

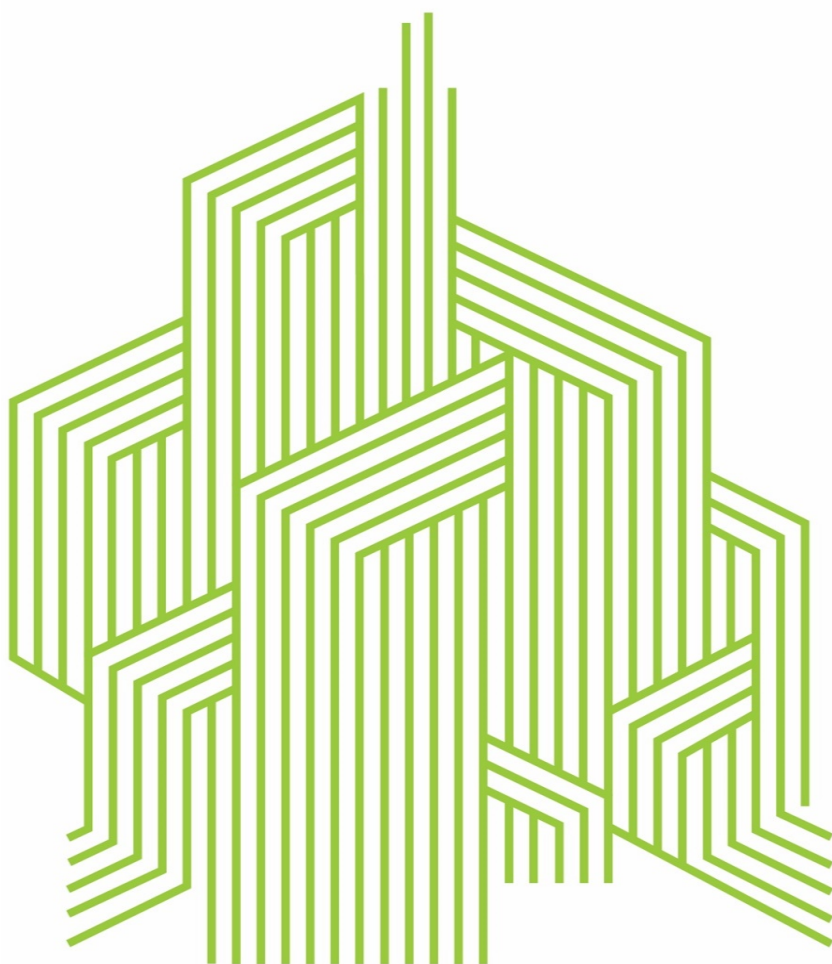
C40 Cities Climate Leadership UK

(C40 Cities UK)
(A company limited by guarantee)

Report and Financial Statements for the year ended 31 December 2021

Charity number 1173124

Company number 10401717



C40 Cities Climate Leadership UK

Report and Financial Statements For the year ended 31 December 2021

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C40 Cities Climate Leadership UK

Report and Financial Statements For the year ended 31 December 2021

Charity name	C40 Cities Climate Leadership UK
Principal and registered office	3 Queen Victoria Street, London, EC4N 4TQ
Charity number	1173124
Company number	10401717

Board of Directors

The trustees who served during the period were:

Anthia Williams (Chair)
Pelle Lind Bournonville
Jemma Read
Becky Bates (from 15 December 2021)
Henrietta Foster (until 8 December 2021)

Company Secretary	Juliette Carter
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Chief Executive	Mark Watts
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Auditor	KMPG LLP, Botanic House, 100 Hills Road Cambridge, CB2 1AR
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Solicitor	Bates Wells Brathwaite, 10 Queen Street Place London, EC4R 1BE
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Banker	NatWest Bank, 94 Moorgate, London, EC2M 6UR
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Report of the Directors for the year ended 31 December 2021

The Trustees (who are the directors) of C40 Cities Climate Leadership UK ("C40 Cities UK"), are pleased to present their report and financial statements for the charity for the year ended 31 December 2021.

The accounts (financial statements) have been prepared in accordance with the Statement of Recommended Practice (second edition): Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) effective 1 January 2019, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The charity is registered with the Charity Commission under registration number 10401717.

C40 Cities UK contributes towards the global strategy of its sole member, C40 Cities Climate Leadership Group Inc ("C40 Cities Inc"), therefore, throughout the Aims and Objectives and Achievement and Performance sections of this report, reference is made to the activities of C40 Cities Inc during this financial year.

Our Aims and Objectives

Purposes and Aims

The purposes and aims of C40 Cities UK, as set out in the objects contained in the company's Memorandum and Articles of Association, are:

The **advancement** of environmental protection and conservation of the natural environment, particularly by promoting the reduction of greenhouse gases (including carbon dioxide, methane and any other gases that may be identified from time to time as having a global warming potential);

- To promote sustainable development for the benefit of the public by the promotion of sustainable means of achieving economic growth and regeneration;
- To advance the education of the public in subjects relating to global warming, climate change, sustainable development and the protection, enhancement and rehabilitation of the environment and to promote study and research in such subjects provided that the useful results of such study are disseminated to the public at large; and
- Such other objects, as shall be exclusively charitable by the law of England and Wales as the Trustees shall decide

Sustainable development means "development which meets the needs of the present without compromising the ability of future generations to meet their own needs".

Public benefit

The achievement of the above aims drives C40 Cities UK's business planning. The beneficiaries of the charity are all global

citizens. The Achievements and Performance section below contains more information on how C40 Cities UK's work has contributed to the reduction of global greenhouse gas emissions over the last year.

The Trustees confirm that they have complied with the duty in section 17 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit when exercising any powers or duties to which the guidance is relevant.

Mission

C40 Cities UK operates as part of the C40 Cities Network. C40 Cities Network is headed by C40 Cities Inc (the sole member of C40 Cities UK).

The Trustees of C40 Cities UK believe that operating as part of the broader C40 network and adopting the strategy set by the C40 network is the most effective way of maximising the charitable impact of C40 Cities UK. This approach allows C40 Cities UK to work in partnership with other organisations in the C40 network around the world and with other partner organisations in order to achieve its charitable objects (which are global in nature). The Trustees of C40 Cities UK continue to consider that operating as part of this network is in the charity's best interests, having contributed to and considered the C40 Cities Network's 2021 -2024 Business Plan which C40 Cities UK has worked towards during the last financial year.

