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FORM AR27

Trade Union and Labour Relations (Consolidation) Act 1992

ANNUAL RETURN FOR AN EMPLOYERS' ASSOCIATION

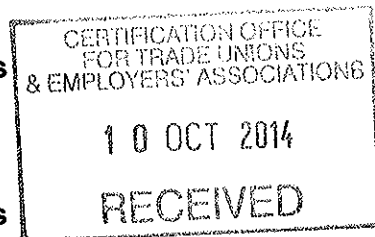
Name of Employers' Association:	LONDON COUNCILS
Year ended:	31 MARCH 2014
List No:	252E
Head or Main Office:	59½ SOUTHWARK STREET LONDON SE1 0AL
Website address (if available)	www.londoncouncils.gov.uk
Has the address changed during the year to which the return relates?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> (Tick as appropriate)
General Secretary:	SELENA LANSLEY
Contact name for queries regarding the completion of this return:	DAVID SANNI
Telephone Number:	020-7934 9704
e-mail:	david.sanni@londoncouncils.gov.uk

PLEASE FOLLOW THE GUIDANCE NOTES IN THE COMPLETION OF THIS RETURN.
Any difficulties or problems in the completion of this return should be directed to the Certification Office as below or by telephone to: 020 7210 3734

The address to which returns and other documents should be sent are:

For Employers' Associations based in England and Wales:
Certification Office for Trade Unions and Employers' Associations
22nd Floor, Euston Tower, 286 Euston Road, London NW1 3JJ

For Employers' Associations based in Scotland:
Certification Office for Trade Unions and Employers' Associations
Melrose House, 69a George Street, Edinburgh EH2 2JG



RETURN OF MEMBERS

(see note 9)

NUMBER OF MEMBERS AT THE END OF THE YEAR				
Great Britain	Northern Ireland	Irish Republic	Elsewhere Abroad (including Channel Islands)	TOTALS
35	-	-	-	35

OFFICERS IN POST

(see note 10)

Please attach as an annexe to this form a complete list of all officers in post at the end of the year to which this form relates, with the title of each persons office.

CHANGE OF OFFICERS

Please complete the following to record any changes of officers during the twelve months covered by this return.

Title of Office	Name of Officer ceasing to hold office	Name of Officer Appointed	Date of Change
Member	Cllr Sir Merrick Cockell	Cllr Nicholas Paget-Brown	11 June 2013
Member	Cllr Derek Osbourne	Cllr Liz Green	9 July 2013
Member	Cllr Thaya Idaikkadar	Cllr Susan Hall	8 October 2013
Member	Cllr Catherine West	Cllr Richard Watts	12 November 2013
Member	Cllr Michael White	Cllr Steven Kelly	11 February 2014

London Councils Leaders' Committee
At 31 March 2014

Name	Position
Mayor Jules Pipe	Chair
Cllr Claire Kober	Deputy Chair
Mr Mark Boleat	Vice Chair
Cllr Ruth Dombey	Vice Chair
Cllr Teresa O'Neill	Vice Chair
Cllr Stephen Alambritis	Member
Cllr Julian Bell	Member
Cllr Nicholas Botterill	Member
Mayor Sir Steve Bullock	Member
Cllr Muhammed Butt	Member
Cllr Stephen Carr	Member
Cllr Richard Cornelius	Member
Cllr Mike Fisher	Member
Cllr Ravi Govindia	Member
Cllr Liz Green	Member
Cllr Susan Hall	Member
Cllr Sarah Hayward	Member
Cllr Peter John	Member
Cllr Steven Kelly	Member
Cllr Nicholas Paget-Brown	Member
Cllr Lib Peck	Member
Cllr Keith Prince	Member
Cllr Ray Puddifoot	Member
Mayor Lutfur Rahman	Member
Cllr Chris Robbins	Member
Cllr Chris Roberts	Member
Cllr Philippa Roe	Member
Cllr Jagdish Sharma	Member
Cllr Liam Smith	Member
Cllr Doug Taylor	Member
Cllr Lord True	Member
Mayor Sir Robin Wales	Member
Cllr Richard Watts	Member

REVENUE ACCOUNT/GENERAL FUND

(see notes 11 to 16)

Previous Year		£	£
	INCOME		
55,907,919	From Members Subscriptions, levies, etc		51,594,873
-	Investment income Interest and dividends (gross)	-	
222,764	Bank interest (gross)	167,691	
(293,000)	Net return on pension assets/liabilities	(640,000)	(472,309)
(70,236)			
78,244	Other income Rents received	75,671	
-	Consultancy fees	-	
65,596	Publications/Seminars	39,058	
2,687,000	Actuarial gain on pension scheme	-	
14,429,378	Other operating income	19,608,803	
17,260,218			19,723,532
73,097,901	TOTAL INCOME		70,846,096
	EXPENDITURE		
	Administrative expenses		
9,306,816	Remuneration and expenses of staff	9,531,408	
1,787,938	Occupancy costs	1,862,727	
314,188	Printing, Stationery, Post	279,934	
51,922	Telephones	58,616	
1,546,273	Legal and Professional fees	1,455,351	
13,007,137			13,188,036
11,578	Other charges Bank charges	28,817	
344,096	Depreciation	378,095	
3,286	Sums written off	96	
163,451	Conference and meeting fees	202,190	
33,719,115	Payment to transport operators	33,773,644	
13,075,171	Grants to voluntary organisations	14,051,476	
-	Actuarial loss on pension scheme	1,078,000	
7,953,519	Other operating expenditure	9,314,994	
55,270,216			58,827,312
-	Taxation		-
68,277,353	TOTAL EXPENDITURE		72,015,348
4,820,548	Surplus/Deficit for year		(1,169,252)
(8,298,031)	Amount of fund at beginning of year		(3,477,483)
(3,477,483)	Amount of fund at end of year		(4,646,735)

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 2		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
	Total Income		
Expenditure	Administrative expenses Other expenditure (specify)		
	Total Expenditure		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

ACCOUNT 3		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
	Total Income		
Expenditure	Administrative expenses Other expenditure (specify)		
	Total Expenditure		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 4		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
	Total Income		
Expenditure	Administrative expenses Other expenditure (specify)		
	Total Expenditure		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

ACCOUNT 5		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
	Total Income		
Expenditure	Administrative expenses Other expenditure (specify)		
	Total Expenditure		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 6		Fund Account	
Name of account:		£	£
Income	From members		
	Investment income		
	Other income (specify)		
		Total Income	
Expenditure	Administrative expenses		
	Other expenditure (specify)		
			Total Expenditure
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

ACCOUNT 7		Fund Account	
Name of account:		£	£
Income	From members		
	Investment income		
	Other income (specify)		
		Total Income	
Expenditure	Administrative expenses		
	Other expenditure (specify)		
			Total Expenditure
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

BALANCE SHEET AS AT 31 MARCH 2014

(see notes 19 and 20)

Previous Year		£	£
1,409,469	Fixed Assets (as at page 11)		1,134,299
	Investments (as per analysis on page 13)		
-	Quoted (Market value £)	-	
-	Unquoted	-	
-	Total Investments		-
	Other Assets		
6,186,260	Sundry debtors	8,095,846	
13,078,138	Cash at bank and in hand	14,486,283	
-	Stocks of goods	-	
-	Others (specify)	-	
19,264,398	Total of other assets		22,582,129
20,673,867	TOTAL ASSETS		23,716,428
(3,477,483)	Fund (Account)		(4,646,735)
-	Fund (Account)		-
-	Fund (Account)		-
-	Revaluation Reserve		-
	Liabilities		
-	Loans	-	
-	Bank overdraft	-	
-	Tax payable	-	
4,814,451	Sundry creditors	6,912,872	
4,907,589	Accrued expenses	4,815,047	
310,591	Provisions	438,244	
14,118,719	Other liabilities	16,197,000	
24,151,350	TOTAL LIABILITIES		28,363,163
20,673,867	TOTAL ASSETS		23,716,428

FIXED ASSETS ACCOUNT

(see note 21)

	Land & Buildings	Fixtures & Fittings	Motor Vehicles & Equipment	Total
	£	£	£	£
COST OR VALUATION				
At start of period	-	1,179,967	229,502	1,409,469
Additions during period	-	7,916	95,009	102,925
Less: Disposals during period	-	-	-	-
Less: DEPRECIATION:	-	238,547	139,548	378,095
Total to end of period		949,336	184,963	1,134,299
BOOK AMOUNT at end of period		949,336	184,963	1,134,299
Freehold				
Leasehold (50 or more years unexpired)				
Leasehold (less than 50 years unexpired)				
AS BALANCE SHEET		949,336	184,963	1,134,299

ANALYSIS OF INVESTMENTS

(see note 22)

		Other Funds £
QUOTED	British Government & British Government Guaranteed Securities	
	British Municipal and County Securities	
	Other quoted securities (to be specified)	
	TOTAL QUOTED (as Balance Sheet)	
	*Market Value of Quoted Investments	
UNQUOTED	British Government Securities	
	British Municipal and County Securities	
	Mortgages	
	Other unquoted securities (to be specified)	
	TOTAL QUOTED (as Balance Sheet)	
	*Market Value of Unquoted Investments	

* Market value of investments to be stated where these are different from the figures quoted in the balance sheet

ANALYSIS OF INVESTMENT INCOME (CONTROLLING INTERESTS)

(see notes 23 to 25)

Does the association, or any constituent part of the association, have a controlling interest in any limited company?		YES ✓	NO
If YES name the relevant companies:			
COMPANY NAME London Councils Limited (A company limited by guarantee)	COMPANY REGISTRATION NUMBER (if not registered in England & Wales, state where registered) 3037449		
INCORPORATED EMPLOYERS' ASSOCIATIONS			
Are the shares which are controlled by the association registered in the association's name		YES	NO
If NO, please state the names of the persons in whom the shares controlled by the association are registered.			
COMPANY NAME	NAMES OF SHAREHOLDERS		
UNINCORPORATED EMPLOYERS ASSOCIATIONS			
Are the shares which are controlled by the association registered in the names of the association's trustees?		YES	NO
If NO, state the names of the persons in whom the shares controlled by the association are registered.			
COMPANY NAME	NAMES OF SHAREHOLDERS		

SUMMARY SHEET

(see notes 26 to 35)

	All funds except Political Funds £	Political Funds £	Total Funds £
INCOME			
From Members	51,594,873	-	51,594,873
From Investments	(472,309)	-	(472,309)
Other Income (including increases by revaluation of assets)	19,723,532	-	19,723,532
Total Income	70,846,096	-	70,846,096
EXPENDITURE (including decreases by revaluation of assets)	72,015,348		72,015,348
Total Expenditure	72,015,348		72,015,348
Funds at beginning of year (including reserves)	(3,477,483)	-	(3,477,483)
Funds at end of year (including reserves)	(4,646,735)	-	(4,646,735)
ASSETS			
Fixed Assets			1,134,299
Investment Assets			-
Other Assets			22,582,129
		Total Assets	23,716,428
LIABILITIES		Total Liabilities	28,363,163
NET ASSETS (Total Assets less Total Liabilities)			(4,646,735)

NOTES TO THE ACCOUNTS

(see note 36)

All notes to the accounts must be entered on or attached to this part of the return.

The Consolidated Statement of Accounts for London Councils Joint Committee for the year ended 31 March 2014 are attached to this return. The notes to the accounts can be found on pages 41 to 74 of the Consolidated accounts.

ACCOUNTING POLICIES

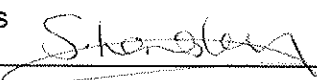

(see notes 37 and 38)

The accounting policies can be found on note 1 which is on pages 41 to 48 of the Consolidated Statement of Accounts for London Councils Joint Committee for the year ended 31 March 2014 which is attached to this return.

SIGNATURES TO THE ANNUAL RETURN

(see notes 39 and 40)

including the accounts and balance sheet contained in the return.

Secretary's Signature: <u></u> Name: <u>SELENA LANSLEY</u> Date: <u>6/10/14</u>	Chairman's Signature: <u></u> (or other official whose position should be stated) Name: <u>MAYOR JULES PIPE</u> Date: <u>07/10/14</u>
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CHECK LIST

(see note 41)

(please tick as appropriate)

IS THE RETURN OF OFFICERS ATTACHED? (see Page 3)	YES	✓	NO	
HAS THE RETURN OF CHANGE OF OFFICERS BEEN COMPLETED? (see Page 3)	YES	✓	NO	
HAS THE RETURN BEEN SIGNED? (see Note 38)	YES	✓	NO	
HAS THE AUDITOR'S REPORT BEEN COMPLETED (see Note 39)	YES	✓	NO	
IS A RULE BOOK ENCLOSED? (see Note 40)	YES	✓	NO	
HAS THE SUMMARY SHEET BEEN COMPLETED (see Notes 6 and 25 to 34)	YES	✓	NO	

AUDITOR'S REPORT

(see notes 42 to 47)

made in accordance with section 36 of the Trade Union and Labour Relations (Consolidation) Act 1992.

1. In the opinion of the auditors or auditor do the accounts they have audited and which are contained in this return give a true and fair view of the matters to which they relate?
(See section 36(1) and (2) of the 1992 Act and notes 83 and 84)

YES/NO

If "No" please explain below.

2. Have the auditors or auditor carried out such investigations in the preparation of their audit report as will enable them to form an opinion as to:
- (a) whether the trade union has kept proper accounting records in accordance with section 28 of the 1992 Act;
 - (b) whether it has maintained a satisfactory system of control over its transactions in accordance with the requirements of that section; and
 - (c) whether the accounts to which the report relates agree with the accounting records?
- (See section 36(3) of the 1992 Act, set out in note 83)

YES/NO

If "No" please explain below.

3. Are the auditors or auditor of the opinion that the union has complied with section 28 of the 1992 Act and has:
- (a) kept proper accounting records with respect to its transactions and its assets and liabilities; and
 - (b) established and maintained a satisfactory system of control of its accounting records, its cash holding and all its receipts and remittances.
- (See section 36(4) of the 1992 Act set out in rule 83)

YES/NO

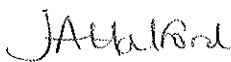
If "No" please explain below.

4. Please set out a copy of the report made by the auditors or auditor to the union on the accounts to which this AR27 relates. The report is to set out the basis upon which the audit has been conducted and/or such other statement as the auditor considers appropriate. Such a statement may be provided as a separate document.
(See note 45)

AUDITOR'S REPORT (continued)

The above responses merely reference matters set out in our attached independent auditors' report to the Members of London Councils Joint Committee on the financial statements of London Councils Joint Committee for the year ended 31 March 2014 dated 30 September 2014 (the "annual financial statements auditors' report"). This report is not a substitute for reading the annual financial statements auditors' report and the financial statements to which they relate. We have not performed any additional procedures in giving this report except for agreeing that the amounts and disclosures in the return are accurately extracted from the attached annual financial statements and agreeing the classification of each line in the revenue account, by agreeing the mapping of the general ledger transaction listing to the AR27.

The above responses and the annual financial statements auditors' report, including the opinion, are prepared for and only for the members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose. We do not, in giving the opinion, accept or assume responsibility for any other purpose or to any other person who receives our annual financial statements' auditors' report unless otherwise agreed by us in writing.

Signature(s) of auditor or auditors:		
Name(s):	Jill Halford	
Profession(s) or Calling(s):	Auditor	
Address(es):	7 More London Riverside London SE1 2RT	
Date:	8 / 10 / 14	
Contact name and telephone number:	0207 804 6020	

LONDON COUNCILS JOINT COMMITTEE
CONSOLIDATED STATEMENT OF ACCOUNTS
YEAR ENDED 31 MARCH 2014

LONDON COUNCILS - JOINT COMMITTEE

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REVIEW OF THE YEAR

About London Councils

London Councils represents London's 32 borough councils, the City of London, the Mayor's Office for Policing and Crime and the London Fire and Emergency Planning Authority.

It is a cross-party organisation that works on behalf of all of its member authorities regardless of political persuasion.

London Councils makes the case to government, the Mayor and others to get the best deal for Londoners and to ensure that our member authorities have the resources, freedoms and powers to do the best possible job for their residents and local businesses.

London Councils runs a number of direct services for member authorities including the Freedom Pass, Taxicard and Health Emergency Badge. It also runs an independent parking appeals service and a pan-London grants programme for voluntary organisations.

London Councils acts as a catalyst for effective sharing among boroughs – be that ideas, good practice, people, resources, or policies and new approaches.

The strategic direction of London Councils is set by the Leaders' Committee, which comprises the Leaders of all of London's local authorities. There is also a cross-party Executive, which guides the organisation's day-to-day work.

Adding value for London's boroughs

London Councils acts as host for a number of bodies which add value to the work of our member authorities by helping them co-ordinate their work with pan-London organisations. These include:

London Safeguarding Children Board, representing London's councils in a broader partnership with police, health and other partners to promote child safeguarding across London.

London Young People's Education and Skills (YPES) Board – the lead strategic body for 14-19 year olds education and training in the capital.

