to engaging stakeholders is outlined in the City's Consultation and Engagement Framework which was reviewed in 2007/08.

10 The City has a unique franchise, giving businesses (our key constituency) a direct say in the running of the City, and a range of engagement activities, including through the Lord Mayor, Chairman of Policy and Resources Committee and the Economic Development Office. An annual consultation meeting is held for business ratepayers.

Code of Corporate Governance

11 The principles of good governance are embedded within a comprehensive published Code of Corporate Governance, which links together a framework of policies and procedures, including:

- Standing Orders, which govern the conduct of the City's affairs, particularly the operation of Committees and the relationship between Members and officers.
- Financial Regulations, which lay down rules that aim to ensure the proper management and safeguarding of the City's financial and other resources.
- Terms of reference for every Committee.
- Scrutiny, provided primarily by the Policy & Resources and Finance Committees, and the Resource Allocation, Audit and Investment Sub Committees.
- A corporate framework of delegation, which defines the responsibility for decision-making and the exercise of authority.
- A Members' Code of Conduct, which defines standards of personal behaviour; a Standards Committee, and register of interests, gifts and hospitality.
- A Code of Conduct for staff.
- A corporate complaints procedure, operated through the Town Clerk's Department, with a separate procedure in Community and Children's Services, to comply with the relevant regulations.
- The Control of Projects manual and other detailed guidance for officers, including procedures and manuals for business critical systems.
- An anti-fraud and corruption strategy, incorporating the City's whistle blowing policy.
- Job and person specifications for senior elected Members.
- A protocol for Member/officer relations.

12 The 2008 annual review of Standing Orders was reported to the Policy and Resources Committee in November 2008. This concluded that, overall, the new Standing Orders are working well, with a small number of minor issues requiring attention. A number of amendments were subsequently agreed by the Court of Common Council, as well as the introduction of a new Standing Order (No 52). This requires the submission of outcome reports on the completion of projects to the same Committee(s) which considered the evaluation report.

Performance Management

13 The corporate performance management framework sets out the planning cycle with clear linkages between the different levels of policy, strategy, target setting, planning and action (the "Golden Thread").

- All departments are required to produce annual departmental business plans for approval by the relevant service committee(s). These are all clearly linked to the overall Corporate Plan and to The City Together Strategy. The plans also show improvement objectives aligned with resources – financial and staffing – and other corporate considerations (e.g. risk management; learning and development). Recommendations from external inspections are incorporated into the business plans.
- All departments are required to report quarterly to their service committees with progress against their business plan objectives and with financial monitoring information.
- Quarterly performance monitoring meetings are held by the Deputy Town Clerk with selected Chief Officers.
- Performance and Development Appraisals are carried out for all staff, using a standard set of core behaviours. The appraisals are used to set individual objectives and targets and to identify learning and development needs that are linked to business needs.
- 360° feedback forms part of appraisals for chief officers and selected senior officers, as well as being used for management training.

14 Performance is communicated to Council Tax and Business Rates payers through the central residents meetings, an annual business ratepayers' consultation meeting and regular electronic and written publications, including an annual summary of performance and accounts. Annual strategic briefings are held for all staff and a periodic staff attitude survey is undertaken to identify improvements in the understanding of the visions and aims of the City.

15 In June 2008, the City was successfully confirmed as meeting, and in some cases exceeding the more exacting IIP standard, retaining the accreditation achieved in 2005. The revised Performance Development Framework (PDF), based on a set of core behaviours, has been integrated into the appraisal process and will form the basis for the introduction of contribution pay in 2009/10.

16 In March 2009, a corporate Data Quality policy was approved, in response to an external audit review in 2008. This communicates the City's commitment to consistently high data quality standards, sets out the expectations for data quality across the organisation and provides specific policy guidelines for performance data.

Risk Management

17 The updated Risk Management Policy was agreed by the Court of Common Council in May 2008, emphasising risk management as a key element within the City's systems of corporate governance. The Policy assists in embedding consideration of risk within the City's policies, practices and procedures, and outlines the roles that elected Members on service committees have in ensuring that risk is properly integrated by Chief Officers within their business and service planning.