What we do today will determine whether or not there is a thriving future for the C40 network's communities, cities and the natural world around us. We know that climate breakdown and rising inequality, compounded by the COVID-19 pandemic, require an unprecedented response to match the scale of the crises. The C40 Cities Network's mission is to halve the emissions of its member cities within a decade, while improving equity, building resilience, and creating the conditions for everyone, everywhere to thrive. The Trustees of C40 Cities UK consider that the charity's charitable purposes can be delivered through the C40 network's Chair's vision for a [Global Green New Deal](#), where key civic actors such as C40 city mayors work alongside a broad coalition of representatives from labour, business, the youth climate movement and civil society to go further and faster than ever before.

City-to-city sharing is the basis on which the C40 network was founded. The C40 network enables best practice to be rapidly replicated all around the world. Mayors and city officials are able to access free expert advice on what works, then leapfrog their peers. Moreover, the positive peer pressure means that when one city delivers a higher ambition policy, it sets a new standard for all cities. As such, C40 Cities UK's work during 2021 as part of the network, and its continuing membership of the network, not only helps it to deliver its charitable purposes more effectively in the UK but also allows it to support delivery of its charitable purposes globally through supporting growth of other cities within the network (in terms of their own work towards environmental protection and reduction of greenhouse gases).

C40 member cities earn their membership through action. The C40 network's most distinguishing feature is that it operates on performance-based requirements, not membership fees. The C40 network's [Leadership Standards](#) set the minimum requirements for all member cities and ensure the integrity of C40 as a network of climate leaders. Consequently, by being part of the network C40 Cities UK can hold itself to a set of external standards and be held to account for its work towards its charitable purposes by its regulators, the public and by the C40 network.

The C40 Business Plan 2021 - 2024 establishes five requirements for each city in the C40 Cities Network, which the trustees of C40 Cities UK decided to adopt and agree to in 2021. C40 Cities UK's contribution to that business plan is set out below ('Achievements and Performances').

Achievements and Performance

2021 was another successful year for C40 Cities UK. C40 Cities UK's contributions to the C40 network helped C40 cities to implement the highest impact actions, across the key sectors of mitigation and adaptation, in support of the charity's charitable purposes. In 2021, 68 new high-impact actions were implemented for the first time in C40 cities, bringing the total completed to 871 actions. These range from procuring exclusively zero-emissions bus fleets, to restricting single-use and non-recyclable materials and increasing urban green spaces and canopy cover in vulnerable areas.

Johannesburg and eThekweni (Durban) introduced policies towards net zero carbon new buildings, joining Cape Town and Tshwane, who were all supported through the C40 South Africa Buildings Programme. As of 2021, three more cities now require renewables for buildings, including Kuala Lumpur, and five more cities are phasing out fossil and solid fuels in buildings, such as Montreal. In a bid to reduce waste emissions, 79 cities now restrict single use and non-recyclable materials, a policy which six cities implemented for the first time in 2021, including Delhi. Three more cities now procure only zero emission municipal vehicles, including Shenzhen, bringing the total to 11. Nine more cities implemented restrictions to increase road safety and reduce transport emissions, such as Wuhan. To reduce urban heat risk, 17 cities have increased green spaces and urban canopy cover in vulnerable areas, eight of which did so for the first time in 2021, including Mexico City.

More than 32 million more C40 Cities Network city residents enjoyed improved air quality compared to 2020, according to WHO data. C40 cities saw a 5% improvement in the annual average $\mu\text{g}/\text{m}^3$ PM2.5 levels. More than 1,000 global cities joined the Cities Race to Zero to raise climate ambition and put the world on track to halve emissions within the next decade - the biggest subnational announcement to be made at a COP.

The C40 Cities Network supports mayors in putting equity and inclusion at the heart of climate policies and all other urban decision-making. This ensures that mayors can engage a wide range of communities and stakeholders, design and deliver policy with fairness and accessibility and distribute the benefits of climate action equitably. There is no climate justice without social justice, and action at the city level is critical to achieve both.

Inclusion starts with engagement. As a part of its work with the C40 network's Global Green New Deal pilots, Accra has held collaborative workshops with informal waste and recycling workers as well as conducting focus groups with communities to understand their needs as the city looks at improving its recycling rates and protecting livelihoods. Inclusion is also key to implementation. Barcelona has created a Climate Shelter Network of municipal facilities and public spaces available to vulnerable citizens that ensure they can keep cool during high temperatures. In 2021, the city more than doubled the locations in the network from 70 to 155; 90% of the population is now a 10-minute walk from a shelter. By 2030, the city aims to have the entire population five minutes away from one.

In the coming year, C40 Cities UK will support the C40 network to continue to drive science-based, equitable action. The network will be directing two thirds of its funding to the Global South, targeting global funding to ensure a fair and just urban transition, and leading a landmark rollout of air quality measures worldwide to nearly 100 cities.

Throughout 2021, C40 Cities UK contributed towards the progress of the C40 network towards the five goals for each city set out in the C40 Cities Network 2021 – 2024 Business Plan:

1. Plan: City has adopted a resilient and inclusive climate action plan aligned with the 1.5 °C ambition of the Paris Agreement, and updates it regularly

By the end of 2021, 61 C40 cities have a resilient and inclusive climate action plan. Collectively, C40 cities are committed to delivering their fair share of halving emissions by 2030. By the end of 2021, a significant majority of C40 cities had 1.5°C-aligned city action plans to protect residents, create jobs, address inequalities and tackle the global climate crisis. The remainder of C40 cities continue to work on completing their climate roadmaps, despite the ongoing challenges of COVID-19. As 2021 drew to a close, the C40 network's programme to help cities develop their Climate Action Plans concluded in record time.

Spotlight on City Climate Action Plan

In 2016, Rio de Janeiro committed to deliver the objectives of the Paris Agreement, and the C40 network has been proud to support the city in their journey. Supported by C40 Cities, UN Habitat, UNICEF and the British Government, the city launched its Plan for Sustainable Development and Climate Action in 2021. The plan sets a clear path to a sustainable, resilient and inclusive city embracing the commitment to reduce harmful greenhouse gas emissions by 20% in 2030, compared to the 2017 baseline, with Rio committing to reach net-zero emissions by 2050.