London Councils is the **Regional Employers' body for London local authorities**. Boroughs are members of the Greater London Employment Forum and are represented on the Greater London Provincial Council for the purposes of negotiations with trades unions.

Capital Ambition, London's improvement and efficiency partnership.

London European Partnership for Transport, which provides the London boroughs with support and access to European funding for transport projects.

London Health Board, jointly established by London Councils, the Mayor of London and key health partners, the board provides leadership on health issues of a pan-London significance, where this adds value to decisions agreements and actions at local level.

London Councils also provides a key interface between boroughs, the London Fire Brigade, the Greater London Authority (GLA) and the other emergency services on issues around city management and resilience.

Advancing London local government

Member authorities have their own relationships with pan-London organisations and in particular with the Mayor and the GLA. There are, however, a range of issues where the Mayor, the GLA and other pan-

REVIEW OF THE YEAR (continued)

London organisations seek to establish negotiation or dialogue with London's boroughs. On these issues, London Councils acts as the focal point for representing borough interests – informed by the political and professional networks that we run. We then ensure that information is shared and disseminated quickly with member boroughs.

To ensure that our member authorities have influence in the decisions made at pan-London level that impact on them and the communities they serve, London Councils has developed a series of shared governance arrangements with the Mayor, Transport for London (TfL), Metropolitan Police, health and other partners, including London business organisations. London Councils nominates – on a cross party basis – members to serve in such shared governance arrangements, including:

- London Crime Reduction Board
- London Enterprise Partnership
- London Health Board
- London Housing Board
- London Waste and Recycling Board

Some of these have statutory underpinning. The overall progress of these is monitored jointly by the Mayor and borough leaders.

London Councils, in conjunction with the Mayor and key health partners, was instrumental in the establishment of the London Health Board (LHB). The LHB's role is to provide leadership on health issues of pan-London significance, where this adds value to decisions, agreements and action at local level. It will make the case for appropriate resourcing of the London health economy, ensuring that the importance of London's health and its medical research centres to the national economy is fully recognised.

More recently, London Councils has been actively engaged in negotiations to develop a Growth Deal for London as part of our overall programme to pursue opportunities for financial and wider devolution to London.

In addition, London Councils ensures that the London local government perspective is part of policy development at national level by, for example, organising a full set of ministerial meetings and senior official discussions, and also by promoting ideas and policies at each of the party conferences.

Our annual review outlines our main activities and achievements across all our areas of work in 2013/14.

RESOURCES

Ensuring that the boroughs have enough resources to deliver and improve services for Londoners and maintain the environment and the places where we live is central to London Councils' work.

We make the case for London local government in terms of both specific funding streams and its overall resource base. In our formal response to the Local Government Finance Settlement, London Councils issued a stark warning that year-on-year cuts to funding are unsustainable, and highlighted a number of specific concerns demonstrating that London local government is shouldering a disproportionately large share of the overall reductions in funding.

London Councils' Fair Funding team work with and on behalf of boroughs, producing research, technical papers and analysis which is used to influence government thinking on all aspects of local government finance. The team works closely with finance officers within councils, and with the various professional networks, including the Society of London Treasurers, the London Finance Advisory Committee and London Finance Officers Forum.

REVIEW OF THE YEAR (continued)

The analysis and co-ordination of the London Councils team allied to the political leadership of members in taking this forward with the government has been an essential element to support and maximise the impact of the influencing work by the boroughs themselves.

This influence is supported by targeted media work in key media such as the Evening Standard, Financial Times and BBC.

In May 2013 the London Finance Commission, chaired by Tony Travers, set out clear arguments for fiscal devolution and greater powers for London local government over key services. London Councils played a key role in supporting the Commission. Mayor Jules Pipe and Cllr Teresa O'Neill sat on the Commission with two serving and two former chief executives from London boroughs. London Councils officers provided essential technical support and our communications team played an important role in securing media coverage of the report and its proposals.

Building on the principles of greater fiscal autonomy, the London Enterprise Panel's Growth Deal for London in April 2014 marked the end of months of detailed work by London Councils along with the Greater London Authority, individual councils, groups of London boroughs and the London Enterprise Panel (LEP).

The submission makes the case that nothing short of the complete remaking of public services in the capital is needed if London's current success is to continue into the next decade, and argues that the way to meet the unique challenges ahead is by a greater devolution of integrated commissioning for a wide set of local public services.

These include: employment support for jobseekers; greater influence over delivery of the careers service; continued reform of the housing finance system, including the lifting of the HRA cap; and the transfer of government land holdings for housing.

In conjunction with the Core Cities Group (Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield) and the Mayor of London, in October 2013 London Councils supported the launch of City Centred to press home the case for greater devolution of finance and key services. In addition, London Councils is supporting, with the LGA, Core Cities and GLA, the Cities Growth Commission chaired by Jim O'Neill, former Chairman of Goldman Sachs, which is examining how growth in England's cities can build on recent progress towards devolution, including the London Finance Commission.

Adult Social Care

In the last year, London Councils has developed the most credible model of the financial costs of the new Care Act and used this to highlight a new burdens funding pressure in London of £90 million in 2015/16 and further new burdens of at least £738 million between 2016/17 and 2019/20 (total funding pressures over this time rise to £1.14 billion taking account of demographic pressures and inflation).

School Places

London Councils' work has been recognised nationally as helping attract a significant amount of additional resource for school places. While boroughs have lobbied themselves, the analysis and co-ordination of the London Councils team allied to the political leadership of members in taking this forward with the Secretary of State and in the media has been essential. In 2010/11, London's share of funding was 26 per cent. By the end of 2016/17, London would have received 35 per cent of the overall funding pot, marking a significant success in gaining recognition of the pressures facing London boroughs. The government's Basic Needs Allocation announced in December secured £532 million for new school places in London over two years, which included a 3 per cent uplift for London for the first time in recognition of London's higher costs.

REVIEW OF THE YEAR (continued)**Housing Investment**

Throughout 2013/14 we have continued to be at the forefront of the debate on housing investment in London, developing a sophisticated model to ensure an accurate picture of London's housing need by 2020 and the range of actions required to meet this challenge.

In 2013, the government announced that it would be removing a proportion of New Homes Bonus from borough control, transferring it to the London Enterprise Panel. London Councils has worked with the GLA and DCLG to maximise borough influence over the £70 million topslice of New Homes Bonus (NHB). The DCLG has indicated that the London LEP would have to agree 100 per cent of NHB funding with boroughs, with boroughs getting back what they contributed to the New Home Bonus topslice as part of a strategic package of projects across London.

Transport

TfL indicated that it planned to reduce the total amount of money shared between the 33 London local authorities for their Local Implementation Plans (LIPs) by £37 million from 2015/16. Proactive lobbying by the Chair of London Councils' Transport and Environment Committee (TEC) and other senior Members highlighted the risks to Londoners and the Chair was successful in obtaining a guarantee from the Mayor of London that funding would be maintained during his time in office.

Welfare Reform

In the only exception permitted by central government, London Councils has secured the uprating of half of London's Local Housing Allowance (LHA) rates by 4 per cent, rather than 1 per cent, in mitigation of the impacts of London's divergent rents and LHA rates.

ECONOMIC DEVELOPMENT

The boroughs have a vital role to play in creating the environment and infrastructures necessary for local economies to thrive, and to maximise the employment of residents and the prosperity of their communities. Policy priorities for London Councils in 2013/14 included:

- improving the effectiveness of employment programmes in London;
- improving the skills system for the capital's employers and residents; and
- driving local economic growth through high streets and town centres and supporting boroughs to develop infrastructure projects to generate economic growth.

We also worked on influencing the development of the EU Structural and Investment Funds programme for 2014-2020 in London and supporting boroughs to create good quality apprenticeships particularly through procurement and engaging employers to generate apprenticeship opportunities for 16-18 year-olds.

In 2013/14 we completed the following work on behalf of member boroughs.

- Developed a robust case for devolution of employment programmes to groups of boroughs contained in the Growth Deal for London. This included, for example, the publication of *The Missing Link: An Analysis of Work Programme Performance*, which highlighted the much higher success rates of local rather than national schemes in getting Londoners back into work.
- Championed the boroughs' role in ensuring their residents have the right skills to compete for jobs, as well as helping local businesses meet their skill needs, and lobbied for changes to incentives for providers, as part of the Growth Deal for London.

REVIEW OF THE YEAR (continued)

- Negotiated the principles and process for allocating the topslice of New Homes Bonus (NHB) via the London Enterprise Panel (LEP) so that boroughs remain at the heart of this process and will develop a strategic package of proposals.
- Influenced the LEP's Strategy for European Structural and Investment Funds in London and helped to secure the boroughs' lead role in developing the Skills Funding Agency's adult skills provision under the European Social Fund (ESF). This should mean a more direct influence for boroughs on at least £90 million of ESF expenditure in 2014-2020 for London boroughs.
- Worked with seven London boroughs using funding from the National Apprenticeship Service to create 615 apprenticeship vacancies for young Londoners among mainly small businesses. The project highlighted the important role boroughs can play in promoting apprenticeships locally and the independent evaluation found the investment in these projects demonstrated very good value for money.
- Celebrated boroughs' achievements in our annual London Borough Apprenticeships Award and our first Small Business Friendly Borough Awards, in partnership with the Federation of Small Businesses.
- Created a database of resources that demonstrate the impact that culture and leisure services in London can have on economic and social outcomes.

WELFARE REFORM

Londoners need a benefits system that supports them and meets their needs, and that is simpler and makes work pay. London Councils broadly supports welfare reforms that meet these objectives. We are concerned that the reforms risk a considerable cost shunt from central government to local authorities and, given that they disproportionately affect London households, are a major issue for vulnerable Londoners and the capital's local authorities.

London Councils is tracking these reforms with ongoing policy and research work illustrating how this will affect London boroughs' resources and the lives of Londoners.

London Councils has published a series of reports and analysis tracking in detail the merging picture of the impacts of welfare reform in the capital in support of our arguments for reforms to be tailored to recognise the unique challenges that London faces. Throughout 2013/14 we continued to press government to recognise that locally-led 'wrap-around' services will be crucial to get more Londoners from welfare to work.

Our analysis in 2013/14 has highlighted unintended consequences and flagged up dangers in the process of reform that we are calling on government to mitigate, these include:

- Despite reforms to the Local Housing Allowance (LHA) that introduced a rent 'cap', some boroughs have seen rents rise by over 20 per cent in recent months. Just under half of all households to have their benefit capped live in London, and nine out of 10 local authority areas most affected by the benefit cap are in London.
- Working households accounted for 90 per cent of the growth in housing benefit in outer London, where the rise in those claiming benefits is highest, and more than two-thirds of the growth in housing benefit receipts are in the private rented sector. An additional £25 million – equivalent to double the monthly cost of emptying the city's bins – has had to be paid out by London's local authorities in the wake of the benefit cap.

REVIEW OF THE YEAR (continued)**CHILDREN'S SERVICES AND SCHOOLS**

Our children and young people team co-ordinates policy work and represents the interests of boroughs on a pan-London basis relating to all aspects of children's services. We work closely with groups such as The Association of London Directors of Children's Services (ALDCS) on a broad range of issues relating to children, young people and their families.

In 2013/14 we completed the following work on behalf of member boroughs.

- Commissioned and publicised a YouGov attitudinal survey that provided tangible evidence of the high levels of support among London parents for a local government role in ensuring standards in all schools, including academies and free schools.
- Oversaw the roll-out of Multi-agency safeguarding hubs (Mash) in all London boroughs to streamline referral processes across child protection services. All but one were established by April 2014. The first independent report into the effectiveness of Mash across five London boroughs revealed that it had improved turnaround of cases and referrals significantly.
- Set up the pan-London adoption project, funded by the boroughs, to improve adoption support and address challenges facing adoption services in London.
- Worked with key stakeholders including ALDCS to secure funding from NHS England to support the transfer of health visitor responsibilities to local authorities across the capital.
- Continued to promote ideas and best practice to improve child protection in the capital through the London Safeguarding Children Award (won in 2013 by Merton Safeguarding Children Board's Promote and Protect initiative).
- Jointly developed a toolkit with ALDCS to facilitate further sector-led improvement initiatives to track and support drive up school standards across London.
- Supported ALDCS with their preparation for the new Ofsted Inspection of services for children in need of help and protection, children looked after and care leavers.
- We have worked to influence CLG on the shape of the extended Troubled Families programme so that it will include more families who have complex and multiple problems and which will be much more flexible in recognising local priorities.

A good school place for every young Londoner

We have been highlighting the growing problem of school places shortages in the capital for a number of years and have been successful in securing some additional resources toward mitigating the issue – including an additional £532 million over two years to help create additional primary school places from September 2015.

In the most recent Basic Needs Allocation, the government recognised the higher costs London boroughs are facing by introducing a 3 per cent uplift for the capital for the first time. The two-year funding allocation allows boroughs to plan ahead, especially as the pupil pressure moves from primary to secondary.

However it is clear that meeting the growing demand for school places in the capital will continue to be a pressing challenge for all boroughs. In 2012/13 our analysis identified that, while councils have strategies in place to create additional places, the £9,000 cost per pupil that they are spending subsidising insufficient school places funding by government is placing unprecedented pressure on councils' already squeezed budgets.

REVIEW OF THE YEAR (continued)

A further 83,470 school places need to be created between 2014 and 2017, equivalent to 151 full size football pitches. Between 2010 and September 2013, boroughs created more than 46,039 school places, equivalent to 1,535 classrooms, but more funding is needed to continue this expansion.

Despite the increased pressures, co-ordinated work by London boroughs through the pan-London Admissions Board continued to ensure that as many parents as possible secured their preferred choice of school. Figures released by the board show that 92 per cent of London pupils starting primary school, and 90 per cent starting secondary school, in September 2014 were offered a place at one of their top three preferences.

YOUNG PEOPLE'S EDUCATION AND SKILLS BOARD

London Councils hosts and supports the Young People's Education and Skills Board, the lead strategic body for 14-19 year old education and training services in London. It provides pan-London leadership for 14-19 year old education and training provision in relation to the current and future needs of learners and employers, supports local authorities in undertaking their statutory functions, and assists other stakeholders in planning, policy and provision.

YPES works for London's boroughs; guiding and supporting them in their local commissioning. Working closely with the London Enterprise Panel, it brings together key stakeholders from across London to help set the regions priorities to influence and shape the learning provision on offer to young people. In 2013/14 we completed the following work on behalf of member boroughs.

- Made strong London representation to government on qualification reform, apprenticeships and performance measures.
- Supported London Boroughs to secure £7.8 million Demographic Growth Capital Funding, resulting in an additional 200 places for learners with special educational needs.
- Effectively lobbied on behalf of local authorities for improvements to careers guidance for young people and the protection of funding for full-time 18-year-old students.
- Published the first report of the Institute of Education research into 17+ participation, attainment and progression in London.
- Through the effective governance and leadership of the YPES Board achieved high level of agreement on the priorities for action to improve learning outcomes for young people in London.
- Published Pioneering Careers Work in London, a 10 point plan to support schools and colleges in London to deliver high quality careers work.
- Shaped the high level priorities for the future £129 million ESF Youth Programme (the Youth Employment Initiative) ensuring the views of London's local authorities were strongly influential.
- Developed the Pan London Early Leavers Process, a secure pan London data portal to support the implementation of Raising the Participation Age.
- Provided a valued and highly credible source of support and information through the launch of Intelligent London.
- Through a programme of Raising the Participation Age support helped local authorities to increase the participation of 16 and 17 year-olds to over 90 per cent.

REVIEW OF THE YEAR (continued)

- Sponsored Skills London; the largest jobs and careers fair and supported the London Enterprise Panel with regional labour market information through developing Skills Match.

HEALTH AND ADULT CARE

The boroughs have longstanding responsibilities for adult social care that are facing significant challenge from financial and demographic pressures and considerable change with the advent of the Care Act 2014 and widened health responsibilities flowing from the Health and Social Care Act 2012, that came into effect from 1 April 2013. These include new public health functions and responsibility for establishing Health and Wellbeing Boards.

Our policy work on health and adult services has had three main focuses over the last year making the case for sustainable funding for adult social care, influencing the implementation of NHS reforms, including through effective pan-London governance, and relationships to support local delivery, and supporting the development of health and care integration. We work closely with chief executives, the Association of Directors of Adult Social Services (ADASS) and Association of Directors of Public Health (ADPH) in London, as well as NHS England, Public Health England and the Office of London Clinical Commissioning Groups (CCGs).