18 The Audit Sub Committee's terms of reference include member-level responsibility for risk management, and the Chairman of the Sub Committee has been designated as the member champion. In line with this responsibility, the Audit Sub Committee approved the 2008/09 Strategic Risk Register at its meeting in March 2008. The register codifies key strategic risks and assigns responsibility for taking action to mitigate each risk to a named Chief Officer.

19 The Strategic Risk Management Group consisting of senior managers from departments meets quarterly, chaired by the Deputy Town Clerk, who has been designated as the officer champion. During 2008/09, its membership was extended to include the Director of Public Relations (who is responsible for managing reputational risk) and further representation from the Chamberlain's Insurance Office.

20 Actions being taken to mitigate strategic and operational risks are monitored continuously by Chief Officers and regularly by the relevant service Committee. Departmental business plans include the strategic risks allocated to the relevant Chief Officer and departments are identifying key operational risks as part of the business planning process. These plans are considered by the relevant Committee. Departments maintain departmental risk registers, aligned to their departmental objectives.

21 During 2007, the City's risk management procedures and processes were reviewed by the CIPFA Better Governance Forum. The results of this review were presented to the Strategic Risk Management Group and the Audit Sub Committee. Recommendations arising from the review have been incorporated into the Strategic Risk Management Group's action plan, which is reviewed at every meeting.

System of Internal Financial Control

22 The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, a system of delegation and accountability, and independent scrutiny. In particular the system includes:

- comprehensive budget setting and monitoring systems including medium term financial forecasts.
- regular reviews of periodic and annual financial reports which indicate financial performance against budgets and forecasts.
- clearly defined capital expenditure guidelines.
- formal project management disciplines.
- an in-house internal audit service.
- scrutiny by Members, the Audit Commission, OFSTED, CQC, HMIC, other inspectorates, External Audit and other stakeholders.

23 Ongoing contact and communication between central and departmental finance officers is maintained and there are regular meetings of the Finance Officers Forum.

24 Development of the central financial management systems has continued, aiming to capitalise on this investment by fostering better use of the facilities available.

25 A cash limit operates on City Fund capital schemes whereby the level of the City's own resources being consumed to finance capital expenditure is capped. The present cap applies for the period to 2011/12.

26 Further action is being taken to address the shortfall identified by the medium term financial forecast, including continuation of the efficiency squeeze on local risk (cash limited) budgets and further efficiency reviews as outlined at paragraph 32.

Value for Money/Efficiency

27 The City has a number of procedures in place to ensure that its policies and the principles that underpin them are implemented economically, efficiently and effectively. This framework includes:

- Financial Strategy. This provides a common base for guiding the City's approach to managing financial resources and includes the pursuit of budget policies that seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives.
- Budget policy. The key policy is to balance current expenditure and current income over the medium term. Both blanket pressure and targeted reviews are applied to encourage Chief Officers to continuously seek improved efficiency and find better ways of working.
- Capital Strategy. This ensures that the City's capital resources are deployed to realise its corporate aims and priorities.
- Corporate Asset Management Plan. This aims to ensure that the opportunity cost of financial resources tied up in land and buildings is recognised, and that expenditure on the portfolio is directed efficiently and effectively to provide value for money.
- Annual resource allocation process. This is the framework within which the City makes judgements on adjustments to resource levels and ensures that these are properly implemented.
- Capital budget evaluation, management and monitoring. The City has a comprehensive system of controls covering the entire life cycle of capital and major revenue projects.

28 Cashable efficiency savings of £8.1m have been calculated in preparing the Value for Money gains under National Indicator 179 for 2008/09 (forecast position). The City has achieved its internal savings targets resulting from application of the Budget Policy and implemented improvements in efficiency and opportunities for savings identified in cross-cutting reviews, asset disposals and procurement initiatives.

29 The performance of the City's financial and property investments is monitored regularly, both in-house and independently, through WM Performance Services and our Independent Investment Adviser (for financial investments) and IPD (property).

30 Chief Officers will be including a summary of efficiency gains achieved and proposed in their annual business plans. Consideration is given to efficiency during the development and approval stages of all major projects, with expected efficiency gains quantified within reports to Members.

31 A "balanced scorecard" model to better evidence value for money has been developed and the City has joined CIPFA's VFM benchmarking service. These tools will be used to improve resource allocation and further embed a value for money culture within the City's business and planning processes.