2. Deliver: In 2024, the city remains on track to deliver its climate action plan, contributing to increased resilience, equitable outcomes and halving the C40 network's overall emissions by 2030

C40 Cities Network mayors have been implementing ambitious climate action for years and have built a respected reputation as a result. As Time magazine said in their headline of November 2021: 'Countries Brought Big Promises to COP26. Cities Brought Actions'. Nonetheless, cities know they need to radically step up the pace of implementation during this decade.

In 2021, C40 cities implemented another 68 high-impact climate actions. These included implementation of city-wide speed restrictions to increase road-safety, restrictions for single use and non-recyclable materials to reduce emissions, actions for phasing out of fossil or solid fuel for heating and cooking, and an increase in green spaces and canopy cover in vulnerable areas to reduce urban heat risk.

Spotlight

1) Air Quality

London has become a world leader in tackling the issue through delivering substantive new policies and programmes to address the top causes of air pollution emissions. In April 2019, the Mayor of London launched the world's first Ultra Low Emission Zone (ULEZ), which contributed to a reduction of 44 % in roadside NO₂ in central London. In October 2021, London expanded the ULEZ to 18 times the previous central area and covering 4 million people. London supported 15,000 micro-businesses and lower-income residents to shift to greener transport options through a successful £61m scrappage scheme.

2) Financing

The C40 Cities Finance Facility, a joint partnership between the C40 network and GIZ, enables cities in Global South and emerging economies to access finance for implementation of inclusive and equitable climate infrastructure projects. The 15 infrastructure projects supported by the CFF are projected to access approximately \$648 million dollars of finance for implementation, contributing to 2.6 million tons of GHG emissions reduction. Cities such as Bogota, Curitiba, Jakarta, Mexico City, Rio de Janeiro, Durban, Guadalajara and Quezon City have already linked to the appropriate sources of finance, and many projects are already implemented or under implementation.

3. Mainstream: City uses the necessary financial, regulatory and other tools at their disposal to address the climate crisis and mainstreams their inclusive climate targets into the most impactful city decision-making processes

Climate action needs to be embedded across all city government activities if cities are to overcome the climate emergency and achieve a green and just recovery from the COVID-19 crisis. There is no single solution, as every city has its own set of institutional and political structures, and they are best placed to decide how to integrate their climate actions.

Spotlight

1) Climate Budget

One highly successful and innovative approach is climate budgeting¹. Oslo's pioneered this approach in 2017, and the [2021 climate budget](#) was their fifth such budget. Oslo's [Climate and Energy Strategy](#) outlines the city's ambitious climate goals, which include a 95% reduction in emissions by 2030 compared to 2009 – in line with the 1.5°C target of the Paris Agreement. Oslo's innovative approach is working. The city's emissions are declining, despite being one of the fastest growing cities in Europe. Cities - including Stockholm, Barcelona, Berlin, Montreal, Paris and Tshwane - have already adopted climate budgeting, either through creating and integrating full climate budgets across governance structures or by developing key elements of the approach.

2) Urban Nature

As a part of her Transform Freetown Agenda, Mayor Yvonne Aki-Sawyerr launched the #FreetownTheTreeTown campaign in January 2020, with the objective of planting, growing and digitally tracking one million trees, restoring 3,000 hectares of land and sequestering approximately 76,000 tons of CO2 by 2022. The approach harnesses innovative and low-cost digital technology for tree-tracking, while creating employment for women and youth: over 1,200 green jobs were created in 2020/21. In 2020 alone, 250,000 trees were planted, and work to plant another 300,000 trees, shrubs and grasses, including mangroves, was underway in 2021. The project is carried out by teams of community growers (88% youth and 44% women) and supported by Community Climate Action Ambassadors, made up of youth, women, business, religious, cultural and political leaders.

¹ A climate budget is a governance system which embeds climate targets and considerations into all decision-making, as part of a city's annual financial budgeting process. It presents the city's measures to reduce emissions along with their calculated effect and cost and appoints responsibility for delivering and monitoring them

4. Innovate: City innovates and starts taking inclusive action to address emissions and climate risk beyond the direct control of the city government, such as associated with goods & services consumed in their city

Today's proven solutions were yesterday's innovations. Tackling consumption-based emissions will require both leadership and innovation on topics like food and construction. The C40 network draws together existing data and practice to help its member cities explore the next level of city climate ambition.

Spotlight

Milan recently received international recognition for its work in the field of food waste. In 2021, the city was chosen as one of the first ever winners of the Earthshot Prize, the most prestigious global environment prize in history. Milan has created a series of local food hubs to recover surplus food from retailers and food service operators and redistribute them through organisations supporting those in need. This is part of an effort to reduce food insecurity, ensuring that no edible food is wasted, with the aim of cutting food waste in half by 2030. Currently, four local food hubs are active. Each month, more than 10 tons of surplus food is recovered, corresponding to the equivalent of 154,000 meals per year. Crucially, the hub scheme allowed Milan to respond rapidly to city residents' needs during the early stages of the COVID-19 pandemic, where ten food waste hubs were set up for people to donate food which was then collected and redistributed to those in need. Milan leads the C40 Food Systems Network and has been instrumental in working with other peer cities in the network to share good practice.

5. Lead: Mayor and the city demonstrate global climate leadership and inspire others to act in support of the Paris Agreement.

C40 mayors are most influential when they combine action at home with advocacy to those beyond their borders. C40 city mayors know that they need to build alliances with other cities, civil society, labour movements, business and national governments. The power of such alliances can influence the narrative around climate change, change public opinion, shift markets, and shape national policies and international climate talks – ultimately driving further ambition and action in the field of environmental protection, leading the world to achieving its target of keeping global heating under 1.5°C.

Spotlight

1) Cities Race to Zero

The C40 network's leadership and influence were recognised in the run-up to COP26 and at the crucial climate conference held in Glasgow for the C40 network's role in mobilising cities in the UN-backed High-Level Climate Champions Race to Zero campaign. The C40 network was critical in setting the ambition criteria of this campaign and aligning it with Deadline 2020. Under the C40 network's leadership, seven global partners came together to offer a single-entry point for cities. Through the Cities Race to Zero portal hosted by the C40 network, more than 1,000 cities committed to halve their emissions by 2030 and take immediate action.

