

C40 Cities Climate Leadership UK

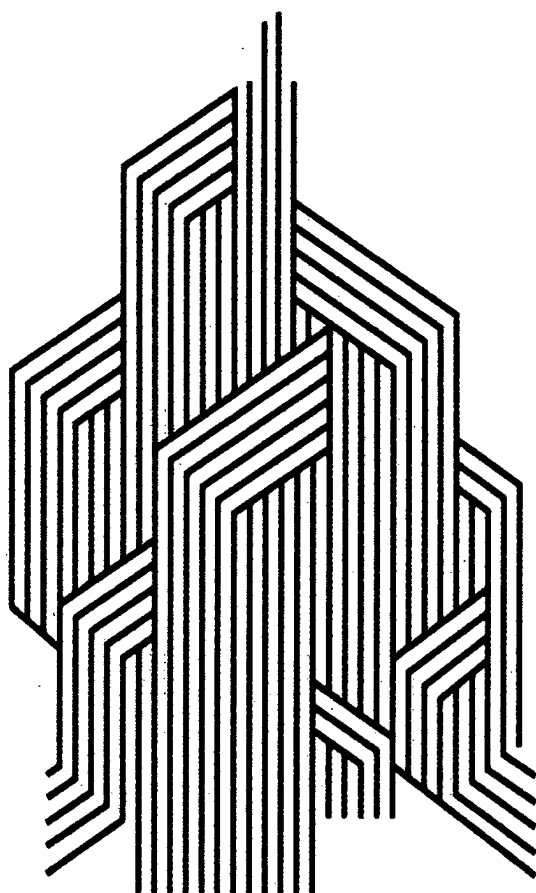
(C40 Cities UK)

(A company limited by guarantee)

Report and Financial Statements for the year ended 31 December 2022

Charity number 1173124

Company number 10401717



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C40 Cities Climate Leadership UK

Report and Financial Statements
For the year ended 31 December 2022

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C40 Cities Climate Leadership UK

Report and Financial Statements
For the year ended 31 December 2022

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:

Antha Williams (Chair)
Pelle Lind Bournonville
Jemma Read
Becky Bates

Company Secretary	Juliette Carter
Chief Executive	Mark Watts
Auditor	KPMG LLP, Dragonfly House, 2 Gilders Way Norwich, NR3 1UB
Solicitor	Bates Wells Brathwaite, 10 Queen Street Place London, EC4R 1BE
Banker	NatWest Bank, 94 Moorgate, London, EC2M 6UR

Report of the Directors for the year ended 31 December 2022

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 2022.

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 our business planning. The beneficiaries of the charity are all global citizens. The Achievements and Performance section below contains more information on how our 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. The 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 C40 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 objectives (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 C40's 2021-2024 Business Plan which C40 Cities UK has worked towards during the last financial year.

Our mission is to help the world avoid climate breakdown. Our cities are working to halve their collective emissions by 2030, while improving equity, building resilience, and creating the conditions for everyone, everywhere to thrive. The change required can be delivered by supporting mayors to 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, by gaining support for climate action and ensuring a just transition to net zero.

C40 sectoral and thematic networks bring together city officials from across our seven regions, who have a common purpose of addressing the climate emergency. These exchanges of knowledge and sharing of best practice help cities respond and accelerate, avoid mistakes and delays, and implement fairer and more impactful climate actions to meet Paris Agreement goals.

C40 also supports groups of cities, within one country or region, to implement high-impact policies and projects through regionally tailored programmes. These programmes offer mayoral engagement, technical support, peer-to-peer engagement, and capacity building. Our regional delivery structure better enables C40 to leverage relationships between peer cities and technical and financial partners regionally, as well as globally, and to be more responsive to local context, priorities, and needs. Regional engagement is also supported by the leadership of our Vice Chairs on the Steering Committee, who unite and amplify regional mayoral voices.

A distinguishing feature of C40 is that it operates on performance-based requirements, not membership fees. C40 member cities earn their membership through action. C40'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 is able to 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 Leadership Standards are reflected in the Business Plan 2021 - 2024 which 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 Performance').

Achievements and Performance

2022 was another successful year for C40 Cities UK. Three quarters¹ of C40 cities are now decreasing their per capita emissions at a faster rate than their own countries, while high-impact actions delivered by C40 cities – such as introducing low-emission zones, increasing green spaces and planting more trees to improve air quality and to reduce urban heat risk, and achieving universal waste collection – have tripled in the past decade, which is vital if global heating is to be kept under 1.5°C.