32 A number of projects, such as the corporate contact centre, the HR Business Unit and Central Finance Unit, and the consolidation of staff in fewer operational buildings, have contributed to customer service improvements and efficiency savings. A programme of efficiency reviews is being undertaken including consideration of efficiencies from areas such as procurement, shared services and property, and from value for money reviews of specific activities. A Programme Board, led by the Chamberlain and Deputy Town Clerk, is monitoring these reviews monthly.

Review of Effectiveness

33 The City has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the internal auditors and managers within the authority who have responsibility for the development and maintenance of the governance environment and also by comments made by the external auditors and other review agencies and inspectorates.

34 Recent external assessments include:

- Corporate Assessment by the Audit Commission in September 2007. The City's overall score was 4 out of 4 and represents an improvement over the 2002 score of 3. The City scored 4 on three of the five themes.
- Use of Resources assessment by the external auditors as part of the final CPA judgement in 2008. The City retained its score of 4 out of 4 for Use of Resources.
- Direction of travel assessment by the Audit Commission, also as part of CPA 2008. The City's overall CPA judgement was improving strongly with 4 stars for performance (of its local authority functions). The Direction of Travel statement noted that "The City of London Corporation continues to be well placed to achieve further improvement for its businesses and residents from an already high baseline" and "A well developed programme of efficiency reviews is seeking to achieve further value for money".

Role of Internal Audit and Chief Internal Auditor's Opinion

35 Internal Audit plays a central role in providing the required assurance on internal controls through its comprehensive risk-based audit of all auditable areas within a five-year planning cycle – with key areas being reviewed annually. This is reinforced by consultation with departmental heads on perceived risk and by a rigorous follow-up audit regime.

36 The whole Internal Audit process is supported, monitored and managed by the Audit Sub-Committee, which meets at least three times a year and closely reviews all aspects of the Internal Audit function.

37 The Internal Audit Section operates under the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom. An internal review has been conducted of the effectiveness of the Internal Audit Section, in particular in relation to the CIPFA Code of Practice and the Section is fully compliant with the Code. In March 2008, the Audit Sub Committee approved revised Terms of Reference for the Internal Audit Section to take into account legislative changes and current best practice.

38 Despite a number of recruitment exercises the Section remains short of full complement and efforts are currently being made in conjunction with Human Resources and recruitment consultants to appoint staff with the required attributes. The fraud investigation function continues to be successful and the Section has again exceeded the DWP targets for Housing Benefit Fraud Sanctions. The Section has consistently achieved high scores as part of the Use of Resources process and its work is relied upon by External Audit.

39 The CIPFA Code of Practice for Internal Audit 2006 includes the requirement that “The Head of Internal Audit’s formal report to the organisation should include an opinion on the overall adequacy and effectiveness of the organisation’s internal control environment”.

40 It remains the Chief Internal Auditor’s opinion that the City’s systems of internal control, and the arrangements to ensure effective corporate governance, are robust and can be reasonably relied upon to ensure that objectives are achieved efficiently. A comprehensive risk management structure is in the process of being fully embedded throughout all elements of the City and a corporate strategic risk register has been adopted and is updated regularly. The Chief Internal Auditor is a member of the Strategic Risk Management Group. Overall, Internal Audit work shows that individual departments generally take appropriate action to manage and mitigate risk. This opinion is based upon the past year’s Internal Audit work throughout all aspects of the City’s diverse operations. In this year 94% of the annual audit plan was completed to report stage.

41 In September 2008, the Internal Audit Section arranged a briefing to Members of the Finance and Audit Sub Committees on various aspects of its work. Specific issues covered included computer assisted auditing techniques, fraud and whistle-blowing and the Internal Audit contribution to risk management.