C40 Cities Inc's then chair, Mayor Eric Garcetti of Los Angeles, was the city representative invited to announce the Cities Race to Zero contribution to the heads of states at the COP26 World Leaders Summit. Mayor Garcetti was also selected by the UK host as the sole representative of cities in the COP26 advisory body convened by the British Presidency called "Friends of COP".

Stats:

- 1049 cities signed onto the Race to Zero

- they are committed to 1.5°C – the global standard for climate action.
- New estimates from Global Covenant of Mayors for Climate & Energy show that this collective action has the potential to reduce global emissions by at least 1.4 gigatons annually by 2030.

1) Translating ambitions into accountability

In 2021, the C40 network announced that another 31 Danish municipalities had committed to develop climate action plans using the C40 Climate Action Planning Framework. They joined the existing 64 Danish municipalities that already are a part of the DK2020 project since its 2019 launch. This means that Denmark is close to having all its municipalities developing plans committed to keeping global heating below 1.5°C. The DK2020 project is inspired by the C40 network's Deadline 2020 project, which set a global framework for how cities and municipalities can contribute to achieving the objectives of the Paris Agreement. The partners behind the project are Realdania, Local Government Denmark (KL), and the five Danish regions, with CONCITO² and the C40 network leading the project, as well as being knowledge partners. Thanks to the success of this initiative, partners are now having discussions with partners in other countries of the world on how to adopt and adapt this model, globally.

2) Global Youth and Mayors Forum

Members of the 2020-21 C40 [Global Youth and Mayors Forum](#) have collaboratively created [a playbook](#) that can help strengthen meaningful youth engagement in climate action in cities across the world. It was launched at COP26. The playbook has been informed by insights shared by youth climate leaders and contributions from 15 cities, including case studies that showcase a variety of approaches to meaningful youth engagement that have driven increased and more inclusive climate action. The playbook also contains top tips for young people who are engaging with cities and decision-makers, gathered from youth climate leaders.

Fundraising

In 2021 C40 Cities UK's income was predominantly granted by C40 Cities Inc. C40 Cities UK does not currently and has no future plans to use third party fundraising organisations, nor does it carry out telephone or direct mail fundraising. C40 UK fundraising from external funders has been affected by Brexit. Some funders who previously funded C40 UK prefer to fund organisations based in the European Union. Organisations in the wider C40 network will now work with these funders. However, C40 Cities UK's ability to further its charitable purposes is unaffected by this change, as its majority funding has always been received from C40 Inc.

C40 Cities Inc has a small global fundraising team focused on securing income to enable the C40 network globally to deliver its programmes for reducing climate change and its impacts.

Key management personnel remuneration

The C40 Cities UK Board approved a remuneration policy in 2017. The main objective of the remuneration policy is to attract, retain and reward talented staff and management by offering compensation that is competitive within the sector. The intention of this is to motivate management to achieve C40 Cities UK's strategic objectives and encourage high levels of performance. Depending on the company's performance and financial position, and the level of inflation, the Management Team will aim to offer, at their discretion, an annual cost of living increase to staff salaries. Staff who are within the boundaries of their grade and

² Denmark's leading climate think tank

have demonstrated good performance over the year may also be paid an additional sum over and above inflation. The Board is responsible for approving the budget, of which salaries form part, on an annual basis. Any annual salary award is made to staff effective 1 January each year. The Executive Director works globally and is employed by C40 Cities UK. His remuneration is set by the Trustees of C40 Cities UK in agreement with the Board of C40 Cities Inc.

C40 Cities UK approves all new compensation arrangements based on, to the extent reasonably available, information about compensation paid by similarly situated not-for-profit or charitable organisations, or organisations in comparable sectors for similar services, current compensation surveys compiled by independent firms, actual written offers from similarly situated organisations, and other relevant information.

Key management personnel are the Management Team listed on Page 14.

Plans for Future Periods

On 1 January 2021, the C40 network's new strengthened membership requirements or "Leadership Standards" went into effect, unanimously approved by the C40 Steering Committee. As the trustees of C40 Cities UK consider that the charity's continued membership of the C40 network is in the charity's best interests in pursuit of its charitable purposes, C40 Cities UK is bound by these environmental focussed standards.

The C40 Leadership Standards 2021-2024 are as follows:

- 1. Plan.** City has adopted a resilient and inclusive climate action plan aligned with the 1.5°C ambition of the Paris Agreement, and updates it regularly;
- 2. Deliver.** In 2024, city remains on track to deliver its climate action plan, contributing to increased resilience, equitable outcomes and halving C40's overall emissions by 2030;
- 3. Mainstream.** City uses the necessary financial, regulatory and other tools at their disposal to address the climate crisis and mainstreams their equitable climate targets into the most impactful city decision-making processes;
- 4. Innovate.** City innovates and starts taking inclusive and resilient action to address emissions beyond the direct control of the city government, such as associated with goods and services consumed in their city;
- 5. Lead.** Mayor and the city demonstrate global climate leadership and inspire others to act in support of the Paris Agreement.

The C40 Business Plan for 2021-2024 was launched at the same time, which C40 Cities UK has agreed to support and implement as part of delivery of its charitable purposes. The overarching focus is on enabling accelerated implementation of cities' climate action plans and using this as a springboard for political leadership. The C40 network's aim is to support member cities as they implement their robust, science-based climate action plans which are aligned with the 1.5°C target of the Paris Agreement and prioritise increasing climate resilience and equity. If this is achieved, C40 cities will see emissions reductions consistent with halving their collective emissions by 2030.

The new C40 Business Plan reflects the immediate priorities of its cities' mayors in respect of tackling climate change and global emissions, building also on the Mayors' Agenda for a Green and Just Recovery, which translated the vision of the Global Green New Deal into the new context of the COVID-19 pandemic.