In 2013/14 we completed the following work on behalf of member boroughs:

- Published a report setting out the cost implications of delivering the adult and social care reforms. London Councils has consistently been ahead of others nationally in analysing the potential costs of implementing the Care Act 2014 and using this as a platform for successful lobbying throughout its passage as a Bill in Parliament.
- Established, with the GLA, NHS England (London Region), CCGs and Public Health England, a London Health Board. We have supported the five Leaders who sit on the Board, chaired by the Mayor, to steer its work to add value to local activity through work on five priorities: making the case for London, mental health and wellbeing, transparency and data sharing, improving primary care, and maximising the economic benefits of the life sciences sector.
- Established and supported a London Health Chief Officers' Group, chaired by a chief executive with engagement from fellow chief executives and directors, the regional directors of NHS England and Public Health England, representatives of the CCGs and other key voices.
- Established and steered a multi-partner steering group that oversaw the allocation of £66,000 regional health improvement funding from the Department of Health/LGA, supplemented by £39,000 from NHS England (London Region), for facilitation support to 17 London Health and Wellbeing Boards.
- Supported the creation by Directors of Public Health of an ADPH London network and host their programme support.
- Supported the successful transfer of public health to local government from 1 April 2013 and subsequent settling-in of new responsibilities.
- Secured agreement from Leaders' Committee to support a £3.4 million London HIV Prevention Programme, to supplement locally commissioned services.
- Established a London Sexual Health Group providing a pan-London forum to bring together representatives of commissioners, providers and clinicians/experts with the aim of developing a joint vision.

REVIEW OF THE YEAR (continued)

- Established, jointly with NHS England, the Department of Health and ADASS, a London Health and Care Integration Collaborative to support the delivery of integration at pace and scale locally through sharing information and good practice, joint problem solving and influencing government and NHS England decisions.
- Secured a joint regional process with NHS England for the assurance of draft and final Better Care Fund plans, to ensure that local government perspectives and the needs of adult social care were effectively taken into account.

POLICING AND CRIME

We aim to ensure that the interests of Londoners, and their councils, are fully recognised in policing, in the development of community safety policies, and in the allocation of funding.

Our team works on a range of issues including, policing accountability, violence against women and girls, anti-social behaviour, anti-violence and reducing re-offending.

The team also plays a key role in ensuring London is fully prepared for terrorist attacks or other major emergencies in London. In 2013/14 we completed the following work on behalf of member boroughs.

- Published detailed analysis of government plans to privatise the supervision of low and medium risk offenders on probation that made a number of recommendations ahead of a Parliamentary debate on the issue. The report, Reducing Reoffending in London; why investing in local solutions will deliver made the argument for any new providers to work with existing successful partnerships.
- Subsequently, we worked with partners to ensure London local government is embedded in the process of selecting providers and shaping new governance arrangements.
- London Councils worked with the Metropolitan Police to ensure continued prioritising of minimum levels of continuity among Borough Commanders and council influence in the specification of post holders.
- Jointly lobbied, with LGA, Brake, Living Streets, RNIB and British Parking Association, to oppose government changes on the use of CCTV that would make it harder for communities to reduce crime and dangerous driving.
- Conducted a survey of all heads of community safety in the 32 London local authorities and the City of London exploring challenges around mental health and anti-social behaviour. The report's findings and recommendations were shared with members and officers at a dedicated event.
- Building on this work, we secured agreement with the London Crime Reduction Board (LCRB) to adopt tackling anti-social behaviour (ASB) as a strategic priority, with a supporting programme of work.

HOUSING AND PLANNING

London Councils have been at the forefront of highlighting London's housing crisis and supporting boroughs in managing the impact of the crisis. This year we have drawn together detailed data and analysis to build a comprehensive picture of the current and projected housing shortfall in the capital. Our modelling demonstrates an existing backlog of 283,000 homes and projected need for an additional 526,000 new homes in London by 2021, just to keep pace with population growth. London Councils' projection of the need to build more than 810,000 new homes by 2021 has been widely reported and accepted as one of the most credible and authoritative estimates of need.

REVIEW OF THE YEAR (continued)

In 2013/14 we completed the following work on behalf of member boroughs.

- London Councils developed a comprehensive housing need modelling tool, which accurately defined London's housing and demand pressures, based on developed methodology around projected population increase and unmet housing need. The results were used to support a persuasive case for the increasing new housing delivery in London.
- As a result of continued pressure from London Councils and other stakeholders for the removal of the borrowing cap, the government announced in the Autumn statement 2013, that it would increase the HRA borrowing limits by £150 million in 2015/16 and 2016/17 respectively. The funding would be allocated on a competitive basis and agreed by LEPs.
- Hosted a successful Westminster debate, drawing together experts to discuss London housing challenges with speakers including Rt Hon Alan Johnson MP and Tony Pidgley CBE, chairman of the Berkeley Group.
- Supported the London Housing Directors to improve transparency and coordination between boroughs around the movement of homeless households by developing an advice note on out-of-London placements, which received positive feedback from authorities and the DCLG.
- Strengthened relationships with south east local authorities through meetings between London Councils and the South East Strategic Leaders concerning the placement of households outside of London. Direct engagement has also been managed on a pan-London basis by London Councils, along with a number of local authorities in the south east and beyond.
- Developed an improved placements monitoring regime and facilitated dialogue between boroughs through the inter-borough accommodation agreement.
- Commissioned and publicised polling highlighting that housing is now Londoners' number one issue (overtaking crime) and prompted debate with our discussion paper – The London Housing Challenge – outlining 10 measures that could start to address London's housing crisis. The paper was used to spark discussion at all three main party conferences.
- In August 2012, the government announced £1.8 million of funding, to support boroughs wishing to clampdown on tackle Beds in Sheds and prevent vulnerable people living in poor conditions. This funding was awarded to seven London boroughs, to help with their enforcement work, and address rogue landlords operating in London. This was in response to media pressure and discussions with London Councils and several boroughs badly affected by Beds in Sheds at the time.
- Urged the government to permit full-cost recovery on planning applications, transfer surplus government land to London government, and give councils more freedom over applying pre-commencement conditions, CIL and S106 through our submission to the DCLG Review of the role of local authorities in housing.
- Promoted the most innovative and successful initiatives to tackle homelessness in London through the Andy Ludlow Homelessness awards, sponsored by the London Housing Foundation and Shelter. The 2013 winners of this award, run by London Councils for 14 years, was the Spires Streetlink project which helps street-based sex workers and other vulnerable women through targeted outreach work.
- Joined with the Mayor and RTP1 to support the London Planning Awards, organised by London First.

REVIEW OF THE YEAR (continued)

TRANSPORT AND ENVIRONMENT

London Councils works with boroughs and develops policy on a range of transport and environmental challenges affecting the capital. On transport our focus is on the capacity and service reliability of passenger transport networks; maintenance and development of the road network and encouraging modal shift away from car use. On environment our focus is on waste management, local environmental quality energy, air quality and flood risk management.

The Transport and Environment Committee (TEC), a statutory committee of councillors from the 33 London local authorities, governs our work in these areas and sets priorities. In 2013/14 we completed the following work on behalf of member boroughs.

In transport we have:

- provided responses to consultation and submitted evidence to committees on aviation capacity; Crossrail 2; bus services in London and road safety in London;
- made the case to government for the introduction of a total ban on night flights from 2017;
- represented London boroughs on the Roads Taskforce and Road Safety Steering Group to work on the development of better, safer roads for Londoners;
- successfully lobbied the Mayor and TfL to prevent a cut to Local Improvement Plan (LIP) funding of £37 million per annum;
- lobbied TfL to secure re-evaluation and re-design of their engagement process with boroughs with regard to bus services, in particular planning;
- conducted a poll of 1,000 residents on walking and cycling in London which found that residents would walk and cycle more if roads were safer and organised a member's event to exchange good practices and ideas on walking and cycling policies; and
- conducted a survey of borough officers regarding rail services in London which found that their chief concerns were overcrowding, frequency of services, accessibility and maintenance of railway stations and lines.

In environment we have:

- provided responses to consultation and submitted evidence to committees on waste management in England; waste prevention in England; local air quality management plans; flood risk management and flood risk insurance; zero carbon homes and housing standards review;
- carried out research and identified the key challenges for waste management in London;
- provided revised guidance on legislation that gives London local authorities new powers to issue civil fines in relation to littering from vehicles and waste receptacles or 'bin fines';
- worked with 23 boroughs to deliver the Big London Energy Switch, which offered Londoners the opportunity to save money on their energy bills by signing up to a collective energy switching auction; and
- worked with the GLA to help deliver the London-wide RE:NEW programme to retro-fit thousands of homes with energy saving measures to reduce fuel bills and carbon dioxide emissions.

REVIEW OF THE YEAR (continued)**OUR SERVICES**

Alongside our policy work London Councils runs a number of direct services for and on behalf of Londoners and our member boroughs, where leaders have identified a clear benefit in these being administered by London Councils.

Freedom Pass

The Freedom Pass, which provides free transport on almost all public transport in the capital to around 1.3 million older and disabled Londoners. The Freedom Pass is a much valued service that has been run and paid for by London boroughs since 1986.

During 2013/14, we completed a review older persons' eligibility for Freedom Pass. Previously we had renewed passes every two years, but in 2010 we issued passes with a five-year life, so this 'mid-term' review was necessary to keep the database up-to-date and reduce the potential for fraud. The review resulted in 54,272 passes being stopped, saving boroughs an estimated £1.24 million by March 2015.

During the year we also established a project board, consisting of London Councils, borough officers, TfL, ATOC and Freedom Pass contractors to plan for the 2015 Freedom Pass reissue, when we will renew almost 1 million passes.

Taxicard

In addition to London's public transport, taxis are an integral part of the capital's transport network that are particularly valuable to Londoners who find buses and trains difficult to use. To ensure this service is available to those Londoners, London Councils also runs the Taxicard service, which provides subsidised transport in taxis for people with severe mobility or visual impairments.

The Taxicard scheme continued to provide subsidised journeys in licensed taxis and private hire vehicles to its 106,000 members who made 1.35 million trips. The scheme is available to eligible Londoners 24 hours a day, 365 days a year and is funded by the participating London boroughs and the Mayor of London. TEC manages the London Taxicard Scheme on their behalf.

Parking and Traffic Appeals Service (PATAS)

In one of the world's busiest cities it is no surprise that parking is major issue for Londoners. To ensure the system of enforcement remains fair and transparent, the Parking and Traffic Appeals Service (PATAS) provides a free independent adjudication service for motorists to decide disputed parking and moving traffic offences including bus lane and congestion charging penalties issued by London local authorities and TfL.

Run by London Councils, PATAS aims to provide a fast and efficient service that gives fair and impartial decisions that are easy to understand. Consultants to the former Lord Chancellor's Department have described PATAS as the 'most user-focused aspect of justice in the country'.

In 2013/14, parking and traffic adjudicators decided just over 56,000 appeals in relation to parking, bus lane and other moving traffic contraventions on behalf of boroughs and TfL, and 7,200 appeals in relation to Road User Charging, under contract to the Greater London Authority.

PATAS operates the fourth biggest tribunal service in the country and is recognised as one of the most cost effective.

Parking on Private Land Appeals (Popla)

To extend the concept of an independent appeals service to non-local authority-issued tickets, London Councils agreed with the British Parking Association (BPA) to establish a new appeals service in respect of

REVIEW OF THE YEAR (continued)

parking charge notices issued to vehicles parked on private land throughout England and Wales. Agreement was reached to operate a service for three years and Popla was formally launched in October 2012. In 2013/14, its first full year of operation, Popla decided nearly 24,000 appeals, with around 46 per cent being in favour of the motorist.

Parking consultation

London Councils works closely with TfL and the boroughs to ensure consistency and fairness in all enforcement activity across London. We periodically consult on, and set, the level of penalty for parking and moving traffic contraventions. London Councils also provides guidance and advice and runs innovative pilot schemes and projects to deliver parking and highway enforcement in the fairest and simplest possible way. It convenes borough officer forums in the areas of parking management, highways and traffic signals. These forums are used to formulate policy and share best practice.

Health Emergency Badge

To ensure health professionals attending emergencies in Londoners' homes are not inadvertently penalised by parking restrictions, London Councils also administers the Health Emergency Badge (HEB). Although this is not mandatory, all London boroughs have agreed to be a part of the scheme, which means health professionals displaying the badge when attending Londoners' homes will not receive parking tickets or be clamped or towed away.

TRACE

London Councils also provides a central helpline service for motorists whose vehicle may have been towed away. The TRACE service offers a 24 hour, 365 days-a-year helpline that can locate any vehicle removed for illegal parking by any council in London. The TRACE service will advise which pound the vehicle has been removed to and provide information on the procedure for release. The service receives around 7,000 calls a month and has consistently met its target that 95 per cent of calls be answered within 12 seconds.

London Lorry Control Scheme

Lorry deliveries are an essential part of London's commerce but Londoners need to know that noise and pollution on residential streets are kept to a minimum, particularly during unsocial hours. To ensure residents are not kept awake by late night heavy good vehicles (HGVs), London Councils operates the London Lorry Control Scheme that regulates the movement of HGVs at night and at weekends through a system of permits. Enforcement of the scheme is carried out by a team of officers who patrol London and target specific locations where HGVs may be travelling at night or on weekends.

The tragic number of cyclist fatalities in London towards the end of 2013 heightened concerns about cycle safety, particularly the risk of conflict with larger vehicles. London Councils is working closely with TfL to reduce risks to cyclists' safety and has consulted on changing the existing permit conditions of the London Lorry Control Scheme to require the fitting of side guards and additional safety mirrors to vehicles. Subject to the results of the consultation, the changes could be implemented by the end of 2014.

London Councils is also working with TfL on their proposed Safer Lorry Scheme, which will require the fitting of the same safety equipment to all vehicles over 3.5 tonnes.

CCTV

Towards the end of 2013 the government proposed and consulted on a series of parking reforms including restrictions on the use of CCTV enforcement and compensation for people if they lose at appeal. London Councils worked with boroughs to provide a comprehensive response to the consultation explaining how some of the proposals will have significant impacts on London authorities' ability to manage their highways safely and efficiently.

REVIEW OF THE YEAR (continued)**London European Partnership for Transport (LEPT)**

The London European Partnership for Transport (LEPT) helps boroughs access European funding for transport projects. The London Councils' LEPT team are currently leading two European projects, STARS and PTP Cycle. These projects aim to increase the amount of cycling by school children and in residential areas. Both are now in the delivery stages. PTP-Cycle is now rolling out Personalised Travel Planning (PTP) programmes across two wards in Haringey and Greenwich covering 10,000 households supporting the boroughs' wider smarter travel activities.

Notify2

London Councils hosts other pan-London services, such as Notify2, an online service to prevent vulnerable children slipping through the net by notifying social services departments of their movements. Notify2 enables London boroughs to continue supporting homeless households moving to a new address.

London Care Services

Another service provided by London Councils on behalf of boroughs to help find good quality accommodation for vulnerable children and adults away from home. Providers of foster care, residential care, residential special schools and residential family centres offer information about their services, quality, vacancies and price on a confidential website. Through London Care Services, London Councils has negotiated savings averaging £10 million per year in the costs of children's care placements, equivalent to £300,000 per borough each year.

Capital Ambition

London Councils is also home to the Capital Ambition programme that evolved from the regional improvement and efficiency programme for London boroughs. At a time of economic austerity, the Capital Ambition programme continues to help build on councils' efficiency and effectiveness, by enhancing collaborative procurement; developing shared services; supporting the redesign of services and assisting with the implementation of major policy programmes.

In February 2013 Capital Ambition announced a new programme in partnership with EY (formerly Ernst & Young). Known as London Ventures, the new programme seeks to better understand local service needs in London and match the right private and third sector partners with local authorities.

London Ventures helps councils work with the commercial sector to make savings and deliver better services. By acting as a strategic broker between partners, the programme aims to drive opportunities for innovation and ensure more savings are delivered.

Initial 'ventures' include a robotics programme, safeguarding software, a care brokerage service, a London fraud prevention hub and a crowd funding civic projects site.

London Ventures is the next step in the success of the Capital Ambition programme, which between 2008 and 2013 has helped fund projects in all 33 London councils to achieve savings of more than £75 million. Projects, for example, include the London Energy Project, Transforming Highways, ICT e-auctions and Programme Athena, a London-wide shared ICT solutions approach. By 2016 the programme is forecast to have delivered total savings of £357 million.

Grants programme

Through our grants programme, we fund projects to address four pan-London priorities:

- homelessness;
- sexual and domestic violence;

REVIEW OF THE YEAR (continued)

- tackling poverty through employment; and
- the capacity of London's voluntary sector.

The London Councils Grants programme in 2013/14 was £8.4 million.

The Grants Committee has strengthened the monitoring of the grants to make sure that organisations are clear about their roles and responsibilities and what is expected of them and the partnerships that deliver commissioned services. Our grants work is part-funded by the European Social Fund (ESF). In 2013/14:

- Eleven projects have worked on sexual and domestic violence with 40,975 children and teachers in schools and youth settings;
- Eight projects have provided support to 16,390 people affected by or at risk of homelessness;
- Over 6,200 participants have been enrolled on ESF projects this financial year. Of these, 62 per cent were furthest away from the labour market, that is, not actively seeking work, and 20 per cent of these went on to work or further education; and
- Six projects supported front-line organisations across London, improving their capacity, efficiency, sustainability and quality of service.