C40 cities are delivering climate action that not only cuts emissions and reduces climate risks, but also improves the quality of life enjoyed by all our residents. Tokyo is collaborating with Kuala Lumpur in a trailblazing Global North-Global South partnership to develop low-carbon building standards. Lagos is decarbonising its energy supply by installing solar panels on schools and health centres. London is expanding its world-leading Ultra Low Emission Zone to cover all of Greater London, ensuring that almost five million more people will be breathing cleaner air. 12 C40 cities – from Rio to Tshwane to Mumbai – are participating in the Oslo-led C40 climate budgeting programme, a governance system that offers a way for cities to turn climate commitments into funded and measurable actions.

The examples set by C40 cities show that we're not powerless to act and that we can rise to meet the challenge of the climate crisis if the political will and vision exists. Thanks to our track record of driving innovative and ambitious climate action, there has already been a 4 per cent reduction in Greenhouse gas per capita emission across C40 cities and a 5 percent improvement in air quality across C40 cities (150 million residents, globally, are now benefiting from cleaner air).

October 2022 also saw C40 host the World Mayors Summit in Buenos Aires – our largest-ever convening of mayors to date – with 75 C40 mayors attending in person or virtually; over 140 non-mayors and other city representatives; 60 youth climate leaders, and over 300 business representatives, philanthropists, campaigners, scientists, and residents taking part. The Summit demonstrated that the best way to protect people everywhere from rising prices, polluted air and extreme weather is to invest in greener, more resilient cities, not fossil fuels. C40, led by our Chair and Mayor of London Sadiq Khan, announced the collective effort by mayors to drive the creation of 50 million good, green jobs by the end of the decade. London, for example, has committed to double the size of the green economy to £100 billion by 2030, an ambition that will kick-start greater job growth over the next decade.

Securing more finance for Global South cities is a priority for the Chair. At the Summit, C40 also announced record investment in cities in the Global South to tackle the climate emergency. For example, the C40 Cities Finance Facility (CFF) has supported 34 projects in cities in the Global South since 2016. Thanks to this, Global South cities are projected to access over US \$1 billion of finance for implementation and contribute to an overall emissions reduction of more than 2.5 million tons of polluting greenhouse gases.

C40 amplified key messages from the C40 Summit at COP27 in Sharm-el-Sheikh. C40 demonstrated that cities are taking action and reducing emissions faster than their respective national governments with mayors, city officials and staff taking part in more than 50+ strategic events to showcase C40 city leadership. Nine C40 mayors attended COP27, including four African mayors, and 107 unique articles covered C40's presence there. C40's presence and engagement at COP was critical to achieve more support for city climate action and a seat at the table to implement the Paris Agreement. COP27 saw the launch of the first ever Presidency initiatives to support climate action (Sustainable Urban

¹ For which we have sufficient data for analysis

Resilience for the next generation - SURGe), public transport (Low Carbon Transport for Urban Sustainability - LOTUS) and the first ever ministerial meeting on urban climate action which included mayors - C40 is a partner to all these initiatives.

As we head into 2023, we know we must continue to galvanise action and go further and faster. We remain focused on playing our part in halving emissions by 2030 and delivering a greener, safer, and more inclusive future for all.

Throughout 2022, 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

Collectively, C40 cities are committed to delivering their fair share of halving emissions by 2030. By the end of 2022, a significant majority of C40 cities (69²), had a climate action plan (CAP) aligned with the 1.5°C ambition of the Paris Agreement, protecting residents, creating jobs, addressing inequalities whilst tackling the global climate crisis. The remainder of C40 cities continue to work on completing and updating their climate action plans, despite the ongoing multiple challenges posed by the intertwined COVID-19, energy, and cost-of-living crises. Robust climate action plans are a condition of C40 membership.

In early 2022, Mumbai became the first Indian city to launch a climate action plan (CAP) aligned with the Paris Climate Agreement and the C40 CAP framework. The Mumbai CAP proposes a dedicated Climate Action Department working under the municipality to coordinate its implementation and climate budget, and to mainstream carbon neutrality strategies. The CAP formulation process involved stakeholders from all levels of the government administration, experts, and residents of Mumbai.