In the coming years, the C40 network will shift its in-depth regional resources to focus on the highest priority and highest impact climate actions in each region. When providing assistance, it will concentrate on its unique ability to support mayors in making the case for and enacting ambitious and sometimes difficult environmental policies, by building coalitions of support and facilitating peer-to-peer knowledge exchange. The C40 network will also work to elevate the voices and impact of civic actors even further, thereby shifting the regional and global debate on how to drive increased ambition and action. It will support city mayors to form coalitions with partners from business, labour, youth climate movements and wider civil society, and inspire more than 1,000 cities beyond C40's membership to commit to the same ambition and action. It will support its cities' key civic actors as they seek to partner with national governments to accelerate action and meet science-based targets, and the finance and investment community around the world to stop funding things that make climate breakdown worse and instead catalyse the urgent and transformative change the world needs to avoid climate breakdown. C40 will help its cities' civic actors to use their city's strong track records domestically to bring hope, energy, best practices, and a universal narrative to others. C40 Cities UK will contribute to these objectives as part of the C40 network.

The delivery of the 2021-2024 Business Plan is the priority of C40 Cities UK in the next few years, in particular supporting accelerated climate action implementation in cities, through best practice sharing, and direct support in key areas such as building energy efficiency, as part of the C40 network.

Financial Review

Fund balance, income and expenditure

During 2021, C40 Cities UK received income of £8.4m (2020: £7.2m) and incurred £8.3m of expenses (2020: £8.2m). C40 UK income in 2021 was in the form of a grant from C40 Inc. to deliver activities in the C40 Network business plan.

As a result, C40 Cities UK generated a net surplus of £0.1m in 2021, which increased the £0.7m brought forward reserves to £0.8m of reserves by the year-end. This comprises unrestricted reserves of £0.7m, and restricted reserves of £0.1m. This is in line with the board-approved reserves policy.

Reserves and Investment Policy

Unrestricted reserves are available to be applied, at the discretion of the Trustees, to any of C40 Cities UK's charitable purposes. Restricted reserves are to be applied to the specific project intended by the donor.

Trustees seek to retain a prudent level of reserves from unrestricted income.

Trustees base their reserves policy on the identified needs to:

- Ensure sufficient working capital for the following months, particularly to provide against a failure to receive funds for the income in budget in a timely fashion.
- Mitigate the risk of unforeseen expenditure, in particular the need to embrace new initiatives and opportunities when they arise, and which are not in budget.

- Support innovative programmes where they require a period of development and testing to prove their case.
- Maintain adequate funds to ensure an orderly winding down of discontinued operations.

C40 Cities UK is funded by restricted and unrestricted grants from C40 Cities Inc. C40 Cities UK requests and receives its grant income from C40 Cities Inc in sterling, and the majority of its expenditure is in sterling, so C40 Cities UK does not need to hold reserves against adverse movement in exchange rates.

C40 Cities Inc has committed to supporting C40 Cities UK in its statutory and contractual obligations to a maximum amount of £1 million for a period of two years from 12 April 2022 in order to permit an orderly wind-down.

Given the commitment it has received from C40 Cities Inc, the Trustees of C40 Cities UK require one month of total organisational expenditure to be kept as an unrestricted reserve. Based on the 2022 budget, C40 Cities UK seeks to hold unrestricted reserves in the region of £0.6m. As at 31 December 2021, unrestricted reserves were £0.7m, and the cash balance was £0.1m.

Trustees believe that unrestricted reserves, being in line with the reserves policy, stand at a satisfactory level.

Cash held on deposit

C40 Cities UK holds an interest-bearing bank account, and grant funds received from C40 Cities Inc in advance of expenditure are occasionally placed on deposit.

Structure, Governance and Management

Governing Document

The organisation is a charitable company limited by guarantee, incorporated on 29 September 2016 and registered as a charity on 22 May 2017. The company is governed under its Memorandum and Articles of Association. In the event of the company being wound up, members are required to contribute an amount not exceeding £1.

Member

The sole Member of C40 Cities UK is C40 Cities Climate Leadership Group Inc. ("C40 Cities Inc"), a non-stock, non-profit corporation registered in the state of Delaware, that is exempt from federal income tax under section 501(c)(3) of the US Internal Revenue Code. C40 Cities Inc is at the centre of a network of over 90 of the world's megacities committed to addressing climate change. The mayors of C40 Cities Inc's member cities elect representatives to a Steering Committee, which sets the strategic direction of C40 Cities Inc and elects C40 Cities Inc's Chair from its members. The Mayor of London, Sadiq Khan, is currently the Chair of C40 Cities Inc's Steering Committee. C40 Cities Inc also has a Board of Directors, made up of independent individuals representing various C40 network partners, which oversees its governance and management. Michael R. Bloomberg, founder of Bloomberg LP & Bloomberg Philanthropies, and former Mayor of New York City is the President of the C40 Cities Inc Board of Directors.

Charity Activities

The charity's income is comprised of donations from C40 Cities Inc. C40 Cities Inc is funded by unrestricted grants from its three strategic funders, Bloomberg Philanthropies, Children's Investment Fund Foundation

(CIFF) and Realdania, and by restricted grants both from its strategic funders and a variety of other funders.

Recruitment and Appointment of the Trustees

The Directors of the company are also charity Trustees for the purposes of charity law. Under the charity's Articles of Association, Trustees are appointed by the sole member, C40 Cities Inc. Trustees serve until the fourth Annual Retirement Meeting after their appointment, when they can be reappointed for an indefinite number of terms – however, we would expect Trustees to serve for no more than two terms, and we will plan succession on that basis.

During the period, all Trustees gave their time on a voluntary basis, and they did not receive any benefits from the charity.

Trustee Induction and Training

A Trustee induction is carried out for all new Trustees, covering the purpose of the charity, a review of the charity's governing documents, policies and procedures, and the roles and responsibilities of Trustees, including the Trustees' duty to act at all times in the interests of the charity and the Trustees' duty to avoid conflicts of interest. The Trustee induction includes meetings with senior staff. Trustee training is provided, most recently in March 2019. Training is scheduled for the second quarter of 2022.

Trustees are experienced in their fields, and were selected based on their varied skills sets, including climate change, fundraising, international operations, finance and charity governance. We are pleased to highlight the gender diversity of the Board, being 75% female leadership.

The Trustees are aware of and endeavour to comply with the Charity Governance Code. In particular, there is close coordination between the Trustees and senior management to ensure the effective management of the charity. The Trustees act with integrity and care, complying with a Code of Conduct and conflict of interest policy. Trustees manage risk through C40 Cities UK's risk register that is regularly reviewed by the Trustees.