In addition, on behalf of boroughs that wish to take part, we fund small voluntary and community organisations to develop so they can deliver jobs and skills support to people who are a long way from the jobs market. In 2013/14 we funded 93 such organisations whose annual income was no more than £150,000 with funding of up to £12,500 each (totalling £937,000).

Case Study

London Youth Gateway was commissioned by London Councils' Grants Committee to work with young people across the capital for the next two years and funded with £730,672 for the 2013/14 financial year. In October 2013, members of the Grants Committee visited the New Horizon Youth Centre, which is working with three other organisations (Alone in London, DePaul UK and Stonewall Housing) on the London Youth Gateway. The story of one young service user is set out below:

Today is Jason's 21st birthday. He's going to celebrate with friends, knowing that in three weeks' time, he will be starting an apprenticeship and someday soon, may be able to afford his own place.

Jason's 20th birthday was quite different. At that time, as Jason himself admits his life was a mess. Constantly in trouble with the law, he was, in his own words 'on the wrong track, with the wrong friends and making the wrong decisions'.

Then last August while rough-sleeping, Jason's probation officer told him about London Youth Gateway.

The project is a partnership between New Horizon Youth Centre, Alone in London, DePaul UK and Stonewall Housing. It provides accommodation advice and support to young homeless people, as well as education, training and employment, and support for emotional and physical wellbeing.

Jason says the help he has received through London Youth Gateway has been a 'life-changer'.

He said: "I was really down before I came here. I had been rough-sleeping for two or three weeks. Since I came here, I have sorted out my CV, learnt new techniques, been working part-time and I've done a cooking course. This place has boosted my confidence. I'm living in a hostel and I've got plans for the future."

"I've been working to change everything. I'm now ready to meet new people and get sorted."

REVIEW OF THE YEAR (continued)

From next month, Jason will be starting an apprenticeship with community interest company and training academy Building Lives.

During his apprenticeship, he will learn a variety of skills from carpentry and plumbing to painting and decorating.

His plans are to eventually start his own business.

And to anyone who is in the same position, Jason was in three months ago, his advice is simple - get in touch with London Youth Gateway now.

Jason said: "Everyone is so welcoming. The staff are all on a level here – they are all honest. You can easily approach them anytime."

London Youth Gateway supports 16-25 year-olds who are homeless or at risk of becoming so due to family breakdown, abuse, eviction, being in prison or growing up in care.

To find out more about the project go to www.londonyouthgateway.org.uk

LOOKING FORWARD TO 2014/15

Our four over-arching themes of: Resourcing London; Securing devolution and localism; Supporting London delivery and Organisational change will continue to shape our strategy and work streams for the coming year.

Resourcing London: In a period of acute financial retrenchment, we will work alongside our member boroughs and partners to:

- Ensure the best possible public financing for London;
- Mitigate the impact of financial reductions upon London boroughs; and
- Support councils seeking to drive savings and efficiency.

In this period heading towards the next general election, and the CSR that will follow, we will:

- Develop and deploy a strong case for London boroughs to be key players in integrating local public services so as to help manage future demand for services. We will advocate the need for both a fair outcome for our member boroughs and London citizens, and build on the financial devolution case set out by the London Finance Commission.

Responding to the wishes of our member boroughs, we will also:

- Establish the first local government common investment vehicle in England, providing London local government with a voluntary platform through which it can collaborate to deliver greater efficiency in the delivery of the local government pension scheme.

Securing devolution and localism: We will:

- Continue to highlight the strong London argument for boroughs to be at the heart of commissioning a broader range of integrated local public services;

REVIEW OF THE YEAR (continued)

- Lead the argument for financial and wider devolution, including via the Growth Deal for London and wider public service reform, to help position London effectively for the future financing environment; and
- Support London local government in its work to turn this into practice on the ground by providing shared learning and approaches and developing London frameworks that allow this devolution to take place at local level.

Supporting London Delivery: We will:

Provide a defined range of direct services to Londoners and London organisations directly on the collective behalf of boroughs;

Support London local government's collective efforts to enhance the effectiveness of public services across the capital;

Act as a focal point for brokerage and co-ordination between different London public services, the GLA group and boroughs on key delivery issues; and

Work with key political, professional and managerial groupings across London local government to help strengthen the capacity of our membership to deliver high quality and cost effective services.

Organisational Change: In the context of significant organisational changes in the last four years, we will focus on:

- Managing our resources and asset base effectively to sustain the value for money improvements delivered to member authorities in the past four years;
- Equipping ourselves with the skills, knowledge and competences required to support London local government in this critical period;
- Continuing our drive to manage and deploy our resources flexibly in order to achieve maximum benefit for our member authorities;
- Driving down the overhead costs of our direct services; and
- Creating an environment in which we attract talented people and challenge them to deliver outstanding performance.

EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS

This Statement of Accounts represents the consolidation of the accounts of the activities of London Councils Joint Committee, London Councils Grants Committee and London Councils Transport and Environment Committee. Due to the unique nature of the Committee's activities, a breakdown of the main headings contained in the Comprehensive Income and Expenditure Statement are detailed in appendices A to C.

Financial information

The Director of Corporate Resources has pleasure in presenting the Consolidated Financial Statements which consist of the following:

- Statement of Responsibilities for the Statement of Accounts (page 24);
- Consolidated Movement in Reserves Statement (pages 36 - 37);
- Consolidated Comprehensive Income and Expenditure Statement (page 38);
- Consolidated Balance Sheet (page 39);
- Consolidated Cash Flow Statement (page 40); and
- Notes to the Consolidated Accounts (pages 41 – 74).

Revenue expenditure

Set out below is a comparison between the actual and budget for the year.

	Revised Budget	Actual	Variation
	£000	£000	£000
Expenditure	69,506	70,937	1,431
Income	(68,012)	(71,321)	(3,309)
Interest income and expenditure	(75)	475	550
Deficit/(Surplus) for the year	1,419	91	(1,328)
Transfer from Reserves	(1,419)	(2,342)	(923)
Net Surplus for the year (including transfers from reserves)	-	(2,251)	(2,251)

The net transfer from reserves of £1.419 million incorporated within the 2013/14 budget consists solely of a transfer from the General Reserve. The actual transfers during the year consist of £1.67 million from the General Reserve, £400,000 to the Specific Reserve, £1.102 million from the Pension Reserve and £30,000 to the Accumulated Absences Reserve.

EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS (continued)

The surplus of £2.251 million is split over the three funding streams as follows:

	Grants Committee	Transport, and Environment Committee	Joint Committee	Total
	£000	£000	£000	£000
Total Expenditure	9,093	47,246	14,598	70,937
Total Income	(9,260)	(47,533)	(14,528)	(71,321)
Interest income and expenditure	3	139	333	475
Surplus/(Deficit) for the year	(164)	(148)	403	91
Transfer from Reserves	(59)	(23)	(2,260)	(2,342)
Net Surplus	(223)	(171)	(1,857)	(2,251)

Transport and Environment (TEC) and the Grants Committee (GC) are separate joint-committees that require separate accounts to be prepared (refer to Note 1, Item I on page 46 and Appendices A and B on pages 75 and 76).

Grants Committee

The surplus of £223,000 is attributable to a surplus of £60,000 in relation to London Councils main grants programme and a surplus of £163,000 in the ESF match funded grants programme.

The surplus of £60,000 on the main grants programme is attributable to:

- a provisional net underspend of £116,000 in relation to payments for commissioned services, split between an underspend of £37,000 relating anticipated payments for 2013/14, plus a return to revenue of estimated liabilities of £71,000 set up in respect of 2012/13, which will not be paid out and returned payments of 20,000 relating to the pre-2013/14 commissioning period. These total underspends of £128,000 are offset by the establishment of a liability of £12,000 that is in dispute regarding a commission that ended in 2011/12; and
- a provisional net overspend of £56,000 in relation to non-grant expenditure attributable to an overspend of £106,000 in respect of salary costs, general running costs and central recharges, offset by underspends of £12,000 in respect of the research budget, £5,000 in respect of the reduction of the bad debt provision and £33,000 in respect of investment income received on Committee cash balances.

For the ESF/borough funded programme, there is a net surplus of £163,000, which is attributable to slippage of activity into 2014/15 which has a net effect on the accounts of £189,000. This amount is offset by the contribution to the bad debt provision of £26,000. In addition to the ESF grant expenditure of £1.012 million, there were advance payments of £550,000 held by commissioned bodies as at 31 March 2014. These payments are excluded from the 2013/14 revenue account along with the associated funding provided by ESF grant and borough subscriptions of £275,000 from each source. These amounts will eventually be recognised in the accounts when actual expenditure is incurred by the commissioned bodies. The 2013/14 financial year is the second year of the two-year 2012-14 programme, although a significant level of expenditure has slipped into 2014/15, where it can be met from the provisional sum of £773,000 held in Committee reserves, plus ESF grants at 50%.

Transport and Environment Committee

A surplus on revenue activities of £1.346 million has been posted for 2013/14 which, after a net transfer of £23,000 from reserves has led to an overall surplus after net transfers from reserves of £1.369 million. The surplus is due to:

EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS (continued)

- **Lorry Control Administration/PCN income (-£709,000)** - The administration of the London Lorry Control Scheme marginally underspent the budget of £553,000 by £2,000. However, there was a significant increase in the collection of PCN income of £707,000 above the budgetary provision of £450,000. This significant increase is due to the results arising from the first full year of the outsourcing the enforcement function meaning that transaction volumes have significantly increased, leading to higher levels of debt actually being raised and collected. In addition, the Adaptis computer management system has now become fully functional, allowing outstanding debt to be registered at the Court more quickly. Of the £1.157million income due for the year, £218,000 has yet to be collected and has been registered with the County Court. A bad debt provision of £175,000 has been established in respect of this outstanding amount;
- **Freedom Pass non-TfL bus services (-£292,000)** - In December 2012, TEC approved a budgetary provision of £2 million for 2013/14 to cover the cost of payments to non-TfL bus operators resulting from the introduction of the national concessionary fares scheme in April 2008, the overall cost of which is demand led by eligible bus users. Claims from operators amounting to £1.728 million have been received for 2013/14, which together with a surplus of liabilities set up in relation to claims for 2012/13 of £20,000 has led to an underspend of £292,000;
- **Parking and Traffic Appeals (-£271,000)** - There is a net surplus of £271,000 in respect of parking and traffic appeals. The number of appeals and statutory declarations heard during the year was 67,731 against a budget of 70,000, generating income of £2.804 million, £93,000 less than the budget estimate. However, this is offset by a significant reduction in adjudicator, contractor and administration costs of £364,000. The throughput of appeals was 3.38 appeals per hour, compared to a budget figure of 2.71, and an actual figure of 2.91 appeals per hour for 2012/13. The continued improvement in adjudicator productivity has led to further increased efficiencies, as demonstrated by these figures. The number of live parking appeals as at 31 March 2014 was 6,204, compared to 7,624 for 2012/13, which broadly equates to the notice of appeals received during the last month of the financial year;
- **Freedom Pass survey and issue costs (-£203,000)** - The budget for the pass survey and issue processes for the year was £794,000. This budget covers the issuing of Freedom Passes to new applicants and for the replacement of passes which are lost, stolen or faulty. To undertake these functions, which were previously undertaken by the Post Office and funded directly by boroughs, a new contract was procured with effect from 1 July 2011, which will run up until the completion of the next reissue exercise planned for 2015. Provisional total expenditure for 2013/14 is £891,000, which includes costs associated with the issuing of replacement Freedom Passes. However, a sum of £700,000 was collected during 2013/14 in respect of replacement Freedom Passes, £300,000, in excess of the £400,000 budgetary provision. In net terms, therefore, there was a surplus of £203,000;
- **Non Operational Staffing Costs (-£96,000)** - The non-operational employee cost budget of £510,000 underspent by £96,000 at £414,000. This is primarily attributable to vacancies being held in respect of policy staff in the Policy and Public Affairs Directorate, leading to a reduced recharge to TEC for these salary costs. In addition, recharging of non-operational salaries to reflect actual support to direct service and externally funded operations has risen, in line with the change in accounting policy;
- **Running Costs/Central Recharges (-£76,000)** - This underspend is attributable to a range of general administration (£63,000) and central recharge (£13,000) budgets;

EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS (continued)

- **Parking on Private Land Appeals – (+£1.198 million)** – The Committee has recognised a potential liability in the accounts in connection with its operation of the POPLA service (see note 4);
- **Bad Debts provision (+£156,000)** - The Committee's bad debt provision as at 1 April 2013 was £58,000. A review of the aged debts at the year-end has resulted in an increase in the provision of £156,000 (excluding the externally funded projects), giving a year-end provision of £214,000. Included within this amount is £175,000 which relates to a provision in respect of Lorry Control PCNs that had been registered at the County Court but which were unpaid at 31 March 2014, an increase of £147,000 on the figure of £28,000 for 2012/13. The majority of the remaining bad debt provision of £39,000 (up from £30,000 in 2012/13) relates to invoices for traded services provided by the Committee to boroughs and TfL/GLA. The marginal increase in the level of historical debt position emphasizes the importance of regular dialogue continuing between London Councils and borough officers to ensure that disputed invoices are queried by boroughs at an early stage. This will facilitate prompt resolution and prevent a potential adverse effect on the Committee's cash-flow position, which might lead to interest charges from the City;
- **PATAS Administration (+£135,000)** - The administration of the appeals Hearing Centre overspent the budget of £2.989 million by £135,000. This is attributable to additional service charge payments for the Angel Square premises of £34,000 in respect of 2012 calendar year, which was unforeseen and for which no provision had been made in the 2012/13 accounts. The remainder of overspend is attributable to additional central costs chargeable following the revision to London Councils central recharging mechanism. This has had a particular impact for the services carried out at Angel Square as the adjudicator hours worked during 2013/14 have had to be annualised as full-time equivalent staff numbers to ensure parity with the way the BPA are charged for the POPLA service. This effective increase in notional staffing numbers has increased the share of overheads apportioned to the activities of the hearing centre;
- **Freedom Pass Mid-term Review (+£129,000)** - The exercise to check on the eligibility of all Freedom Pass holders at the mid-term point to pick up those who are deceased or who have moved out of London and are therefore no longer valid continued during 2013/14. It is estimated that reducing usage of ineligible passes will have a material effect in the cost of settlements from 2015/16 onwards, in excess of £1 million per annum, leading to savings for all boroughs. These checks were undertaken on a phased basis and cost £165,000 in 2012/13, with further costs of £129,000 incurred during 2013/14 to complete the task. The cost of this exercise in 2013/14 can be met from the surplus of £203,000 arising from the charging of freedom passes; and
- Residual variances of £144,000.

Joint Committee

A deficit on revenue activities of £403,000 has been posted for 2013/14 which, after transferring £2.26 million from reserves has led to an overall surplus after net transfers to reserves of £1.857 million. The surplus is mainly attributable to:

- **Employee Costs (+£171,000)** - The headline position on salaries is an overspend of £145,000 on officer salary costs, plus an overspend of £26,000 relating to members allowances. For officer salary costs, this includes £137,000 spent on salaries associated with the work of the London Health Board (LHB), which is unbudgeted. The work of the LHB is funded by external contributors, plus a transfer from London Councils Joint Committee reserves. Once this salary spend is excluded, there is a marginal overspend of £8,000;

EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS (continued)

- **Improvement and Efficiency work (-£336,000)** - The Leaders' Committee agreed to continue funding five former performance and procurement legacy projects in December 2011. These are managed via a variety of borough networks. The budget for 2013/14 was £322,000, augmented by a carry forward of £213,000 from 2012/13, making £535,000 in total. During 2013/14, further work was undertaken to develop thinking within both procurement and performance. This work has included the delivery of the inaugural London local government procurement summit and successfully resolving the future of two existing software contracts. This work has been undertaken in close cooperation with senior borough officers and against a backdrop of wider conversations on performance and procurement systems in London and the development of pan-London category management strategies (funded by the Capital Ambition Board). Consideration has been given to how London Councils activity in this area may align with these and future initiatives within the boroughs. As such, it has been necessary to review the timescales within current and future spending plans. Work is now underway with senior borough officers to take this forward. Work has been undertaken on three projects during 2013/14, amounting to £199,000, leading to the underspend of £336,000;
- **Research and Commissioning (-£289,000)** - Expenditure on commissioning research and other priority work amounted to £211,000 for the year, leading to an underspend of £289,000 against the approved budget of £500,000. This saving reflects the expansion in in-house research capability. During the last year previous enhancements to in-house capability have been reinforced with expanded finance input into published research across all policy areas. Lower spending has also been influenced by the fact that major initiatives in this period, such as the growth deal, have not required specific and large scale externally commissioned projects;
- **Housing Directors Fund (-£127,000)** - A sum of £117,000 was brought forward from 2012/13, representing borough resources paid into a pool to fund pan-London housing initiatives and legal test cases and held by London Councils acting as a custodian. No expenditure was incurred during 2013/14; with additional borough contributions of £10,000 being collected during the year. A sum of £127,000 will therefore be carried forward for application in 2014/15 and future years;
- **Borough Contributions (-£150,000)** - Borough contributions of £129,000 relating to the regional YPES programme were brought forward into 2013/14 from 2012/13 as a receipt in advance. However, spend of £107,000 was met by borough contribution and transfers from reserves of £132,000. This amount, therefore, will be recycled back to reserves and will form part of the £677,000 held in Joint Committee reserves, pending the outcome of discussions on the future of YPES. Additional contributions of £21,000 from boroughs and from some authorities outside London towards the London Care Placements scheme were also received;
- **Government Grants (-£214,000)** - The surplus is again attributable to the YPES area of activity. YPES revenue running costs underspent by £63,000 in 2012/13. However, the Department for Education has allowed the special purposes grant of £63,000 to be carried forward into 2013/14 to supplement the grant of £517,000. In addition, resources of £151,000 held in respect of the Parents to Be project are still being held, with the funder not requiring repayment. Both these amounts, therefore, will be recycled back to reserves and form part of the £677,000 held in Joint Committee reserves in respect of YPES;
- **Central Recharges (-£460,000)** – This surplus attributable to additional central costs chargeable to the TEC and Grants funding streams and to externally funded projects following the revision to London Councils central recharging mechanism;
- **Transfer from reserves (-£250,000)** - This additional transfer relates to the sum agreed by the Leaders' Committee on 11 December 2012 to fund the work of the London Health Board. Only £97,000 has been required to meet the costs of the work of the Board in 2013/14, along with the £120,000 funding from external partners, so the residual £153,000 will be added to the approved £250,000 contribution from reserves for application in 2014/15; and

EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS (continued)

- Residual variances of £202,000.