Freetown launched its first CAP in 2022. It is a document that goes beyond mayoral leadership, being officially recognised by the Freetown City Council. The capital of Sierra Leone faces serious day-to-day challenges, including frequent climate-related disasters, political turmoil, and very limited financial and human resources. As such, producing a CAP under these circumstances is an extraordinary achievement and the plan is an important step in the city's climate action journey.

London integrated its CAP targets across the Greater London Authority Group (GLA) via its first published Climate Budget. This sets out funded actions each GLA department will take, as well as the unfunded projects and actions that are needed to meet their 2030 Net Zero target.

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

C40 supports cities to deliver rapid, transformative climate action. Implementation of high-impact actions (HIAs) in C40 cities, such as implementing policies around procuring electric bus fleets, segregated waste, and more efficient homes has tripled in the last decade. In 2022, C40 cities implemented another 110 high-impact climate actions, this is a 60% annual increase in implemented actions, bringing the total to over 1,000 high-impact actions.

² Includes six Chinese cities which have completed research reports and will integrate into their public policies in due course. (Chinese cities follow a different review process).

In 2022, in Sydney, all new office buildings, hotels and shopping centres will need to meet minimum energy ratings standards starting in 2023 and achieve net-zero energy use from 2026, helping the city reach its net-zero emissions target by 2035.

The 15-minute city concept promotes a model of a city made of 'complete' neighbourhoods, where everyone can meet their everyday needs in their immediate vicinity and can enjoy well-designed public spaces. 35 cities joined the C40 Green and Thriving Neighbourhoods programme and have started to implement 15-minute city concept policies and develop neighbourhood pilots on the ground. For instance, Vancouver's concept of 'Complete Neighbourhoods' is a key component of the 2022 Vancouver Plan. The plan directs new housing choices to low density residential areas rich in amenities and adds opportunities for new amenities and services in areas that are currently underserved. It also creates a network of public spaces and greenways.

Eight more cities now have emergency response plans in place to protect vulnerable residents from extreme weather events. For example, Quito has an Integrated Risk Management Plan which includes main climate risks such as extreme heat and flooding, and emergency response goals to prepare for, prevent, mitigate, respond to, and recover from any such emergencies that may affect the city and its residents.

Delivering cleaner air to residents

C40 cities are expanding air quality monitoring networks, gathering the data necessary for understanding air pollution risk and designing effective control policies.

Warsaw launched the largest air quality monitoring system in Europe in 2022. Inspired by Breathe London, Breathe Warsaw will leverage a new network, made up of 165 monitors, to develop a comprehensive air quality database, design and implement a low-emission zone by 2024 and support the phase out of coal heating by advancing cleaner heating systems.

Leading cities are tightening goals and putting in place new regulations, policies, and programmes to address emissions from key sources within their cities. Mayor of London and C40 Cities Chair, Sadiq Khan, expanded the Ultra Low Emission Zone (ULEZ) to cover inner London in October 2021. Latest data shows that on an average day, 94% of vehicles seen driving in the zone meet the strict ULEZ standards, up from 87% in the weeks before the zone expanded, and up from 39% in February 2017 when changes associated with the ULEZ began. By getting the most polluting vehicles off the city's streets, NO2 concentrations in central London are estimated to be 44% lower. In 2022, Mayor Khan, announced that in August of 2023 the Ultra Low Emission Zone (ULEZ) will be expanded to cover the whole of Greater London.

Los Angeles approved a new ordinance that immediately bans new oil and gas extraction and requires existing extractions to stop production within 20 years, and Rio de Janeiro announced the city's (and country's) first Low Emission District, creating a path to implement an official zero-emission area by 2030.

Beijing implemented an ambitious project to replace polluting coal-fired stoves and boilers with cleaner alternatives in residents' homes. Since 2016, the city has supported nearly 1 million homes with generous subsidies for more vulnerable groups. The proportion of coal in the city's total energy consumption dropped to around 1.5% in 2022, compared with 13.7% in 2015, and coal has been largely phased out from Beijing's heating system. The increase in the quality of life of Beijing residents is clear: the annual average PM2.5 pollution concentration has dropped by 59% from 2015 levels to 2022, with "heavy pollution" days also falling from 46 to eight days annually. This project was recognised by a C40 Cities Bloomberg Philanthropies Award (United in cleaning the air we breathe) at the C40 World Mayors Summit.