Trustee Meetings

Trustees met formally two times during the period, at which meetings they approved a revised Safeguarding Policy, reviewed the Risk Register, approved the charity's 2020 Annual Report and Accounts for the period ending 31 December 2020, approved the 2022 budget, approved grant income, approved the charity's contribution to the C40 Cities network's global 2021-2024 Business Plan, and received reports from the Executive Director on the C40 network's global progress against its goals. Trustees receive updates on the charity's activities and delivery and those of the wider network between meetings as appropriate. Trustees also reviewed the management accounts against budget at each meeting.

Trustees and staff interact regularly between meetings: specifically, the Executive Director speaks with the Chair on a frequent basis; and the Director of Corporate Services and Deputy Executive Director speak with Board members in advance of each Board meeting.

Delegated Management

Executive management is delegated to the Executive Director, who is also the Executive Director of C40 Cities Inc, and to a global Management Team which includes employees of both C40 Cities UK and C40 Cities Inc. The members of the Management Team during the period were:

Executive Director
Deputy Executive Director
Managing Director of Corporate Services
Managing Director of Climate Planning, Finance and Partnerships
Managing Director of Regions and Mayoral Engagement
Managing Director of Climate Action Implementation
Managing Director of Communications and Events
Managing Director of International Diplomacy
Managing Director of Governance

Mark Watts
Kevin Austin
Juliette Carter
Andrea Fernandez
Hastings Chikoko
Shannon Lawrence
Lamia Senousi
David Miller
Anna Beech

Mark Watts, Kevin Austin, Juliette Carter, Andrea Fernandez, Shannon Lawrence, Lamia Senousi and Anna Beech are employed by C40 Cities UK. Hastings Chikoko and David Miller are employed directly or indirectly by C40 Cities Inc.

Principal risks and uncertainties

C40 Cities Inc maintains a global Risk Register in relation to the C40 Cities Network, as well as a C40 Cities UK specific risk register. Each risk and its mitigating action are owned by a member of the Management Team, who discuss and review the risks as required at quarterly meetings, and the register is reviewed formally on a monthly basis. The mitigating actions are put into place to reduce the likelihood or impact of any detrimental events.

The Trustees consider the key risk facing C40 Cities UK is the high concentration of funding received from C40 Cities Inc. To mitigate this risk, a Cooperation Agreement between C40 Cities Inc and C40 Cities UK is in place to record their ongoing relationship to strengthen their joint efforts in the service of environmental issues and to promote joint working between the parties.

The Trustees have also considered the impact of COVID-19 on the entity's ability to continue as a going concern though cash flow forecasts up to April 2023. These forecasts have been prepared on the basis of moderate growth in the current funding arrangements. Further details are set out in note 1. COVID-19 is not considered to have a material impact on these forecasts and therefore the entity's ability to continue as a going concern. The Trustees of C40 Cities UK, having considered its current funding arrangements believe it is appropriate to prepare the accounts on a going concern basis.

The Trustees report, which incorporates the strategic report was approved by the Board of Trustees on 26 April 2022 and signed on its behalf by:



Antha Williams
Chair

Statement of Trustees' Responsibilities in Respect of the Trustees' Annual Report and the Financial Statements

The trustees are responsible for preparing the Trustees' Annual Report³ and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the income and expenditure for that period. In preparing these financial statements, the [directors]/[trustees]¹¹ are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the charitable company or to cease operations or have no realistic alternative but to do so.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdiction.

Independent auditor's report to the members of C40 Cities Climate Leadership UK

Opinion

We have audited the financial statements of **C40 Cities Climate Leadership UK** ("the charitable company") for the year ended December 2021 which comprise the Statement of Financial Activities, Balance Sheet and Statement of Cash Flows and related notes, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2021 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the charitable company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the charitable company or to cease its operations, and as they have concluded that the charitable company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the trustees' conclusions, we considered the inherent risks to the charitable company's business model and analysed how those risks might affect the charitable company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the trustees' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the charitable company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of Trustees and management, and inspection of policy documentation as to the Charity’s high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustees Board minutes
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we performed procedures to address the risk of management override of controls, in particular the risks that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition as management has limited incentive or opportunity to manipulate income.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included the last five revenue journals, unusual journals posted to seldom used account codes and journals posted with unusual combinations.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with Trustees and management as required by auditing standards. Additionally, we discussed with management the relevant policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Charitable company is subject to laws and regulations that directly affect the financial statements including, financial reporting legislation (including related companies legislation and the Charities SORP), distributable profits legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst, the Charitable Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or

disclosures in the financial statements. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The trustees are responsible for the other information, which comprises the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Trustees' Annual Report, which constitutes the strategic report for the financial year, is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- the charitable company has not kept adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit[.]/[; or
- the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 15, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

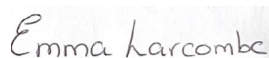
Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Emma Larcombe (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Botanic House
100 Hills Road
Cambridge
CB2 1AR
28 April 2022

C40 Cities Climate Leadership UK
Statement of Financial Activities (including Income and Expenditure) for the year ended
31 December 2021

		Unrestricted 2021 £'000	Restricted 2021 £'000	Total 2021 £'000	Total 2020 £'000
	Notes				
Income from:					
Donations		6,143	2,309	8,452	7,160
Other income		1	-	1	4
Total Income	3	<u>6,144</u>	<u>2,309</u>	<u>8,453</u>	<u>7,164</u>
 Expenditure on:					
Raising funds		39	-	39	-
Charitable activities	5	<u>5,963</u>	<u>2,283</u>	<u>8,246</u>	<u>8,231</u>
Total Expenditure		<u>6,002</u>	<u>2,283</u>	<u>8,285</u>	<u>8,231</u>
 Net income / (expenditure) for the year		142	26	168	(1,067)
 Reconciliation of funds					
Total funds brought forward		<u>583</u>	<u>83</u>	<u>666</u>	<u>1,733</u>
Total funds carried forward		<u>725</u>	<u>109</u>	<u>834</u>	<u>666</u>

The accompanying notes are an integral part of these financial statements.