Future Developments

42 In order to maintain, develop and strengthen the existing governance framework future plans include;

- Finalising the detailed Action Plan to support The City Together Strategy, by obtaining approval from The City Together Board and sub groups.
- Revising the Corporate Plan to take account of changes to the sustainable community strategy.
- Improving learning and development on risk management and assessment for Members and officers, including engaging the CIPFA Better Governance Forum to follow-up their 2007 review of the City's risk management processes and procedures.
- Implementing a second phase of reviews as part of the wider efficiency programme to improve the City's use of its financial, people and property resources and identify savings opportunities.
- Reviewing the membership and terms of reference of the Audit Sub Committee, to ensure that it continues to perform its role effectively.
- Reviewing the terms of reference of the Estimates Working Party, to enable it to fulfil its role in the City's achievement of value for money and central government efficiency targets.
- Enhancing the programme of learning and development for elected Members, to ensure that the process remains appropriate and equips Members with the required skills.
- Developing an overarching statement of ethics, supported by appropriate training.
- Conducting a comprehensive survey of City Corporation staff.
- Carrying out the triennial polling of key City stakeholder groups – senior City executives; residents; businesses, and City workers.
- Updating the Joint Strategic Needs Assessment of City residents, in conjunction with the City and Hackney PCT and the London Borough of Hackney.



.....
Chris Duffield
Town Clerk and Chief Executive

Date: 30 June 2009



.....
Stuart Fraser
Chairman Policy and Resources Committee

Date: 30 June 2009

Adoption of the City Fund and Pension Fund Accounts

The City Fund Accounts and Pension Fund Accounts were approved by the Finance Committee on 30 June 2009 and signed on its behalf by:



.....
Philip Willoughby
Chairman of the Finance Committee

Date: 30 June 2009



.....
Jeremy Mayhew
Deputy Chairman of the Finance Committee

Date: 30 June 2009

Independent auditors' reports to the Members of the City of London Corporation

Opinion on the Authority accounting statements

We have audited the accounting statements and pension fund accounts of the City of London Corporation (City Fund) for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the City Fund Unallocated Reserve, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the related notes 1 to 39 to the core financial statements, the Housing Revenue Account and the related notes 1 to 9 and the Collection Fund Revenue Account and the related notes 1 to 5. The Police Pension Fund accounts comprise the Fund Account, the Net Assets Statement and the related notes i to viii. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies. The Police Pension Fund accounts have been prepared under the accounting policies set out therein.

This report is made solely to the members of the City of London Corporation, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' 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, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Finance Officer and the independent auditors

The Responsible Finance Officer's responsibilities for preparing the statement of accounts, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements and pension fund accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements and pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year; and the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We review whether the Governance Statement reflects compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with the proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit. We are not required to consider, nor have we considered, whether the Governance Statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read the other information published with the accounting statements and pension fund accounts as described in the contents section, and consider whether it is consistent with the audited accounting statements and pension fund accounts. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements and pension fund accounts. Our responsibilities do not extend to any further information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and pension fund accounts. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and pension fund accounts, and of whether the accounting policies are appropriate to the Authority's and pension fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements and pension fund accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and pension fund accounts.

Opinion

In our opinion:

- the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and of its income and expenditure for the year then ended.
- the Police Pension Fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Police Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditors' responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. 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.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, we are satisfied that, in all significant respects, the City of London Corporation made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009 in respect of the City Fund.

Certification of completion of the audit

We are required to give an opinion on the pension fund accounts included in the statement of accounts of the City of London Corporation (City Fund) and the Pension Fund Annual Report of the City of London Pension Fund. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December 2009. As the authority has not yet prepared the Annual Report we have not yet been able to read the other information to be published with those financial statements and we have not issued our report on those financial statements.

Until we have done so we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Nigel Johnson (Engagement Lead)
for and on behalf of Deloitte LLP
Appointed Auditor
London, United Kingdom

Glossary of Terms

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

- a. events have not coincided with the actuarial assumptions made for the last valuation or
- b. the actuarial assumptions have changed.

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

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

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

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

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

Capital receipt - the proceeds from the sale of a fixed asset such as land or council houses.

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

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

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

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

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

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

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:

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

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.

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

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.

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.

Fair value - the amount at which goods or services could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidated sale.

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

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

Intangible asset - 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 and the Environment Agency.

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

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

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

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

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

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

- a) 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
- b) 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:

- a) the City of London has a present obligation (legal or constructive) as a result of a past event;
- b) it is probable that a transfer of economic benefits will be required to settle the obligation; and
- c) a reliable estimate can be made of the amount of the obligation.

Reserves - surpluses of income over expenditure and amounts set aside outside the definition of a provision. Certain reserves are allocated for specific purposes and are described as earmarked reserves.

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

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.

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.