In 2022, Los Angeles and Shanghai announced a partnership of cities, ports, shipping companies and a network of cargo owners to create a first-of-its-kind decarbonised, green shipping corridor, on one of the world's busiest container shipping routes. This will create a scalable and replicable model for other cities to follow and catalyse action. This is vital as the global shipping industry is responsible for 3% of global greenhouse gas emissions and emissions from the shipping industry are expected to double by 2050, if no action is taken.

Supporting cities to access green finance

Cities play a powerful role in driving investment that can shape the transition to a greener economy and more equitable society. C40 supports cities to access finance for implementation of ambitious, resilient and equitable climate projects.

The C40 Cities Finance Facility (CFF), a joint partnership of C40 and the German Development Agency (GIZ), has supported a cumulative total of 34 sustainable and inclusive infrastructure projects since 2016. The latest phase of 15 projects, all in the Global South, were announced at the C40 World Mayors' Summit, in October 2022. These new projects have been selected across a range of sectors, and include new public and resilient green spaces (Medellín), solar-powered and efficient hospitals (Jakarta) and West Africa's first ever urban cable car (Freetown).

Climate Action Implementation Programme

The C40 Climate Action Implementation Programme, funded by the UK's Foreign, Commonwealth and Development Office (FCDO), works with 15 cities in Africa, Latin America, and Southeast Asia. The 15 cities are to deliver at least two priority high-impact actions from their climate action plans (CAPs) and mainstream CAPs into city governance, planning and decision-making structures. At the end of Year 1, all 15 cities have selected their priority CAP actions for implementation, with many beginning consultations to accelerate the implementation of climate actions and mainstreaming plans.

Examples of bold climate action from cities in this programme include Quezon City accelerating the process to revise its Green Building Ordinance to reduce energy consumption and emissions, and Accra establishing a dedicated climate change unit responsible for coordinating and managing climate actions.

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.

3.1 Climate Budgeting

A climate budget is a governance system that mainstreams climate commitments and considerations into decision-making on policies, actions, and budget. This type of integration is critical to achieving the pace and ambition of action needed to meet climate goals.

Climate budgeting was pioneered by Oslo in 2017 and 2022 saw the city's sixth such budget. Oslo has been sharing their knowledge as the lead city for C40's Climate Budget Pilot, which is introducing 12 cities – across five continents – to the concept and how it could be adapted and implemented in their local context. The pilot has proved that climate budgeting is flexible and adaptable and can fit any size or scale of implementation. London became the first pilot city to publish a climate budget as part of their 2023-2024 annual budget. Mumbai also included a commitment to climate budgeting as part of their Climate Action Plan in Spring 2022.

3.2 Inclusive Climate Action

The pandemic further exposed the inextricable links between inequality, public health, the environment and the economy, with the worsening cost of living crisis further exacerbating poverty and inequities across the globe. This is why C40 is pursuing a green and just

recovery from the pandemic and cost of living crisis, to ensure climate action is able to address the urgent needs of urban residents.

Through the support of C40's Global Green New Deal Pilot Initiative, nine pilot cities have been provided with direct support on policy design, impact assessment and stakeholder engagement, to be able to show what equitable climate action means in practice.

Barcelona has implemented innovative strategies to reach homebound vulnerable residents. The city is improving the resilience of frontline communities by increasing access to key services. Barcelona has tripled the number of climate shelters used during extreme climate events to 203, vastly exceeding the goal of 100 shelters by 2024. Expansion focused on the city's most vulnerable neighbourhoods: 95% of residents are now a 10-minute walk from a climate shelter.

Inclusivity has been at the core of Jakarta's public transit planning. The city's Jak Lingko card has reduced the cost of travel from around 30% of income to 10%. The city is aiming for its residents to be able to access public transport within 500m of their home (92% of the population now can), and to increase public transport mode share from 25% to 60% by 2030, while ensuring that informal transport operators are integrated into the public transport system.

As part of the UK funded Climate Action Implementation Programme, Bogotá has started to train hundreds of women to be drivers of the electric buses of its newly launched public bus operator, to increase employment opportunities for women in a male-dominated sector.

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 those associated with goods & services consumed in their city

C40 cities implement innovative and cutting-edge solutions to accelerate the climate action the world needs.