**C40 Cities Climate Leadership UK
Balance Sheet at 31 December 2021**

		2021	2020
		£'000	£'000
Fixed Assets	Note		
Tangible Assets	7	-	1
Current Assets			
Debtors	8	1,210	155
Cash at Bank and in Hand		89	1,001
		<u>1,299</u>	<u>1,156</u>
Current Liabilities			
Creditors	9	<u>(465)</u>	<u>(491)</u>
 Net Current Assets		 <u>834</u>	 <u>665</u>
Total Net Assets		<u>834</u>	<u>666</u>
Represented by:			
Funds and reserves			
Restricted funds	10	109	83
Unrestricted funds	11	<u>725</u>	<u>583</u>
Total funds		<u>834</u>	<u>666</u>

The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Board of Trustees on 26 April 2022 and were signed on its behalf by:



Antha Williams, Chair of Trustees

C40 Cities Climate Leadership UK
Statement of cash flows for the year ended 31 December 2021

	2021 £'000	2020 £'000
Cash flow from operating activities:		
Net income / (expenditure) for the year	168	(1,067)
<i>Adjustment for:</i>		
Depreciation and amortisation charge	1	2
(Increase) / Decrease in debtors	(1,055)	233
(Decrease) / Increase in creditors	(26)	(16)
Net cash absorbed by operating activities	(1,080)	219
Change in cash and cash equivalents in the year	(912)	(848)
Cash and cash equivalents at the beginning of the year	1,001	1,849
Cash and cash equivalents at the end of the year	89	1,001

The accompanying notes are an integral part of these financial statements.

C40 Cities Climate Leadership UK
Notes forming part of the financial statements for the year ended 31 December 2021

1) Basis of accounting and going concern

The financial statements have been prepared on the basis of historical cost in accordance with applicable accounting standards in the United Kingdom, the Companies Act 2006 and the Charities Act 2011. These financial statements are prepared in accordance with the Accounting and Reporting by Charities Statement of Recommended Practice (SORP 2015) under FRS 102 accounting framework.

The trustees have assessed whether the use of the going concern basis is appropriate. C40 Cities UK's funding for its expenditure is provided by grant income from C40 Cities Inc. C40 Cities UK and C40 Cities Inc work to a joint operational plan in order to fulfil a common set of objectives. C40 Cities UK therefore has a reasonable expectation that funding will continue to flow from C40 Cities Inc to enable these objectives to be achieved. There is no competition between the two entities and others in the group for sources of finance. C40 Cities Inc is considered to be a going concern on the basis that adequate funding agreements with Strategic Funders are either in place or have been pledged to cover the current Business Plan period, being 2021-2024.

C40 Cities UK continues to see some operational impacts from COVID-19, due to reduced ability for staff to travel and hold face-to-face meetings with member city governments. Despite this, C40 Cities UK has continued to operate effectively. C40 Cities UK staff work using a hybrid working arrangement, with employees working from both home and the office.

The trustees have assessed cash flow forecasts up to 30 April 2023 which show that C40 Cities UK can meet its liabilities as they fall due. These forecasts have been prepared with the key assumption being that there is moderate growth in the current funding arrangements. In the event that future funding is not available to allow C40 Cities UK to continue with its activities, C40 Inc has undertaken to provide unconditional and irrevocable financial support, either in the form of a grant or another form, to the value of GBP 1m to permit an orderly wind-down. The forecast used to assess the going concern basis of preparation does not rely on these arrangements. The trustees of C40 Cities UK, having considered its current funding arrangements and the status of the discussions for the next funding cycle, believe it is appropriate to prepare the accounts on a going concern basis.

A summary of the principle accounting policies, which have been applied consistently, is set out below.

2) Accounting policies

a) Income

Income is included in the Statement of Financial Activities when the charity is entitled to the income, the income is probable and the amount can be quantified with reasonable accuracy. Grant income is recognised when it becomes due in accordance with the grant agreements.

b) Expenditure

Expenditure is accounted for on an accruals basis.

Expenditure on fundraising includes the salaries of the fundraising staff and the direct costs associated with generating income. No support costs or overheads are allocated to expenditure on fund raising since the amounts would be immaterial.

Expenditure on charitable activities includes direct expenses incurred on the defined goals of the charity and attributable support costs including overheads. The basis of allocation of support costs is the proportion of C40 global staff costs spent on each of the goals of the charity. Support costs include governance costs such as legal and audit costs associated with meeting constitutional and statutory requirements.

C40 Cities Climate Leadership UK
Notes forming part of the financial statements for the year ended 31 December 2021

c) Fund accounting

Unrestricted funds are used at the discretion of the trustees for the furtherance of the general objects of the charity.

Designated funds are unrestricted funds which have been set aside by the trustees for specific purposes or projects.

Restricted funds are those funds that have restrictions imposed by donors and can only be used for those purposes. They are not available for any other work than that specified by the donor.

d) Accounting estimates

An accounting estimate was used in the valuation of income received in kind, relating to the office space and associated services provided to the charity by Bloomberg L.P. The estimation technique used was based on the costs per square foot derived from local rental costs. The amount recognised reflects the value of the gift to the charity.

e) Tangible fixed assets

Tangible fixed assets, comprising computers and other equipment, are stated at cost less accumulated depreciation. Assets are depreciated on a straight-line basis over an estimated useful economic life of three years. Assets less than £1,500 are not capitalised.

f) Taxation

C40 Cities UK is a registered charity and is therefore not liable for corporation tax derived from its charitable activities as it falls within the exemptions available to registered charities. VAT, which is irrecoverable, is included within expenditure.

g) Pension

C40 Cities UK makes payments into a defined contribution pension scheme. The pension costs are allocated to activities and between restricted/unrestricted funds according to where the related staff costs are allocated.

C40 Cities Climate Leadership UK
Notes forming part of the financial statements for the year ended 31 December 2021

3) Income from donations

The charity's donations total is comprised solely of donations from C40 Inc and Bloomberg

	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	2021	2021	2021	2020	2020	2020
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Grant income	5,354	2,309	7,663	3,900	2,527	6,427
In-kind income	789	-	789	733	-	733
	6,143	2,309	8,452	4,633	2,527	7,160

Further information about the grant income from C40 Inc can be found in the Related Parties note 13.

4) Donated goods and services

C40 Cities UK receives in-kind income in the form of office space and associated services from Bloomberg LP. The accounting policy in relation to this is in note 2 d) Accounting estimates. See also related party disclosure in note 13.