Budget for 2014/15

On 10 December 2013, the Leaders' Committee approved a total expenditure budget for 2014/15 of £71.159 million, exclusive of the borough payment of £321.596 million to Transport for London (TfL) in respect of Concessionary Fares. Total income sources, including the use of existing balances of £1.902 million were also estimated to be £71.159 million, leaving a projected balanced budget for the year.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Committee's Responsibilities

The Committee is required to:

- make arrangement for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Committee, that officer is the Director of Corporate Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Director of Corporate Resources' Responsibilities

The Director of Corporate Resources is responsible for the preparation of the Committee's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this Statement of Accounts, the Director of Corporate Resources has:

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

The Director of Corporate Resources has also:

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

Responsible Finance Officer's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Committee at 31 March 2014 and of its income and expenditure for the year ending 31 March 2014.



F Smith CPFA
Director of Corporate Resources

26 September 2014

APPROVAL CERTIFICATE

At a meeting of London Councils' Audit Committee held at 59½ Southwark Street, London, SE1 0AL on 26 September 2014, the accounts were approved on behalf of the Committee.

A handwritten signature in black ink that reads "Roger Ramsey". The signature is written in a cursive style with a large initial 'R'.

Cllr Roger Ramsey
Chair of London Councils' Audit Committee

26 September 2014

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

London Councils (the Committee) is responsible for ensuring that its business is conducted in accordance with the law, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Committee is also responsible for securing continuous improvement in the way its functions are exercised.

In discharging this overall responsibility, the Committee is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

London Councils has approved and adopted a code of corporate governance in the form of a framework, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of London Councils Corporate Governance Framework can be obtained from the Director of Corporate Governance at 59½ Southwark Street, London SE1 0AL. This statement explains how London Councils has applied this code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011.

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the Committee is directed and controlled and such activities through which it accounts to, and engages with, its stakeholders. It enables the organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at London Councils for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

The governance framework

The key elements of the Committee's governance framework include:

- **Identifying and communicating the Committee's vision of its purpose** – The Committee produces an annual Corporate Business Plan which sets out the organisation's priorities for the year. This is informed by on-going liaison with key borough stakeholders and specifically by a programme of meetings between the Chair and all Executive portfolio holders. The Corporate Business Plan is submitted to the Leaders' Committee. There are a number of ways in which the Committee communicates with relevant stakeholders which include member briefings, committee and other meetings and events such as the London Councils' Summit.
- **Reviewing the Committee's vision** - The Committee produces an Annual Review at the end of each financial year. The review provides a summary of the key activities over the last year and highlights the key achievements.

ANNUAL GOVERNANCE STATEMENT (continued)

- **Measuring the quality of services** - Data collected during the year feeds into the production of a key achievements report at the year end. London Councils Corporate Management Board (CMB), the London Councils Executive and the Grants and Transport and Environment Committees receive regular financial management reports that monitor actual income and expenditure trends against approved budgets. London Councils operates a complaints procedure which provides an opportunity to put things right if an error is made and assists in the search to improve the quality of services to member authorities and to Londoners. There are also a number of internal management mechanisms, such as 1:1 review meetings and a fully embedded performance appraisal framework which monitor on-going progress against objectives.
- **Defining and documenting roles and responsibilities** – The London Councils Agreement sets out the main functions and obligations of London Councils and its member authorities. The Agreement includes the standing orders and financial regulations which provide details of the delegation arrangements in place. There is a scheme of delegation in place which was last reviewed, updated and approved by the Leaders' Committee at its Annual General Meeting on 11 June 2013. There is an established protocol which provides guidance on the working relationships between elected members and officers. Additional information on the roles and responsibilities of London Councils Leaders' Committee, Executive, Grants Committee and Transport and Environment Committee are documented in their individual Terms of Reference. All London Councils officers are issued with a job description which confirms their duties within the organisation.
- **Developing, communicating and embedding codes of conduct** – All London Councils Staff have been made aware of the staff handbook which is located on the intranet site. The staff handbook sign posts staff to London Councils policies and procedures which are on the intranet. All staff are encouraged to refer to the intranet when they require guidance on London Councils policies and procedures. Reference to the staff handbook is also included in the induction training of all new staff joining London Councils with their attention specifically drawn to the financial regulations, the code of conduct, data protection and London Councils whistle blowing policy.
- **Reviewing the effectiveness of the Committee's decision-making framework** - The standing orders and financial regulations are included within the London Councils Agreement. The standing orders were last reviewed and the changes approved by Leaders' Committee on 19 October 2012. The financial regulations were reviewed and the changes approved by the Executive in February 2009. Minutes of Committee meetings are posted on London Councils website and provide an official record of decisions made.
- **Identifying and managing risks** - London Councils Risk Management Strategy and Framework was reviewed and updated in 2011/12 and approved by the Audit Committee in March 2012. London Councils Corporate Risk Register is primarily compiled from the Risk Registers for each of London Councils three Directorates. The Corporate Risk Register is reviewed in accordance with London Councils Risk Management Framework which includes an annual review by the Audit Committee and was last reviewed in September 2013. The Directorate Risk Registers are reviewed by the Audit Committee each financial year. London Councils' Corporate Management Board ensures that the risk registers, both Directorate and Corporate, continue to support London Councils' corporate priorities, which provides members with assurance on how the risks identified are being managed. An internal audit review of London Councils risk management arrangements was carried out during 2011/12. The review established that risk management is an embedded governance control and there were no recommended improvements to the arrangements.

ANNUAL GOVERNANCE STATEMENT (continued)

- **Anti-fraud and anti-corruption arrangements** – London Councils is committed to having an effective Anti-Fraud and Anti-Corruption strategy designed to promote standards of honest and fair conduct, prevent fraud and corruption, detect and investigate fraud and corruption, prosecute offenders, recover losses and maintain strong systems of internal control. There are two separate policies in place London Councils Whistle Blowing Policy which was last updated in November 2013 and London Councils Policy to Combat Fraud, Bribery and Corruption, which was agreed by London Councils Audit Committee in March 2014 – both are available on London Councils' intranet and website.
- **Effective management of change and transformation** – London Councils has a framework for managing organisational change which is available to all staff on the intranet. The framework provides guidance on the statutory elements of managing change and issues that should be considered when implementing changes.
- **Financial management arrangements** – London Councils' financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.
- **Assurance arrangements** – London Councils' internal audit function is carried out by the City of London's internal audit team under a service level agreement for financial support services. These arrangements conform with the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit in public service organisations and Public Sector Internal Audit Standards.
- **Discharge of the monitoring officer function** – The City of London's Comptroller & City Solicitors Department (Public and Corporate Law) undertakes the monitoring officer function under a service level agreement for legal services. London Councils' Director of Corporate Governance is charged with ensuring that any monitoring officer duty is commissioned from the City of London. As with all Committee officers, the Director of Corporate Governance is issued with a job description which confirms her duties within the organisation. She is subject to London Councils appraisal arrangements which assess her performance against agreed objectives.
- **Discharge of the head of paid service function** – London Councils' Chief Executive is the head of paid service. As with all Committee officers, the Chief Executive is issued with a job description which confirms his duties within the organisation. He is subject to appraisal arrangements with Group Leaders who assess his performance against agreed objectives.
- **Audit Committee** – London Councils' Audit Committee has its own comprehensive Terms of Reference. The Terms of Reference were reviewed by the Audit Committee on 24 September 2010. The Audit Committee meets three times a year and is chaired by a leading member from a borough who can be a member of the Executive. The members of the Audit Committee will normally, but not necessarily, be members of London Councils Leaders' Committee and with the exception of its chair, are not members of the Executive.
- **Compliance with relevant laws and regulations** - London Councils has comprehensive financial regulations and a comprehensive set of human resources policies and procedures which are reviewed on a regular basis. These arrangements ensure compliance with all applicable statutes, regulations and other relevant statements of best practice in order to ensure that public funds are properly safeguarded and are used economically, efficiently and effectively and in accordance with the statutory and other authorities that govern their use.

ANNUAL GOVERNANCE STATEMENT (continued)

- **Whistle-blowing** – London Councils has a whistle-blowing policy which is available to all staff on the intranet. The policy aims to encourage staff and others to feel confident in raising serious concerns by providing clear avenues through which those concerns can be raised and reassuring staff who raise concerns that they will not be victimised if they have a reasonable belief and the disclosure was made in good faith. It is also on the website and staff are encouraged to bring this policy and the policy to combat fraud, bribery and corruption to the attention of contractors and third parties.
- **Identifying the development needs of members and officers** – London Councils has access to a programme of training and development, which is available to all staff and can be found on the intranet. The aim of the programme is to assist in the achievement of the organisation's aims and objectives by providing opportunities for staff to gain the necessary skills and knowledge required to perform their tasks and duties effectively. London Councils also has a performance appraisal scheme which provides all staff with regular assessments of their performance and development needs in relation to their work objectives. Members have access to training in their own authorities. There is a member only section on London Councils' website which provides them with useful information, regular briefings in specific policy areas and a forum for information exchange.
- **Establishing clear channels of communication** – London Councils actively engages with relevant stakeholders when developing its vision and strategies. All Committee meetings are open to the public and consultations are undertaken where relevant. London Councils issues member briefings and arranges a number of events, conferences and seminars that also provide opportunities for stakeholder engagement. London Councils produces an Annual Review which provides a summary of the key achievements over the last year and annual statutory financial statements. Information on consultations, minutes of committee meetings and publications are posted on London Councils website www.londoncouncils.gov.uk. London Councils consults with Chief Officer groupings across boroughs in the development of its work.
- **Enhancing the accountability for service delivery and effectiveness of public service providers** - All working arrangements with public service providers are subject to signed agreements/contracts which set out the terms of the service provided. All agreements/contracts are reviewed to ensure that the roles and responsibilities of the parties involved are clearly defined and the terms are beneficial to London Councils and its member authorities. Key performance indicators are incorporated into agreements where appropriate and monitored regularly. Nominated officers are responsible for managing the outcomes of the service and establishing clear lines of communication with providers.
- **Partnership arrangements** – London Councils has a set protocol for staff to follow when working in partnership with outside bodies. A checklist is to be completed for each new partnership or project. Partnership arrangements are also subject to signed agreements which include objectives, roles and responsibilities. The performance of partnerships are monitored in the same manner as other service providers. London Councils does not currently have any material partnership arrangements.

Review of effectiveness

London Councils has responsibility for conducting at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of London Councils Corporate Management Board which has responsibility for the development and maintenance of the governance environment, the internal audit annual report and also by comments made by the external auditors in their annual audit letter and other reports. The review of the effectiveness of the governance framework includes:

ANNUAL GOVERNANCE STATEMENT (continued)

- The work of Internal Audit, undertaken by the City of London under a service level agreement, and the annual opinion of the Head of Audit & Risk Management at the City of London. Internal Audit plays a central role in providing the required assurance on internal controls through its comprehensive risk-based audit of all auditable areas within a five-year planning cycle, – with key areas being reviewed annually. This is reinforced by consultation with London Councils Corporate Management Board and London Councils' Audit Committee on perceived risk and by a rigorous follow-up audit regime. The Internal Audit Section of the City of London operates, in all aspects, in accordance with the CIPFA Code of Practice and Public Sector Internal Audit Standards. An internal audit review of governance arrangements was carried out during 2012/13 with the outcome reported to the Audit Committee in March 2013.
- The Audit Committee's review of the governance arrangements in place during 2013/14.
- London Councils Corporate Management Board considers an annual report on Corporate Governance, which includes work completed during the current year and highlights work planned for the following year.

Areas for development during 2014/15

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2014/15:

Grants

An internal audit review of the Grants programme was undertaken in 2013/14. The audit reviewed the management controls which ensure that grants are issued in accordance with established priorities and the adequacy of due diligence checks, monitoring procedures and payment processes. The review also measured the extent to which the recommendations of the 2012 grant investigation had been implemented. The review established that *"there is a sound control environment with risks to system objectives being reasonably managed. Any deficiencies identified are not cause for major concern"*. There was one recommendation for the introduction of additional reference checks on organisations which have never been funded by London Councils or receive annual funding in excess of £1 million. The recommendation was implemented from April 2014.

ICT Strategy, Security & Operational Control

A review of the Committee's ICT strategy, security and operational control was undertaken during 2013/14. The review revealed that whilst an adequate control framework was in place, there were a number of areas that required addressing such as updating the overall ICT strategy and the business continuity and disaster recovery plans. There were also recommendations on improvements to system security, hardware infrastructure, performance monitoring and staff data security awareness. The report acknowledged that management was already taking action to address a number of the issues that were raised. The outstanding recommendations will be implemented during 2014/15.

Inventory

An internal audit spot check of petty cash, creditor payments, safe contents and inventory lists was carried out during 2013/14. The check included an examination of procedures over the petty cash imprest, safe access and security, inventory and a creditor depth test for a sample of transactions. The review revealed that the inventory list for furniture and equipment had not been updated on a regular basis. The recommendation included in the spot check report will be implemented during 2014/15.

ANNUAL GOVERNANCE STATEMENT (continued)**London Lorry Controls Scheme**

An internal audit review of the London Lorry Control IT System was undertaken in 2013/14. The audit reviewed controls in relation to system strategy, management responsibility, configuration, security, operational procedures and resilience. The review provided assurance on the data integrity of the whole system. The recommendations included in the report relate to the incorporation of the debt registration functionality, performance monitoring reports, segregation of duties and system security protocols. A number of the recommendations have already been implemented with the remainder being implemented during 2014/15.

Parking and Traffic

A follow up review of the Parking and Traffic Division was carried out during 2011/12. The original review examined the controls in place to ensure that all charges are accurately identified and recharged to the relevant organisation, that payments to the main contractor and Parking Adjudicators are accurate and reflect services provided and the adequacy of procedures and systems for monitoring performance. The follow up review revealed that some of the recommendations had not been implemented due to prohibitive implementation costs. There are still some improvements to be made on operational procedure notes which have been delayed as a result of a change in the business object software used to compile management information. These improvements will be implemented during 2014/15.

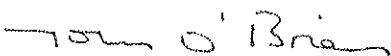
Taxicard Scheme

A follow up review of London Councils' Taxicard Scheme was completed in 2011/12. The original audit reviewed the management arrangements for the scheme as well as establishing and examining arrangements in place to monitor the contract held with Computer Cab. The follow up review revealed that there had been a delay in implementing a recommendation regarding the regular updating of procedure manuals. There has been progress made on the update of procedure manuals during 2013/14 but the exercise has not yet been completed as recent and proposed changes will have to be incorporated in the final version. These improvements will be completed during 2014/15.

London Councils will take adequate steps over the coming year to address the above matters in order to further enhance its governance arrangements. London Councils is satisfied that these steps will address the improvement needs identified in the effectiveness review. London Councils will monitor their implementation and operation as part of our next annual review.

Significant governance issues

There are no significant governance issues.



John O'Brien
Chief Executive

26 September 2014



Mayor Jules Pipe
Chair of London Councils

26 September 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LONDON COUNCILS JOINT COMMITTEE (THE "COMMITTEE")**Report on the financial statements****Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Committee's affairs as at 31 March 2014 and of the Committee's income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

This opinion is to be read in the context of what we say in the remainder of this report.