C40 Reinventing Cities-winning projects are being implemented across the world. This trailblazing competition invites architects, urban planners, and designers to work together and compete for the unique opportunity to transform underutilised sites into a model for urban projects of the future. Currently, 37 projects are under development across 13 cities and four regions. The construction for the project 'Haleco', winner of the first edition of Reinventing Cities, has already started in Montreal. This exemplary initiative integrates community housing, urban agriculture, a new park, and zero-waste grocery stores whilst also taking a rigorous approach to reducing emissions. In São Paulo, four winning projects were selected which will radically transform four public areas across the city centre, increasing accessibility for pedestrians and cyclists and creating green and thriving spaces for residents and the local community.

In 2022, C40 launched the second edition of Students Reinventing Cities in 12 global cities, ranging from Lisbon to Zhenjiang, empowering youth to reimagine city neighbourhoods in a more inclusive and sustainable way. In the past edition of the competition, over 1,000 students from more than 150 universities submitted their inspiring ideas.

Milan has made clean construction a key part of its municipal agenda. The technical assistance received from C40's Clean Construction Programme has been integral, providing insight into promoting the circular use of materials, innovative industrialised construction techniques and the use of alternative building materials. In October 2022, Mayor Sala made the bold decision to sign the Clean Construction Accelerator at the C40 Mayors Summit. Implementation of clean construction policies in Milan will not only reduce emissions associated with building and construction but will also yield benefits linked to

social and environmental impacts and will commit to reducing embodied emissions in the built environment.

In 2022, C40 announced a new partnership with American Express to support the development of consumption emissions data frameworks for London and New York City. This project is partnering with an expert academic consortium to pioneer new ways for cities to use data to plan action and measure emissions from urban consumption. A global team of ten C40 cities also assembled in 2022 to explore the barriers and opportunities that cities experience working on consumption emissions and the transformational change needed to reduce them. Their work informed development of this project.

C40 launched the Centre for City Climate Policy and Economy, in mid 2022, bringing together mayors, world-class researchers, city practitioners, leading economists and academics to develop an evidence-based approach and provide analysis and policy guidance to implement progressive and equitable climate action. The Centre's Journal of City Climate Policy and Economy offers peer-reviewed research, analysis, and commentary to support this. Cities 1.5, the Centre's podcast, features progressive policy conversations with mayors, urban leaders, youth activists and economists taking transformative action to limit global heating to 1.5°C.

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

C40's aim is not just for its member cities to show what meeting science-based climate targets looks like, but also to inspire other cities and their mayors to follow their example, and to establish a broad coalition based on common principles as the cornerstone of the recovery from the COVID-19 pandemic and global efforts to address the climate emergency.

Working with Project Everyone, C40 mayors signed an open letter, published in the Financial Times, directed at world leaders attending COP27, recommitting themselves to delivering the UN's Sustainable Development Goals. Over the course of 2022, principally at the C40 Summit in Buenos Aires in October, C40 engaged a number of partners and thought leaders to amplify messaging on the urgency of climate breakdown, including the UN Secretary-General, Pope Francis, John Kerry, Dr Maria Neira, Prof Carlos Moreno, Jeffrey Sachs, Sir David King, Vanessa Hauc and youth climate activists, including Pamela Escobar Vargas and Zainab Waheed.

C40 Accelerators (formerly Declarations) demonstrate the highest-level of mayoral leadership on urgent climate action. They are based on the most ambitious, science-based targets and lay out concrete delivery milestones, both for mitigation and adaptation. In 2022, there were 31 new Accelerator signatories, as C40 mayors committed to advancing high-impact actions, most significantly by Global South cities committing to cleaner air, urban nature and zero waste.

In October 2022, 12 C40 cities signed up to the Pathway Towards Zero Waste, committing to a 2030 target of providing timely city-wide waste collection services, treating at least 30% of organic waste and reducing waste disposal emissions by at least 30%. As waste represents up to 35% of overall municipal emissions in Global South cities, the commitment by city signatories from this region will deliver massive climate benefits and has the potential to avoid up to 1 million tonnes of methane emissions per year. The commitment will also have a significant impact to improve water and air quality, reduce the spread of disease and restore soil health.

New York City also signed up to the C40 Good Food Cities Accelerator to increase access to balanced and nutritious food to city residents and halve food waste, joining Tokyo and 14 other cities around the world that are delivering on the same science-based targets.