	Direct costs	Allocation of support costs	Total
	2021	2021	2021
	£ '000	£ '000	£ '000
Leadership Standard 1: Plan	338	160	498
Leadership Standard 2: Deliver	3,601	982	4,583
Leadership Standard 3: Mainstream	1,054	407	1,461
Leadership Standard 4: Innovate	227	155	382
Leadership Standard 5: Lead	852	470	1,322
	6,072	2,174	8,246

Support costs above include:	2021	2020
Governance costs:	£ '000	£ '000
Audit costs	32	13
Legal costs	50	56
Total	82	69

As set out in the Trustees Report, 2021 is the first year of C40's new Business Plan. Under the new Business Plan, expenses are categorised according to Leadership Standard. This is a change from the previous Business Plan under which expenses were categorised according to Goal. Expenditure for 2021 has therefore been analysed in this note by Leadership Standard, while the prior year expenditure remains analysed by Goal. As a result, expenditure for both 2020 and 2021 is disclosed according to the relevant Business Plan for each year.

C40 Cities Climate Leadership UK
Notes forming part of the financial statements for the year ended 31 December 2021

	Direct costs	Allocation of support costs	Total
	2020	2020	2020
	£ '000	£ '000	£ '000
Goal 1: Engage Mayoral leadership	766	90	856
Goal 2: Support Cities to prepare robust climate change inventories, targets and plans	1,345	569	1,914
Goal 3: Accelerate action through peer-to-peer exchange and direct support	1,922	630	2,552
Goal 4: Remove barriers to city climate action	1,068	115	1,183
Goal 5: Provide global thought leadership, agenda-setting communications and world class events	1,326	400	1,726
	6,427	1,804	8,231

6) Staff costs, trustee remuneration and expenses and costs of key management personnel

a) Staff costs comprise:	2021	2020
	£ '000	£ '000
Wages and salaries	6,178	6,136
Social security costs	685	639
Pension costs	284	268
Other staff costs	22	52
	7,169	7,095

The average number of employees during the year was as follows:

2021	2020
No.	No.
123	115

Staff costs for the year include total termination benefits of £40,281 (2020: £6,379). This comprises compensation payments and payments in lieu of notice. £30,103 of the total was accrued at the year end (2020: £nil).

C40 Cities Climate Leadership UK
Notes forming part of the financial statements for the year ended 31 December 2021

Employee benefits, excluding non-contractual payments, employer pension costs and employer's NI, of higher paid staff within the following scales were:

	2021	2020
£60,000 - £69,999	4	4
£70,000 - £79,999	7	7
£80,000 - £89,999	-	3
£90,000 - £99,999	2	1
£100,000 - £109,999	-	1
£110,000 - £119,999	2	2
£120,000 - £129,999	-	-
£130,000 - £139,999	-	-
£140,000 - £149,999	-	-
£150,000 - £159,999	1	1
£160,000 - £169,999	-	-
£170,000 - £179,999	1	1

As outlined in note 13, C40 Cities UK and C40 Inc are aligned with their charitable aims, and staff work in the pursuit of these aims. The disclosure in this note relates to staff who are employed by C40 Cities UK.

None of the charity's trustees were paid or received any other benefits during the year, nor were any expenses incurred or reimbursed.

The total employee benefits received by key management personnel during the year were £942,412.

7) Tangible assets	Total
	£ '000
Cost	
At 1 January 2021	6
Additions	-
At 31 December 2021	<u>6</u>
Depreciation	
At 1 January 2021	5
Charge for the year	<u>1</u>
At 31 December 2021	<u>6</u>
Net book value	
At 31 December 2021	<u>-</u>
At 31 December 2020	<u>1</u>

C40 Cities Climate Leadership UK**Notes forming part of the financial statements for the year ended 31 December 2021**

8) Debtors	2021	2020
	£ '000	£ '000
Prepayments	30	38
Due from other C40 entities	1,175	113
Sundry debtors	5	4
Total debtors	1,210	155

9) Creditors	2021	2020
	£ '000	£ '000
Trade creditors	64	66
Accruals	218	233
PAYE and National Insurance	183	192
Total creditors	465	491

10) Restricted funds

Restricted funds are those funds that must be used in accordance with donors' wishes.

AXA Group These funds are restricted to the Infrastructure Interdependency project.
C40 Inc These funds are an allocation of amounts granted to C40 Inc for work carried out by C40 Cities UK, and are restricted to the terms of the original grant agreements between C40 Inc and its funders.

	Balance at 1 January 2021	Income 2021	Expenditure 2021	Balance at 31 December 2021
	£ '000	£ '000	£ '000	£ '000
Restricted funds:				
AXA Group	10	-	(10)	-
C40 Inc	73	2,309	(2,273)	109
	83	2,309	(2,283)	109

C40 Cities Climate Leadership UK
Notes forming part of the financial statements for the year ended 31 December 2021

11) Analysis of net assets between funds

	Unrestricted funds 2021 £ '000	Restricted funds 2021 £ '000	Total 2021 £ '000	Total 2020 £ '000
Fund balances at 31 December 2021 are represented by:				
Tangible Fixed Assets	-	-	-	1
Current assets	1,135	164	1,299	1,156
Creditors: amounts falling due within one year	(410)	(55)	(465)	(491)
Total net assets	725	109	834	666

12) Liability of member

The liability of the member is limited to £1.

13) Related Parties

The sole member of C40 Cities Climate Leadership UK (C40 Cities UK) is C40 Cities Climate Leadership Group Inc (C40 Inc), a non-stock, non-profit corporation registered in the state of Delaware (registered address: 120 Park Avenue, 23rd Floor, New York, NY 10017, USA). C40 Cities UK and C40 Inc have common global goals which all staff work towards. A memorandum of understanding outlines how the two entities work together towards these shared charitable aims.

One of the trustees of C40 Cities UK is also a Director of C40 Inc. During the year, C40 Cities UK received grant income from C40 Inc totalling £7,662,802, being £5,353,628 unrestricted grant income and £2,309,174 restricted grant income. Of the total grant income, £7,617,615 was received in cash and £45,187 was received as non-cash income arising from expenditure on Bank of America credit cards by C40 Cities UK staff. The grant income received from C40 Inc represents 91% of C40 Cities UK's total income.

As identified in note 3, C40 Cities UK received income in kind in relation to office space and associated services from Bloomberg LP. Bloomberg Philanthropies is a donor of C40 Inc.

There were no other related party transactions.