Emphasis of matter in respect of the Parking on Private Land Appeals Service

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 4 to the financial statements concerning the recognition of income and expenditure associated with the operation of the Parking on Private Land Appeals ("POPLA") contract. In September 2013, an objection was raised on the London Councils Transport and Environment Committee's accounts on the basis that the Transport and Environment Committee did not have the legal powers to provide an appeals service for parking on private land for the British Parking Association under contract. We have been investigating this objection prior to issuing a formal determination. Having taken independent legal advice we are of the view that entering into and operating the contract was not within the existing delegated powers of the Transport and Environment Committee and that the income and expenditure derived from the contract and recorded within the accounts is unlawful. The Statement of Accounts includes a liability for cumulative income received from the operation of the contract to 31 March 2014.

Management is of the view that the service was and is currently being delivered by the Transport and Environment Committee on behalf of all the participating authorities with their consent and proper authority. To put the matter of ongoing lawfulness beyond doubt London Councils has agreed to address PwC's concerns by seeking an express delegation by the London local authorities of the exercise of their statutory powers to the Transport and Environment Committee for the purposes of delivering the POPLA service.

What we have audited

The financial statements, which are prepared by London Councils Joint Committee, comprise:

- the Consolidated Balance Sheet as at 31 March 2014;
- the Consolidated Comprehensive Income and Expenditure Statement for the year then ended;
- the Consolidated Movement in Reserves Statement for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 supported by the CIPFA Service Reporting Code of Practice 2013/14.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LONDON COUNCILS JOINT COMMITTEE (THE "COMMITTEE") (continued)

In applying the financial reporting framework, the Responsible Financial Officer has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Committee's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Director of Corporate Resources; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Code of Audit Practice

In our opinion the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Committee to consider it at a public meeting and to decide what action to take in response ; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

Responsibilities for the financial statements and the audit**Our responsibilities and those of the Director of Corporate Resources**

As explained more fully in the Statement of Responsibilities For the Statement of Accounts set out on page 24 the Director of Corporate Resources is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LONDON COUNCILS JOINT COMMITTEE (THE "COMMITTEE") (continued)

on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Committee's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Conclusion on the Committee's arrangements for securing economy, efficiency and effectiveness in the use of resources**Conclusion**

On the basis of our work, having regard to the guidance published by the Audit Commission in October 2013, we have no matters to report with respect to whether, London Councils Joint Committee put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

What a review of the arrangements for securing economy, efficiency and effectiveness in the use of resources involves

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance issued by the Audit Commission in October 2013. We have considered the results of the following:

- our review of the Annual Governance Statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent that the results of this work impact on our responsibilities at the Local Authority; and
- our locally determined risk-based work.

Our responsibilities and those of the Committee

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Committee has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you any matters that prevent us being satisfied that the Committee has put in place such arrangements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LONDON COUNCILS JOINT COMMITTEE (THE "COMMITTEE") (continued)

Certificate

Our audit cannot be formally concluded and a certificate issued in accordance with the requirements of Part II of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission because:

- there is an outstanding matter in relation to an objection on the 2012/13 Statement of Accounts in respect of the legality of the Parking on Private Land Appeals ("POPLA") contract.



Ciaran McLaughlin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside

30 September 2014

Notes:

- (a) The maintenance and integrity of the London Councils Joint Committee website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Statement of Accounts since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of the Statement of Accounts may differ from legislation in other jurisdictions.

CONSOLIDATED MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

This statement shows the movement in the year on the different reserves held by the Committee, analysed into usable reserves and unusable reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	General Reserve £000	Specific Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Committee Reserves £000
Balance at 1 April 2013	9,306	1,400	10,706	(14,184)	(3,478)
Surplus on the provision of services	(91)	-	(91)	-	(91)
Other Comprehensive Income and Expenditure (note 10)	-	-	-	(1,078)	(1,078)
Total Comprehensive Income	(91)	-	(91)	(1,078)	(1,169)
Adjustments between accounting basis and funding basis under regulations (note 7)	1,072	-	1,072	(1,072)	-
Net increase before Transfers to Earmarked Reserves	981	-	981	(2,150)	(1,169)
Transfers from/to Earmarked Reserves (note 8)	(400)	400	-	-	-
Increase in 2013/14	581	400	981	(2,150)	(1,169)
Balance at 31 March 2014	9,887	1,800	11,687	(16,334)	(4,647)

CONSOLIDATED MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	General Reserve £000	Specific Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Committee Reserves £000
Balance at 1 April 2012	6,943	1,000	7,943	(16,241)	(8,298)
Surplus on the provision of services	2,133	-	2,133	-	2,133
Other Comprehensive Income and Expenditure (note 10)	-	-	-	2,687	2,687
Total Comprehensive Income	2,133	-	2,133	2,687	4,820
Adjustments between accounting basis and funding basis under regulations (note 7)	630	-	630	(630)	-
Net increase before Transfers to Earmarked Reserves	2,763	-	2,763	2,057	4,820
Transfers from/to Earmarked Reserves (note 8)	(400)	400	-	-	-
Increase in 2012/13	2,363	400	2,763	2,057	4,820
Balance at 31 March 2013	9,306	1,400	10,706	(14,184)	(3,478)

CONSOLIDATED COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

	Notes	2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net £000	2012/13 Gross Expenditure Restated £000	2012/13 Gross Income Restated £000	2012/13 Net Restated £000
Cost of Services							
London Councils Grants Committee	Appx A	9,093	(9,260)	(167)	11,238	(12,097)	(859)
London Councils Transport and Environment Committee	Appx B	47,246	(47,533)	(287)	46,666	(47,438)	(772)
London Councils Joint Committee	Appx C	14,598	(14,528)	70	10,344	(10,949)	(605)
Net Revenue Cost of Services		70,937	(71,321)	(384)	68,248	(70,484)	(2,236)
Financing and investment income and expenditure	9			475			103
Deficit/(Surplus) on Provision of Services				91			(2,133)
Actuarial loss/(gains) on pension assets/liabilities	10			1,078			(2,687)
Other Comprehensive Income and Expenditure				1,078			(2,687)
Total Comprehensive Income and Expenditure				1,169			(4,820)

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2014

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Committee. The net assets or liabilities of the Committee (assets less liabilities) are matched by the reserves held by the Committee. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses such as the Pension Reserve.

	Note	31 March 2014	31 March 2013
		£000	£000
Property, Plant and Equipment	11	1,119	1,389
Intangible Assets	12	15	20
Long Term Assets		1,134	1,409
Short Term Debtors	13	8,096	6,185
Cash and Cash Equivalent	14	14,486	13,078
Current Assets		22,582	19,263
Short Term Borrowing	15	-	(102)
Short Term Creditors	16	(11,728)	(9,720)
Provisions	17	(196)	(20)
Current Liabilities		(11,924)	(9,842)
Provisions	17	(242)	(291)
Other Long Term Liabilities	10	(16,197)	(14,017)
Long Term Liabilities		(16,439)	(14,308)
Nets (Liabilities)/Assets		(4,647)	(3,478)
Usable Reserves	18	11,687	10,706
Unusable Reserves	19	(16,334)	(14,184)
Total Reserves		(4,647)	(3,478)

The notes on pages 41 to 74 form part of the financial statements.



F Smith CPFA
Director of Corporate Resources

26 September 2014

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

The Cash Flow Statement shows the changes in cash and cash equivalents of the Committee during the reporting period. The statement shows how the Committee generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute towards the Committee's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Committee.

	2013/14 £000	2012/13 £000
Net (deficit)/surplus on the provision of services	(91)	2,133
Adjustments to net surplus on the provision of services for non-cash movements	1,704	1,561
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities.	(165)	(199)
Net cash flows from Operating Activities (note 20)	1,448	3,495
Investing Activities (note 21)	62	(787)
Financing Activities (note 22)	(102)	(232)
Net increase in cash and cash equivalents	1,408	2,476
Cash and cash equivalents at 1 April	13,078	10,602
Cash and cash equivalents at 31 March	14,486	13,078

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**1. Accounting Policies****a General Principles**

The Statement of Accounts summarises the Committee's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Committee is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which require it to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts has been prepared with reference to:

- The objective of providing information about the financial position, performance and cash flows in a way that meets the common needs of users;
- The objective of showing the results of the stewardship and accountability of elected members and management for the resources entrusted into them;
- The following underlying assumptions;
 - Accruals basis; and
 - Going concern basis.
- The following qualitative characteristics;
 - Understandability;
 - Relevance;
 - Materiality;
 - Reliability;
 - Comparability.

The accounting convention adopted in the Statement of Accounts is historical cost.

The accounting policies have been consistently applied.

b Accruals of Income and Expenditure

The accounts are prepared on an accruals basis which means that income and expenditure are accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Committee transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Committee;
- Revenue from the provision of services is recognised when the Committee can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Committee;
- Expenses in relation to services received (including those services provided by employees) are recorded as expenditure when services are received, rather than when payments are made;

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

1. Accounting Policies (continued)

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- Income and expenditure are credited and debited to the relevant category within the Comprehensive Income and Expenditure Statement, unless they represent capital receipts or capital expenditure; and
- Creditors for grants outstanding to voluntary organisations at the year-end are included where approved by Committee, the circumstances of the voluntary organisation have not changed since approval, and evidence shows that expenditure in respect of the grant has been incurred. Creditors for ESF grants are recognised where grant claims received from voluntary organisations exceed payments made to the claimant.

c Allocation of Income

Income, where possible, is allocated to the specific service area to which it relates or offsets specific expenditure. Income that is not directly attributable to a particular service is apportioned to other expenditure categories based on actual expenditure.

d Cash and Cash Equivalents

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

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Committee's cash management.

e Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Committee. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

f Employee Benefits**Benefits Payable During Employment**

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

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

1. Accounting Policies (continued)

year in which employees render service to the Committee. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. flexi leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Committee to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis when the Committee is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Committee to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

As part of the terms and conditions of employment, officers of the Committee are offered membership of the Local Government Pension Scheme administered by the London Pension Fund Authority (LPFA). The scheme provides defined benefits to its members (retirement lump sums and pensions), earned as officers work for the Committee.

This scheme is accounted for as a final salary defined benefit scheme:

- The liabilities of the pension fund attributable to the Committee are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, projected earnings of current employees etc.
- Liabilities are discounted to their value at current prices using, a discount rate of 4.5% (2012/13: 4.7%).
- The assets of the pension fund attributable to the Committee are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;
 - Unutilised securities – current bid price; and
 - Property – market value.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

1. Accounting Policies (continued)

- The change in the net pensions liability is analysed into six components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement;
 - Net interest on the net defined benefit liability (asset), ie net interest expense for the Committee – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;
 - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
 - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In accordance with the Code of Practice, the General Reserve balance is charged with the actual amount payable by the Committee to the pension fund and not the amount calculated according to the accounting standard. In the Movement in Reserves Statement, there are transfers to and from the Pensions Reserve to remove the impact of the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve measures the beneficial impact to the General Reserve of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The actuarial gains and losses are charged to Other Comprehensive Income in the Comprehensive Income and Expenditure Statement with a corresponding entry in the Pensions Reserve.

g Exceptional Items and Prior Period Adjustments

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Committee's financial performance.

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

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

1. Accounting Policies (continued)

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the period.

h Financial Instruments**Financial Liabilities**

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

Currently the Committee has no borrowings as such, but has identified a number of contractual arrangements that contain finance leases in respect of equipment.

Financial Assets

Financial Assets are receivables that have fixed or determinable payments but are not quoted in an active market. The assets are initially measured at fair value, and subsequently measured at their amortised cost.

i Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions are recognised as due to the Committee when there is reasonable assurance that:

- the Committee will comply with the conditions attached to the payments; and
- the grants will be received.

Amounts recognised as due to the Committee are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

j Intangible Assets

Expenditure of £1,000 or more on non-monetary assets that do not have physical substance but are controlled by the Committee as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Committee. Intangible assets are measured initially at cost and amortised over the life of the asset.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

1. Accounting Policies (continued)**k Interest Income**

Interest is credited to the Comprehensive Income and Expenditure Statements of the constituent committees based on average cash balances held by the City of London and invested in accordance with their Treasury Management Strategy Statement and Annual Investment Strategy, which is approved by the City of London's Financial Investment Board.

l Interest in Companies and Other Entities

London Councils Joint Committee operates one subsidiary, London Councils Limited, a company limited by guarantee. London Councils Limited activities are consolidated within the Joint Committee statement of accounts.

The activities of London Councils Grants Committee and London Councils Transport and Environment Committee have also been consolidated into these group accounts. The activities of these sub-committees and the main Joint Committee are detailed in appendices A to C.

Intragroup transactions are excluded from the Statement of Accounts on consolidation.

m Leases**Finance leases**

Lease arrangements for assets are treated as finance leases when substantially all the risks and rewards associated with the ownership of an asset are transferred to the Committee. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with an asset within Property, Plant and Equipment – the liability is written down as the rent becomes payable); and
- A finance charge.

Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the life of the lease.

Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Lease rentals payable are charged to the Comprehensive Income and Expenditure Statement on a straight line basis over the terms of the lease.

n Overheads

Central overhead costs identified as directly attributable to a particular funding stream are allocated in full to that funding stream. Where such costs are not directly attributable, they are re-charged across the funding streams using the most relevant apportionment basis, from the list below:

- Number of desk spaces;
- Full Time Equivalent units;
- Absolute value of transactions; and
- Volume of transactions.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

1. Accounting Policies (continued)**o Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. Expenditure on the acquisition, creation, enhancement of Property, Plant and Equipment subject to a de minimis level of £1,000, is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Committee and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Assets are initially measured at cost, comprising:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are then carried in the Balance Sheet at their depreciated historical costs.

Assets are depreciated on a straight line basis, starting after the year of acquisition, over their economic useful life as follows:

- Leasehold Improvements – the lower of 10 years or the remaining period left on the lease;
- Furniture and Equipment:
 - o Furniture and Fittings – 5 years;
 - o Computer Hardware – 3 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal (if any) are credited to the Comprehensive Income and Expenditure Statement.

p Provisions

Provisions are made where an event has taken place that gives the Committee a legal or constructive obligation that probably requires settlement by a transfer of economic benefits and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Comprehensive Income and Expenditure Statement in the year that the Committee becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year, where it becomes less than probable that a transfer of economic benefits will now be

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)**1. Accounting Policies (continued)**

required (or a lower settlement than anticipated is made), the provisions is reversed and credited back to the Comprehensive Income and Expenditure Statement. Provisions for dilapidations costs and works in connection with property leases are built up over the life of the lease on a straight line basis.

q Reserves

The Committee uses Specific Reserves to set aside funds earmarked for a specific purpose and money received from boroughs outside the main subscription, or from other public sector bodies, which is to be used for specific purposes. Reserves are created by transferring amounts from the General Reserve to the Specific Reserves on the Movement in Reserves Statement. When expenditure to be financed from a specific reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement and a transfer of funds from the specific reserve made to the General Reserve in the Movement in Reserves Statement.

Certain reserves are kept to manage the accounting processes for retirement and employee benefits and do not represent usable resources for the Committee.

r Value Added Tax

Value Added Tax (VAT) is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Restatement of Comparatives

There has been a change in the accounting policy for recharging central overhead costs following a review of the existing policy. The purpose of the review was to establish a methodology for apportioning central cost in a more relevant and equitable manner that is free from the risk of cross subsidisation of funding streams.

The previous accounting policy apportioned non directly attributable central overhead costs by budgetary provisions for salary costs and the number of desk spaces for non-salary costs. The new accounting policy replaces the use of desk spaces with a Full-time Equivalent (FTE) unit in areas where it is a more appropriate method of apportioning costs. The new policy also ensures that all funding streams and projects bear their fair share of all central overhead costs.

The prior year's financial statements have been restated to reflect the change in accounting policy in accordance with the requirements of the Local Authority Accounting Code of Practice. The new policy has been applied retrospectively to the 2011/12 and 2012/13 financial years.

The retrospective restatement has only been applied to the three Joint Committees and has not been applied to externally funded projects as the charges for those previous years have already been agreed under the old recharge policy.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

2. Restatement of Comparatives (continued)

The effect on the Comprehensive Income and Expenditure Statement for the year ended 31 March 2013:

Net Cost of Services:

	As previously stated £000	Restatement £000	As Restated £000
London Councils Grants Committee	(860)	1	(859)
London Councils Transport and Environment Committee	(1,002)	230	(772)
London Councils Joint Committee	(374)	(231)	(605)

The restatement has no impact on the Consolidated Movement in Reserves Statement or the Consolidated Balance Sheet.

3. Accounting Standards that have been Issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes to the Committee's financial statements as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

- **IFRS 10 Consolidated Financial Statements** – The objective of the standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. London Councils Joint Committee already prepares an annual set of consolidated financial statements which incorporates the activities of London Councils Grants Committee, London Councils Transport and Environment Committee and London Councils Limited. The introduction of this standard will not have any material effect on the Committee's financial statements.
- **IFRS 11 Joint Arrangements** – This standard outlines the accounting disclosures required by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control and are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly). The Committee does not have any joint arrangements.
- **IFRS 12 Disclosure of Interests in Other Entities** – This is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The standard requires the disclosure of information that enables users of financial statements to evaluate:
 - the nature of, and risks associated with, its interests in other entities; and
 - the effects of those interests on its financial position, financial performance and cash flows.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

3. Accounting Standards that have been issued but not yet adopted (continued)

A review of the existing disclosures will be carried out and any required changes will be incorporated into the 2014/15 financial statements.