Mayors are increasing ambition with new commitments to improve the air in their cities. Now, through the Clean Air Accelerator, half of C40 cities are committed to achieving targets in line with World Health Organization guidelines. In May 2022, 11 African cities agreed to work together and announced a new collaborative, knowledge sharing, partnership - C40's African Cities for Clean Air. Over 59 million people across the 11 cities stand to benefit from cleaner air and improved health through commitments that could prevent as many as 10,000 early deaths linked to air pollution exposure, as well as more than 300,000 hospitalisations, resulting in US \$9.4 billion in annual savings from averted deaths and hospitalisations.

Using data and evidence to drive change

C40 is committed to turning data and planning into implementation and our research and analysis leverages C40's extensive network of partnerships, unique organisational insight, and unprecedented database of city actions to demonstrate the power of cities to address the climate crisis. Much of the research and evidence is used by mayors to drive action forward. In 2022 we delivered [research on the cost of fossil gas](#), which causes as much air pollution as coal-powered plants, and found that C40 cities can create six times as many jobs and far less pollution if they invest in renovating buildings and solar power rather than gas powered electricity. As fossil gas use contributed almost as much as coal power plants to premature deaths in 2020, phasing it out and expanding clean energy could save over 776,000 lives and generate good, green jobs.

Global Youth and Mayors Forum

The first-ever in-person Global Youth and Mayors Forum was held at the 2022 C40 World Mayors Summit. Mayors and youth members highlighted the urgent need to shift global dialogues into action and called for the need for good, green jobs for the next generation. Youth leaders and mayors from around the world have pledged to remain united in action and ensure young people are engaged in every city to deliver inclusive climate solutions.

Cities are leading the way, but they cannot do this alone. Governments, private sector, civil society, unions, communities and residents must work hand in hand with cities to deliver. Actions taken now at the global, national and city level will have consequences for decades to come, improving the lives of millions of residents, their families and communities across the globe.

Fundraising

In 2022 all of C40 Cities UK's income was 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 Cities UK fundraising from external funders has been affected by Brexit. Some funders who previously funded C40 Cities 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 a majority of its funding has always been received from C40 Cities 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 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. 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 15.

Plans for Future Periods

On 1 January 2021, C40'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 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. C40'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 C40 Business Plan for 2021-2024 reflects the immediate priorities of its cities' mayors in respect of tackling climate change and global emissions.

In recent years C40 has shifted its in-depth regional resources to focus on the highest priority and highest impact climate actions in each region. When providing assistance, it has concentrated 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. C40 also works 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 supports 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.

In the coming year, C40 Cities UK will support C40 to continue to drive science-based, equitable action. Cities are leading the way but cannot do this alone. Governments, private sector, civil society, and unions must work hand in hand with cities to deliver. Actions taken

now at the global, national and city level will have consequences for decades to come, improving the lives of millions of residents, their families and communities across the globe.

In 2023 key strategic missions for C40 include:

- Address the impacts and injustice of the climate breakdown
 - Driving the creation of 50 million good green jobs, by 2030
 - Unlocking funding for climate resilience in cities
 - Improve public health by making climate a health issue
- Help get the world off fossil fuels in order to halt climate breakdown by
 - Eliminating half of fossil fuels consumed in C40 cities by 2030
 - Supporting mayors to win the global argument for renewables and stopping fossil fuel use

Financial Review

Fund balance, income, and expenditure

During 2022, C40 Cities UK received income of £11.1m (2021: £8.5m) and incurred £10.0m of expenses (2021: £8.3m). C40 Cities UK's income in 2022 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 £1.1m in 2022, which increased the £0.8m brought forward reserves to £1.9m of reserves by the year-end. This comprises unrestricted reserves of £1.5m, and restricted reserves of £0.4m. 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 22 May 2023 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 2023 budget, C40 Cities UK seeks to hold unrestricted reserves in the region of £1.0m. As at 31 December 2022, C40 Cities UK holds unrestricted reserves of £1.5m, and a cash balance of £2.3m.

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 are held within that account.

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 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 2021 Annual Report and Accounts for the period ending 31 December 2021, approved the 2023 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'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 Managing 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	Mark Watts
Deputy Executive Director	Kevin Austin
Managing Director of Corporate Services	Juliette Carter
Managing Director of Climate Planning, Finance and Partnerships	Andrea Fernandez
Managing Director of Regions and Mayoral Engagement	Hastings Chikoko
Managing Director of Climate Action Implementation	Shannon Lawrence
Managing Director of Communications and Events	Lamia Senousi
Managing Director, C40 Centre for Urban Climate Policy and Economy	David Miller
Managing Director of Political Strategy & Leadership Support	Anna Beech
Managing Director of Climate Solutions and Networks	Cassie Sutherland

Mark Watts, Kevin Austin, Juliette Carter, Andrea Fernandez, Shannon Lawrence, Lamia Senousi, Anna Beech and Cassie Sutherland were employed by C40 Cities UK during the period. Hastings Chikoko and David Miller were 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 2024. 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 22 May 2023 and signed on its behalf by:

A handwritten signature in black ink, reading 'Antha Williams'.

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 Report 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 trustees 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 jurisdictions.

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 31 December 2022 which comprise the Statement of Financial Activities, Balance Sheet and Statement of Cash Flows 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 2022 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 Material Post close Journals, Unusual journals posted to seldom used account codes, Journals posted by Seldom used accounts, Journals posted with unusual combinations to Cash and borrowings and Journals posted with unusual combinations to Income.

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 noncompliance 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 17, 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.

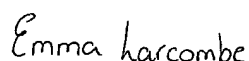
Auditor's responsibilities

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
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Dragonfly House
2 Gliders Way
Norwich NR3 1UB
United Kingdom
30 May 2023

C40 Cities Climate Leadership UK
Statement of Financial Activities (including Income and Expenditure) for
the year ended
31 December 2022

		Unrestricted	Restricted	Total	Total
		2022	2022	2022	2021
		£'000	£'000	£'000	£'000
	Notes				
Income from:					
Donations		8,093	3,035	11,128	8,452
Other income		4	-	4	1
Total Income	3	<u>8,097</u>	<u>3,035</u>	<u>11,132</u>	<u>8,453</u>
Expenditure on:					
Raising funds		45	-	45	39
Charitable activities	5	<u>7,226</u>	<u>2,762</u>	<u>9,988</u>	<u>8,246</u>
Total Expenditure		<u>7,271</u>	<u>2,762</u>	<u>10,033</u>	<u>8,285</u>
Net income / (expenditure) for the year		826	273	1,099	168
Reconciliation of funds					
Total funds brought forward		<u>725</u>	<u>109</u>	<u>834</u>	<u>666</u>
Total funds carried forward		<u>1,551</u>	<u>382</u>	<u>1,933</u>	<u>834</u>

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

**C40 Cities Climate Leadership UK
Balance Sheet at 31 December 2022**

		2022 £'000	2021 £'000
Fixed Assets	Notes		
Tangible Assets	7	-	-
Current Assets			
Debtors	8	208	1,210
Cash at Bank and in Hand		<u>2,290</u>	<u>89</u>
		2,498	1,299
Current Liabilities			
Creditors	9	<u>(565)</u>	<u>(465)</u>
 Net Current Assets		 <u>1,933</u>	 <u>834</u>
 Total Net Assets		 <u><u>1,933</u></u>	 <u><u>834</u></u>
Represented by:			
Funds and reserves			
Restricted funds	10	382	109
Unrestricted funds	11	<u>1,551</u>	<u>725</u>
 Total funds		 <u><u>1,933</u></u>	 <u><u>834</u></u>

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

These financial statements were approved by the Board of Trustees on 22 May 2023 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 2022

	2022 £'000	2021 £'000
Cash flow from operating activities:		
Net income / (expenditure) for the year	1,099	168
<i>Adjustment for:</i>		
Depreciation and amortisation charge	-	1
Decrease/(increase) in debtors	1,002	(1,055)
Increase/(decrease) in creditors	100	(26)
Net cash generated / (absorbed) by operating activities	1,102	(1,080)
Change in cash and cash equivalents in the year	2,201	(912)
Cash and cash equivalents at the beginning of the year	89	1,001
Cash and cash equivalents at the end of the year	2,290	89

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
2022

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.

The financial statements have been prepared on a going concern basis following consideration by the Trustees as detailed here.

The financial model of the charity is such that it only enters into activities to the extent it is confident that sufficient funding has been secured in excess of the fixed costs of running the charity. The charity has no specific commitments and no committed costs beyond the fixed costs of operating, which are detailed in note 5 to the accounts.

The Trustees have reviewed the cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that the charity will have sufficient funds to meet its liabilities as they fall due for that period. 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 of support, to the value of GBP 1m to permit an orderly wind-down. The cash flow forecast used to assess the going concern basis of preparation does not rely on these arrangements.