- **IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.

IFRS 13 Fair Value Measurement – This standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement. The introduction of this standard will have no impact on the Committee's financial statements due to its low asset base which is carried on the balance sheet at depreciated historical cost.

IAS 32 Financial Instruments: Presentation – This standard outlines the accounting requirements for the presentation of financial instruments, particularly as to the classification of such instruments into financial assets, financial liabilities and equity instruments. The standard also provides guidance on the classification of related interest, dividends and gains/losses, and when financial assets and financial liabilities can be offset. The introduction of this standard will not have a material impact on the Committee's financial statements.

In addition to the items above, there are some planned improvements to existing standards introduced during the 2009 to 2011 cycle.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1, the Committee has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

POPLA

In September 2013, an objection was raised on the London Councils accounts for 2012/13 by an interested person residing in London. The objection stated that the Transport and Environment Committee did not have the legal powers to provide an appeals service for parking on private land for the British Parking Association ("BPA") under contract. London Councils' external auditors, PricewaterhouseCoopers LLP ("PwC"), have been investigating this objection prior to issuing a formal determination.

It is our view that the service was and is currently being delivered by TEC lawfully on behalf of all the participating authorities with their consent and proper authority.

Having taken their own independent legal advice the appointed auditor, PwC, is of the view that entering into and operating the contract was not within the existing delegated powers of TEC and that the income and expenditure derived from the contract and recorded within the accounts is unlawful.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)**4. Critical Judgements in Applying Accounting Policies (continued)**

It is common ground that the participating local authorities have the power to enter into the arrangements with the BPA and that these powers may be delegated to the joint committee. The disagreement relates to whether there was a proper delegation of those powers to the Transport and Environment Committee.

The 2012/13 Accounts were signed on 27 September 2013, as the amounts of income and expenditure relating to this matter recorded in them were not material. The 2013/14 Accounts include £902,000 of both income and expenditure in relation to the operation of the POPLA contract. In light of the auditor's view, we have made a provision in the accounts for the cumulative income received from the operation of the POPLA contract to 31 March 2014.

To put the matter of on-going lawfulness beyond doubt London Councils has agreed to address PwC's concerns by seeking an express delegation by the London local authorities of the exercise of their statutory powers to the Transport and Environment Committee for the purposes of delivering the POPLA service. A report, therefore, was put before the meeting of the Transport and Environment Executive Sub-Committee on 11 September 2014 to approve this course of action and to recommend it to the London local authorities with the intention that the express delegation to the joint committee be achieved by 31 December 2014.

Government Funding

There is a high degree of uncertainty about future levels of funding for local government. However, the Committee has determined that this uncertainty is not sufficient to provide an indication that the assets of the Committee might be impaired as a result of a need to reduce levels of service provision.

5. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Committee about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Committee's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham LLP, an independent firm of qualified actuaries, is engaged by the LPFA to provide the Committee with expert advice about the assumptions applied.

The effect on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.113 million. However, the assumptions interact in complex ways. During 2013/14, Barnett Waddingham LLP advised that the net pensions liability had decreased by £4.552 million as a result of estimates being corrected as a result of experience.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)**5. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty (continued)****Property, Plant and Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Committee will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Leasehold Improvements would increase by £20,000 for every year that useful lives had to be reduced.

Provisions

The Committee has made a provision of £438,000 for its contractual obligations for dilapidations and periodic decoration included within its property leases. The provision is based on the most reasonable estimate of these future costs. An increase of 10% to the total value of these costs would have the effect of adding £37,000 to the annual contribution to the provision.

Bad Debt Provision

At 31 March 2014, the Committee had a balance of accounts receivable debtors of £1.144 million. A review of these balances resulted in a calculation of a bad debt provision, based on the age of the debts, of £68,000. However, in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate the provision will have to be increased accordingly.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 26 September 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

7. Adjustments between Accounting Basis and Funding Basis Under Regulations (continued)

Adjustments for the year ended 31 March 2014:

	General Reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 19)	(1,102)	1,102
Adjustments primarily involving the Accumulated Absences Reserve:		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (note 19)	30	(30)
Total Adjustments	(1,072)	1,072

Adjustments for the year ended 31 March 2013:

	General Reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 19)	609	(609)
Adjustments primarily involving the Accumulated Absences Reserve:		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (note 19)	21	(21)
Total Adjustments	630	(630)

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

8. Transfers to/from Reserves

Transfers to and from the Specific Reserves during the year ended 31 March 2014.

	Balance at 1 April 2013 £000	Transfer out £000	Transfer In £000	Balance at 31 March 2014 £000
2015 Freedom Pass Re-issue Reserve	1,400	-	400	1,800
Total	1,400	-	400	1,800

Transfers to and from the Specific Reserves during the year ended 31 March 2013.

	Balance at 1 April 2012 £000	Transfer out £000	Transfer In £000	Balance at 31 March 2013 £000
2015 Freedom Pass Re-issue Reserve	1,000	-	400	1,400
Total	1,000	-	400	1,400

The 2015 Freedom Pass Re-issue Reserve was established by the Committee on 15 December 2011 to accumulate funds to meet the cost of the next Freedom Pass reissue exercise in 2015.

9. Financing and Investment Income and Expenditure

	2013/14 £000	2012/13 £000
Interest Payable	2	33
Interest and Investment Income	(167)	(223)
Net Loss on Pension Scheme Assets/Liabilities (see note 10)	640	293
Total	475	103

10. Pensions

As part of their terms and conditions of employment, London Councils staff are eligible to participate in the Local Government Pension Scheme (LGPS) which is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2007/08. The scheme is contracted out of the State Second Pension and currently provides benefits based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

The administering authority for the Fund is the London Pensions Fund Authority (LPFA). The LPFA Board oversees the management of the Fund whilst the day to day fund administration is undertaken by a number of teams within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

10. Pensions (continued)

On 1 May 2000, London Councils staff transferred into the LPFA Scheme as London Councils was granted Admitted Body status. Prior to this date, the five predecessor bodies had different pension arrangements for staff. The accumulated benefits of staff from the previous pension schemes have been transferred to the LPFA scheme.

As administering authority to the Fund, the London Pensions Fund Authority, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These should be amended when appropriate based on the Fund's performance and funding.

Employers' contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. Based on the triennial valuation as at 31 March 2010, the employers' contribution was set at a rate of 15.9% of pensionable pay for the period 1 April 2011 to 31 March 2014.

On the Employer's withdrawal from the plan, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the London Pension Fund Authority Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

The LPFA, as administering authority, provided Barnett Waddingham LLP, an independent firm of qualified actuaries with scheme membership information as at 31 March 2013 for all employees within London Councils as part of the triennial valuation. Assets were allocated within the LPFA Pension Fund based on these calculated liabilities. The triennial valuation as at 31 March 2013 was the starting point for the 'roll forward' IAS19 valuations. In order to assess the actuarial value of the LPFA Pension Fund's liabilities as at 31 March 2014 attributable to London Councils, scheme

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

10. Pensions (continued)

liabilities have been assessed by Barnett Waddingham LLP on an actuarial basis using the projected unit method, and estimate of pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The individual committees' share of assets and liabilities of the pension scheme are not separable, therefore, all assets, liabilities, charges, returns and other costs have been allocated to each committee in accordance with the proportion of employer contributions paid by the committee as a percentage of the total paid by London Councils in the year. This approach results in an adjustment to the Defined Benefit Obligation and the Fair Value of Employer's Assets as a result of the difference between the percentage used to apportion the deficit at the start of the financial year and the percentage used at the end of the financial year.

Financial Assumptions

The financial assumptions as at 31 March 2014:

Assumptions as at:	31 March 2014 (% per annum)	31 March 2013 (% per annum)
RPI increases	3.7%	3.4%
CPI increases	2.9%	2.6%
Salary increases	4.7%	4.3%
Pension increases	2.9%	2.6%
Discount rate	4.5%	4.7%

These assumptions are set with reference to market conditions at 31 March 2014.

Our estimate of the duration of the Employer's liabilities is 21 years.

The discount rate is the annualised yield at the 21 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 21 year point on the BoE spot inflation curve. This is consistent with the approach used at the last accounting date.

This measure has historically overestimated future increases in the RPI and so, in the past, a deduction of 0.25% was made to get the RPI assumption. However, the evidence for this in more recent periods is weaker and no such deduction has been made at 31 March 2014. The RPI assumption is therefore 3.7%. As future pension increases are expected to be based on CPI rather than RPI, a further assumption about CPI has been made which is that it will be 0.8% below RPI i.e. 2.9%. This is considered to be a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are assumed to increase at 1.8% per annum above CPI in addition to a promotional scale. However, a short-term overlay has been allowed from 31 March 2013 to 31 March 2015 for salaries to rise in line with CPI.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

10. Pensions (continued)

Demographic and Statistical Assumptions

A set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2013 have been adopted. The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are:

	31 March 2014	31 March 2013
Retiring today:		
Males	22.2	21.9
Females	25.2	24.1
Retiring in 20 years:		
Males	24.5	23.9
Females	27.5	26.0

The following assumptions have also been made:

- o Members will exchange half of their commutable pension for cash at retirement;
- o Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- o No members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

The fair value of the pension scheme assets attributable to the London Councils Joint Committee at 31 March 2014:

	At 31 March 2014		At 31 March 2013	
	£000	%	£000	%
Equities	20,463	53%	26,695	73%
LDI/Cashflow matching	2,317	6%	-	-
Target return portfolio	11,583	30%	3,657	10%
Alternative assets	-	-	5,485	15%
Infrastructure	1,544	4%	-	-
Commodities	386	1%	-	-
Property	1,158	3%	-	-
Cash	1,158	3%	731	2%
	38,609	100%	36,568	100%

Quoted securities included within the assets values above have been measured at their bid value in accordance with the Code. Under the Liability Driven Investment (LDI), RPI swaps are used to hedge 25% of the Funds cash flow liability against inflation.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

10. Pensions (continued)

A revised IAS19 standard applies to accounting periods beginning on or after 1 January 2013. The main changes are:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate; and
- Some labelling changes to the amounts charged to the Comprehensive Income and Expenditure Statement e.g. "Service cost" now includes what was previously described as the "Current Service Cost" plus the "Past Service Cost" plus any "Curtailements" plus any "Settlements".

Administration expenses are now accounted for within the Comprehensive Income and Expenditure Statement charge; previously a deduction to the actual and expected returns on assets.

The comparative figures shown below are as they would have been under the new standard for the year to 31 March 2013.

The analysis of the net value of the pension scheme assets and liabilities recognised in the Balance Sheet as at 31 March 2014 is as follows:

	At 31 March 2014	At 31 March 2013
	£000	£000
Fair value of employer assets	38,609	36,568
Present value of scheme liabilities	(54,734)	(50,506)
Net Liability	(16,125)	(13,938)
Present value of unfunded liabilities	(72)	(79)
Net Liability in Balance Sheet	(16,197)	(14,017)

The analysis of the amounts recognised in the Comprehensive Income and Expenditure Account for the year ended 31 March 2014 is as follows:

	At 31 March 2014	At 31 March 2013
	£000	£000
Service cost	1,200	1,179
Net interest on the defined liability	640	722
Administration expenses	55	54
Total	1,895	1,955
Actual return on scheme assets	1,319	4,690

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

10. Pensions (continued)

The reconciliation of the Defined Benefit Obligation at 31 March 2014 is as follows:

	At 31 March 2014	At 31 March 2013
	£000	£000
Opening Defined Benefit Obligation	(50,585)	(49,123)
Current service cost	(1,200)	(1,187)
Interest cost	(2,372)	(2,218)
Change in financial assumptions	(5,217)	(16)
Change in demographic assumptions	(225)	-
Experience loss on Defined Benefit Obligation	4,552	(8)
Liabilities extinguished on settlements	-	391
Estimated benefits paid net of transfers	595	2,026
Past service costs, including curtailments	-	(99)
Contributions by scheme participants	(359)	(356)
Unfunded pension payments	5	5
Closing Defined Benefit Obligation	(54,806)	(50,585)

The reconciliation of the Fair Value of Employer's Assets at 31 March 2014 is as follows:

	At 31 March 2014	At 31 March 2013
	£000	£000
Opening Fair Value of Employer's Assets	36,568	33,028
Interest on assets	1,732	1,497
Return on assets less interest	(413)	3,193
Other actuarial gains	225	-
Administration expenses	(55)	(54)
Contributions by employer	792	864
Contributions by scheme participants	359	356
Estimated benefits paid plus unfunded net of transfers in	(599)	(2,031)
Settlement prices paid	-	(285)
Closing Fair Value of Employer's Assets	38,609	36,568

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

10. Pensions (continued)

Sensitivity analysis:

	£000	£000	£000
Adjustment to Discount Rate	+0.1%	0.0%	-0.1%
Present value of total obligation	53,693	54,806	55,943
Projected service cost	1,113	1,139	1,165
Adjustment to Long-term Salary Increases	+0.1%	0.0%	-0.1%
Present value of total obligation	54,953	54,806	54,660
Projected service cost	1,139	1,139	1,139
Adjustment to Pension Increases and Deferred Revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	55,813	54,806	53,821
Projected service cost	1,166	1,139	1,113
Adjustment to Mortality Age Rating Assumption	+1 year	None	-1 year
Present value of total obligation	53,080	54,806	56,532
Projected service cost	1,104	1,139	1,174

The analysis of the re-measurements in Other Comprehensive Income and Expenditure for the year ended 31 March 2014 is as follows:

	At 31 March 2014 £000	At 31 March 2013 £000 (if the revised standard applied)
Return on plan assets in excess of interest	(413)	3,193
Other actuarial gains on assets	225	-
Change in financial assumptions	(5,217)	(16)
Change in demographic assumptions	(225)	-
Experience gain on defined benefit obligation	4,552	(8)
Re-measurements	(1,078)	3,169

The amounts recognised in Other Income and Expenditure in financial statements for the year ended 31 March 2013 were as follows:

	At 31 March 2013
Annual return less expected return on pension scheme assets	2,711
Experience gains and losses	(8)
Changes in assumptions underlying the present value of scheme liabilities	(16)
Amounts recognised in Other Income and Expenditure	2,687

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

10. Pensions (continued)

The projections for the year to 31 March 2015 is as follows:

	31 March 2015
	£000
Service cost	1,139
Net interest on the defined liability	710
Administration expenses	58
Total	1,907
Employers contribution	830

11. Property, Plant and Equipment

Movements in 2013/14:

	Furniture and Equipment £000	Leasehold Improvements £000	Total £000
Cost			
At 1 April 2013	1,894	1,673	3,567
Additions	93	8	101
Disposals	(960)	-	(960)
At 31 March 2014	1,027	1,681	2,708
At 1 April 2013	1,685	493	2,178
Charge for the year	132	239	371
Charge relating to Disposals	(960)	-	(960)
At 31 March 2014	857	732	1,589
Net Book Value			
At 31 March 2014	170	949	1,119
At 31 March 2013	209	1,180	1,389

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

11. Property, Plant and Equipment (continued)

Comparative movements in 2012/13:

	Furniture and Equipment £000	Leasehold Improvements £000	Total £000
Cost			
At 1 April 2012	1,835	1,532	3,367
Additions	93	873	966
Disposals	(34)	(732)	(766)
At 31 March 2013	1,894	1,673	3,567
Accumulated Depreciation			
At 1 April 2012	1,493	1,096	2,589
Charge for the year	215	129	344
Charge relating to Disposals	(23)	(732)	(755)
At 31 March 2013	1,685	493	2,178
Net Book Value			
At 31 March 2013	209	1,180	1,389
At 31 March 2012	342	436	778

The capital expenditure on Property, Plant and Equipment will be funded from revenue budgets in line with the annual depreciation charge.

There are no contractual commitments for the acquisition of Property, Plant and Equipment.

12. Intangible Assets

The intangible assets consist solely of purchased computer software. The Committee accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The carrying amount of computer software, accounted for as intangible assets, are amortised on a straight line basis, starting after the year of acquisition, over the lower of 3 years or the length of the software licence.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

12. Intangible Assets (continued)

The movement on Intangible Asset balances during the year is as follows:

	31 March 2014 £000	31 March 2013 £000
Balance at start of year:		
Gross carrying amount	20	-
Accumulated amortisation	-	-
Net carrying amount at start of year	20	-
Additions	2	20
Disposals	-	-
Amortisation for the period	(7)	-
Net carrying amount at end of year	15	20
Comprising:		
Gross carrying amount	22	20
Accumulated amortisation	(7)	-
	15	20

The capital expenditure on intangible assets will be funded from revenue budgets in line with the annual amortisation charge.

There are no contractual commitments for the acquisition of Intangible Assets.