Consequently, the Trustees are confident that the charity will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

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

C40 Cities Climate Leadership UK
Notes forming part of the financial statements for the year ended 31 December
2022

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.

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 2022

3) Income from donations

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

	Unrestricted 2022 £ '000	Restricted 2022 £ '000	Total 2022 £ '000	Unrestricted 2021 £ '000	Restricted 2021 £ '000	Total 2021 £ '000
Grant income	7,674	3,035	10,709	5,354	2,309	7,663
In-kind income	419	-	419	789	-	789
	8,093	3,035	11,128	6,143	2,309	8,452

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.

5) Expenditure

	Direct costs 2022 £ '000	Support Costs 2022 £ '000	Total 2022 £ '000	Direct costs 2021 £ '000	Support Costs 2021 £ '000	Total 2021 £ '000
LS1: Plan	174	60	234	338	160	498
LS2: Deliver	5,048	1,231	6,279	3,601	982	4,583
LS3: Mainstream	1,064	439	1,503	1,054	407	1,461
LS4: Innovate	216	116	332	227	155	382
LS5: Lead	1,004	636	1,640	852	470	1,322
	7,506	2,482	9,988	6,072	2,174	8,246

Support costs above include:
Governance costs:

	2022 £ '000	2021 £ '000
Audit costs	39	32
Legal costs	31	50
Total	70	82

C40 Cities Climate Leadership UK
Notes forming part of the financial statements for the year ended 31 December 2022

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

a) Staff costs comprise:

	2022	2021
	£ '000	£ '000
Wages and salaries	7,295	6,178
Social security costs	825	685
Pension costs	309	284
Other staff costs	5	22
	8,434	7,169

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

2022	2021
No.	No.
127	123

Staff costs for the year include total termination benefits of £20,228 (2021: £40,281). This comprises ex-gratia payments and payments in lieu of notice.

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

	2022	2021
£60,000 - £69,999	10	4
£70,000 - £79,999	7	7
£80,000 - £89,999	1	-
£90,000 - £99,999	2	2
£100,000 - £109,999	2	-
£110,000 - £119,999	2	2
£120,000 - £129,999	-	-
£130,000 - £139,999	-	-
£140,000 - £149,999	-	-
£150,000 - £159,999	-	1
£160,000 - £169,999	-	-
£170,000 - £179,999	1	1
£180,000 - £189,999	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.

C40 Cities Climate Leadership UK
Notes forming part of the financial statements for the year ended 31 December 2022

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 £1,151,538.

7) Tangible assets

	Total £ '000
Cost	
At 1 January 2022	6
Additions	-
At 31 December 2022	<u>6</u>
Depreciation	
At 1 January 2022	6
Charge for the year	-
At 31 December 2022	<u>6</u>
Net book value	
At 31 December 2022	<u>-</u>
At 31 December 2021	<u>-</u>

8) Debtors

	2022 £ '000	2021 £ '000
Prepayments	31	30
Due from other C40 entities	161	1,175
Sundry debtors	16	5
Total debtors	<u>208</u>	<u>1,210</u>

C40 Cities Climate Leadership UK
Notes forming part of the financial statements for the year ended 31 December 2022

9) Creditors

	2022 £ '000	2021 £ '000
Trade creditors	46	64
Accruals	222	218
PAYE and National Insurance	297	183
Total creditors	565	465

10) Restricted funds

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

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 2022 £ '000	Income 2022 £ '000	Expenditure 2022 £ '000	Balance at 31 December 2022 £ '000
Restricted funds:				
C40 Inc	109	3,035	(2,762)	382
	109	3,035	(2,762)	382

11) Analysis of net assets between funds

	Unrestricted 2022 £ '000	Restricted 2022 £ '000	Total 2022 £ '000	Total 2021 £ '000
Fund balances at 31 December 2022 are represented by:				
Tangible Fixed Assets	-	-	-	-
Current assets	2,043	455	2,498	1,299
Creditors: amounts falling due within one year	(492)	(73)	(565)	(465)
Total net assets	1,551	382	1,933	834

12) Liability of member

The liability of the member is limited to £1.

C40 Cities Climate Leadership UK
Notes forming part of the financial statements for the year ended 31 December
2022

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 £10,708,574, being £7,673,969 unrestricted grant income and £3,034,605 restricted grant income. Of the total grant income, £9,837,066 was received in cash and £871,508 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 96% 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.