13. Short Term Debtors

	31 March 2014 £000	31 March 2013 £000
Central government bodies	823	885
Other local authorities	2,495	3,054
NHS bodies	3	2
Public corporations and trading funds	2,483	652
Other entities and individuals	2,292	1,592
Total	8,096	6,185

Included within the debtor balances above are amounts due from member boroughs (excluding payments in advance and bad debt provision) of £2.513 million (2012/13: £3.099 million), payments in advance of £2.106 million (2012/13: £1.534 million), a bad debt provision of £243,000 (2012/13: £91,000) and other debtors of £3.72 million (2012/13: £1.643 million).

14. Cash and Cash Equivalents

	31 March 2014 £000	31 March 2013 £000
Cash held by the Committee	2,646	517
Cash balances held by the City of London	11,840	12,561
Total	14,486	13,078

15. Leases

Finance leases

The Short and Long Term borrowing included in the Balance Sheet comprise solely of obligations under finance leases. The Committee has acquired a number of photocopiers and a telecommunication system under finance leases.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

15 Leases (continued)

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2014 £000	31 March 2013 £000
Furniture and Equipment	-	83

The Committee is committed to making minimum payments under these leases comprising of the settlement of the long-term liability for the interest in the assets acquired by the Committee and finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2014 £000	31 March 2013 £000
Finance lease liabilities (net present value of minimum lease payments):		
▪ Current	-	102
▪ Long-term	-	-
Finance costs payable in future years	-	2
Minimum Lease Payments	-	104

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Not later than one year	-	104	-	(102)
Total	-	104	-	(102)

Operating Leases

The Committee uses leased properties under the terms of operating leases. The amounts paid under these arrangements during the year amounted to £803,000 (2012/13: £803,000) and are included in Premises costs in the Comprehensive Income and Expenditure Statement.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2014 £000	31 March 2013 £000
Not later than one year	798	803
Later than one year and not later than five years	2,117	2,386
Later than five years	1,050	1,579
Total	3,965	4,768

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

16. Short Term Creditors

	31 March 2014	31 March 2013
	£000	£000
Central government bodies	(130)	(435)
Other local authorities	(6,280)	(3,379)
NHS bodies	(192)	-
Public corporations and trading funds	(1,172)	(2,115)
Other entities and individuals	(3,954)	(3,791)
Total	(11,728)	(9,720)

Included within the creditor balances above are amounts due to member boroughs (excluding receipts in advance) of £2.107 million (2012/13: £679,000), receipts in advance of £5.241 million (2012/13: £4.598 million), accruals of £2.718 million (2012/13: £4.365 million) and other creditors of £1.662 million (2012/13: £78,000). Other creditors include £1.198 million in respect of the cumulative income received from the operation of the POPLA contract to 31 March 2014 (note 4).

17. Provisions

	Property Lease Provisions £000
Balance at 1 April 2013	(311)
Additional Provisions made in 2013/14	(127)
Amounts used in 2013/14	-
Unused amounts reversed in 2013/14	-
Balance at 31 March 2014	(438)
Analysis of Total Provisions:	
	£000
Current	(196)
Non-current	(242)
Total Provision	(438)

The Company has established a provision for its contractual obligations included within its property leases. The lease for Angel Square requires dilapidation and internal decoration work to be carried out at the end of the term in March 2015.

The lease for Southwark Street requires internal and external decoration works to be carried out in March 2016 and dilapidation works to be carried out in March 2021.

18. Usable Reserves

	31 March 2014	31 March 2013
	£000	£000
General Reserve	9,887	9,306
Specific Reserve	1,800	1,400
Total	11,687	10,706

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

19. Unusable Reserves

	31 March 2014	31 March 2013
	£000	£000
Pensions Reserve	(16,197)	(14,017)
Accumulated Absences Reserve	(137)	(167)
Total	(16,334)	(14,184)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Committee accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Committee makes employer's contribution to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Committee has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2013/14		2012/13	
	£000	£000	£000	£000
Balance at 1 April		(14,017)		(16,095)
Actuarial gains or losses on pension assets and liabilities		(1,078)		2,687
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,899)		(1,473)	
Employer's pensions contribution and direct payments to pensioners payable in the year	797		864	
		(1,102)		(609)
Balance at 31 March		(16,197)		(14,017)

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

19. Unusable Reserves (continued)

Accumulated Absences Reserve

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

	2013/14		2012/13	
	£000	£000	£000	£000
Balance at 1 April		(167)		(146)
Settlement or cancellation of accrual made at the end of the preceding year	167		146	
Amounts accrued at the end of the current year	(137)		(167)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		30		(21)
Balance at 31 March		(137)		(167)

20. Cash Flow Statement – Operating Activities

	2013/14		2012/13	
	£000	£000	£000	£000
Surplus/(Deficit) on Provision of Services		(91)		2,133
Adjusted for:				
Current Service Cost Adjustment	462		316	
Depreciation	371		344	
Amortisation of Intangible Assets	7		-	
Net (return)/loss on Pension Scheme Assets/Liabilities	640		293	
Provision for liabilities and charges	127		120	
Carrying amount on non-current asset disposals	-		11	
Increase in Debtors	(1,911)		(46)	
Increase in Creditors	2,008		523	
Adjustments for non-cash movements		1,704		1,561
Interest Payable	2		33	
Interest and Investment Income	(167)		(223)	
Proceeds from Disposal of Property, Plant and Equipment	-		(9)	
Adjustments for investing and financing activities		(165)		(199)
Net cash flows from Operating Activities		1,448		3,495

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

21. Cash Flow Statement – Investing Activities

	2013/14 £000	2012/13 £000
Interest Payable	(2)	(33)
Interest and Investment Income	167	223
Payment to Acquire Property, Plant and Equipment and Intangible Assets	(103)	(986)
Proceeds from Disposal of Property, Plant and Equipment	-	9
Total	62	(787)

22. Cash Flow Statement – Financing Activities

	2013/14 £000	2012/13 £000
Finance Lease Capital Repayment	(102)	(232)
Total	(102)	(232)

23. Intragroup Transactions

The intragroup transactions excluded from the Consolidated Comprehensive Income and Expenditure Statement during the year are as follows:

	2013/14 £000	2012/13 £000
London Councils Limited recharge of Angel Square costs to TEC:		
Expenditure	626	589
Income	(626)	(589)
London Councils Limited recharge of Southwark Street Provisions to London Councils Joint Committee:		
Expenditure	-	76
Income	-	(76)

24. Members' Allowances

The Committee paid the following amounts to members of its Committees during the year.

	2013/14 £000	2012/13 £000
Members' Allowances	196	198

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

25. Officers' Remuneration

The number of employees whose remuneration (including termination payments but excluding employer's pension contributions) was £50,000 or more in bands of £5,000 was:

Remuneration Bands	Number of Employees	
	2013/14 £000	2012/13 £000
£50,000 - £54,999	7	4
£55,000 - £59,999	7	7
£60,000 - £64,999	2	2
£65,000 - £69,999	1	4
£70,000 - £74,999	-	1
£75,000 - £79,999	5	1
£80,000 - £84,999	1	-
£85,000 - £89,999	1	2
£90,000 - £94,999	-	1
£95,000 - £99,999	4	5
£100,000 - £104,999	-	2
£105,000 - £109,999	1	-
£110,000 - £114,999	-	1
£120,000 - £124,999	2	3
£145,000 - £149,999	1	-
£150,000 - £154,999	-	1

These amounts include payments made to Parking Adjudicators.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

25. Officers' Remuneration (continued)

The remuneration paid to the Committee's senior employees in 2013/14 is as follows:

Post Holder	Salary £	Bonus £	Total Remuneration excluding Pension Contribution £	Employer's Pension Contribution £	Total Remuneration including Pension Contribution £
John O'Brien (Chief Executive)	147,000	-	147,000	23,373	170,373
Corporate Director, Policy and Public Affairs	122,940	-	122,940	19,548	142,488
Corporate Director, Services	122,940	-	122,940	19,548	142,488
Director, Corporate Governance	97,430	-	97,430	15,491	112,921
Director, Corporate Resources	97,430	-	97,430	15,491	112,921
Total	587,740	-	587,740	93,451	681,191

The Chief Executive's bonus for 2013/14 has not yet been agreed.

The remuneration paid to the Committee's senior employees in 2012/13 is as follows:

Post Holder	Salary £	Bonus Restated £	Total Remuneration excluding Pension Contribution Restated £	Employer's Pension Contribution Restated £	Total Remuneration including Pension Contribution Restated £
John O'Brien (Chief Executive)	147,000	4,140	151,410	24,074	175,484
Corporate Director, Policy and Public Affairs	122,940	-	122,940	19,548	142,488
Corporate Director, Services	122,940	-	122,940	19,548	142,488
Director, Corporate Governance	97,430	-	97,430	15,491	112,921
Director, Corporate Resources	97,430	-	97,430	15,491	112,921
Total	587,740	4,140	592,150	94,152	686,302

Prior year figure restated to incorporate Chief Executive's bonus for 2012/13.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

25. Officers' Remuneration (continued)

	2013/14	2012/13
Remuneration of highest paid Director	147,000	147,000
Remuneration of median member of staff	38,230	37,851
Multiple between the median member of staff and the highest paid director	3.85	3.88

26. Termination Benefits

There were no termination payments included in the Comprehensive Income and Expenditure Statement for 2013/14 (2012/13: £134,000).

Termination Benefit Bands	Number of Employees							
	2013/14				2012/13			
	Compulsory Redundancy		Other Departures		Compulsory Redundancy		Other Departures	
	Number	£000	Number	£000	Number	£000	Number	£000
£20,000 - £39,999	-	-	-	-	-	-	1	23
£40,000 - £59,999	-	-	-	-	1	45	-	-
£60,000 - £79,999	-	-	-	-	1	66	-	-
Total	-	-	-	-	2	111	1	23

27. External Audit Costs

The Committee incurred the following amounts in relation to the audit of the Statement of Accounts and Employers' Association Annual Return:

	2013/14 £000	2012/13 £000
Fees payable to PricewaterhouseCoopers LLP in respect of the audit of the Statement of Accounts:	54	54
Rebate received from Audit Commission	(7)	(5)
Fees payable to PricewaterhouseCoopers LLP for the certification of returns for the year	2	-
Fees payable in respect of other services provided by PricewaterhouseCoopers LLP during the year	20	-
	69	49

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

28. Grant Income

The Committee credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

	2013/14 £000	2012/13 £000
DCLG grant to Capital Ambition projects	594	353
DCSF grant to YPES	580	511
DCSF grant to LRSA Programme	156	492
DECC grant to Cheaper Energy Together project	23	73
DWP contribution to Financial Inclusion project	-	9
ESF Co-financing grant programmes	3,577	2,393
EU contribution to London European Partnership for Transport (LEPT) projects	111	12
GLA contribution to London Health Board	14	-
MPS contribution to London Child Protection Committee	265	253
MPS contribution to Sexual Exploitation of Children Project	-	173
NHS England contribution to London Health Board	43	
Office of London Clinical Commissioning Groups contribution to London Health Board	43	-
Public Health London contribution to London Health Board	19	-
SFA contribution to London Apprenticeship Taskforce	169	52
TfL contribution to London European Partnership for Transport (LEPT) projects	116	106
TfL grant to the Taxicard scheme	10,832	8,467
TfL contribution to the 3 rd LLA and TfL Bill	4	15
Young People's Learning Agency grant to YPES	151	-
Other grants and contributions	6	-
Total	16,703	12,909

These amounts exclude contributions made by member boroughs.

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

28. Grant Income (continued)

The Committee has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that have not yet been met. These balances are treated as Receipts in Advance and the amounts at the year-end are as follows:

	2013/14 £000	2012/13 £000
DCLG grant to Capital Ambition projects	108	152
DCSF grant to YPES	-	63
DECC grant to Cheaper Energy Together project	9	-
ESF Co-financing grant programmes	662	-
GLA contribution to London Health Board	23	-
MPS contribution to London Child Protection Committee	3	36
MPS contribution to Sexual Exploitation of Children Project	-	51
NHS England contribution to London Health Board	69	-
Office of London Clinical Commissioning Groups contribution to London Health Board	69	-
Public Health London contribution to London Health Board	31	-
SFA contribution to London Apprenticeship Taskforce	10	21
TfL contribution to London European Partnership for Transport (LEPT) projects	75	59
TfL grant to the Taxicard scheme	-	1,334
Young People's Learning Agency grant to YPES	-	151
Other grants and contributions	7	-
Total	1,066	1,867

29. Related Parties

The Committee is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Committee or to be controlled or influenced by the Committee. Disclosure of these transactions allows readers to assess the extent to which the Committee might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain with the Committee.

Member Boroughs

Member boroughs have direct control over the Committees activities through their membership of London Councils Leaders' Committee. The total value of income from subscriptions, contributions and other charges paid to London Councils by its member boroughs during 2013/14 was £51.291 million (2012/13: £55.548 million). The total value of expenditure on secondment fees, rent, rates, professional fees and the distribution of grants paid to member boroughs during 2013/14 was £3.999 million (2012/13: £3.068 million). On 31 March 2014, the value of debtor balances owed by member boroughs (including payments in advance) amounted to £2.495 million (2012/13: £3.054 million) and the value of creditor balances (including receipts in advance) owed to member boroughs amounted to £6.280 million (2012/13: £3.379 million).

Transport for London

A representative of Transport for London (TfL) sits on London Councils Transport and Environment Committee and therefore has influence over the activities of the Committee. The total value of income received from TfL in respect of subscriptions, contributions and charges during 2013/14 was £11.439 million (2012/13: £9.094 million). The total value of expenditure on charges and reimbursement of Penalty Charge Notices during 2013/14 was £17,000 (2012/13: £47,000). On 31

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)**29. Related Parties (continued)**

March 2014, the value of debtor balances owed by TfL (including payments in advance) amounted to £1,000 (2012/13: £15,000) and the value of creditor balances owed to TfL (including receipts in advance) amounted to £281,000 (2012/13: £1.502 million).

Central Government

Central Government has effective control over the general operations of member boroughs as it is responsible for providing the statutory framework within which the boroughs operate, provides the majority of their funding in the form of grants and prescribes the terms of many of the transactions that the boroughs have with other parties. Grants and contributions received from government departments are set out in note 27.

British Parking Association

London Councils has a contract to run the Parking on Private Lands Appeals (POPLA) service which is funded by the British Parking Association (BPA). London Councils Director of Corporate Services is a Director of the British Parking Association. The Director of Corporate Services receives no remuneration for his appointment with the BPA. The total value of income received from the BPA for running the POPLA service and room hire charges during 2013/14 was £904,000 (2012/13: £296,000). The total value of expenditure paid to the BPA for subscriptions and other charges during 2013/14 was £840 (2012/13: £990). On 31 March 2014, the value of debtor balances owed by the BPA amounted to £371,000 (2012/13: £178,000).

30. Grant Commitments

There was a significant reduction in the size of London Councils Grants Scheme from April 2011 which has led to a decrease in the level of future grants commitments. The value of commitments in 2014/15 is £9.42 million. Included within these amounts is £1.88 million in respect of the European Social Fund (ESF) Co-Financing Programme. The Committee will receive a contribution of £940,000 from ESF which represents 50% of the total grant expenditure under the co-financing programme.

31. Concessionary fares

These accounts do not include the amount of £308.747 million (2011/12: £294.555 million) paid directly by member boroughs to Transport for London in respect of the Concessionary Fares scheme.

32. Segmental Reporting

The information in the accounts is set out in the segments based on the Committee's internal management reporting. Therefore, no further disclosures are required.

Appendix A – London Councils Grants Committee Comprehensive Income and Expenditure Statement 2013/14

	2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net £000	2012/13 Gross Expenditure Restated £000	2012/13 Gross Income Restated £000	2012/13 Net Restated £000
Cost of Services						
Direct Revenue Expenditure:						
Grants to Voluntary Organisations	8,436	(8,723)	(287)	10,501	(11,428)	(927)
	8,436	(8,723)	(287)	10,501	(11,428)	(927)
Other Operating Expenditure:						
Staff costs	447	(360)	87	544	(429)	115
Premises	47	(43)	4	45	(43)	2
Central Support Services	163	(123)	40	143	(185)	(42)
Consultancy	-	(11)	(11)	5	(12)	(7)
	657	(537)	120	737	(669)	68
Net Revenue Cost of Services	9,093	(9,260)	(167)	11,238	(12,097)	(859)
Financing and investment income and expenditure			3			(32)
Surplus on Provision of Services			(164)			(891)
Actuarial gains on pension assets/liabilities			(10)			(440)
Other Comprehensive Income and Expenditure			(10)			(440)
Total Comprehensive Income and Expenditure			(174)			(1,331)

Appendix B – London Councils Transport and Environment Committee Comprehensive Income and Expenditure Statement 2013/14

	2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net £000	2012/13 Gross Expenditure Restated £000	2012/13 Gross Income Restated £000	2012/13 Net Restated £000
Cost of Services						
Direct Revenue Expenditure:						
Payments to operators	33,774	(35,298)	(1,524)	33,719	(35,075)	(1,356)
Managed service contract	3,306	(3,306)	-	3,371	(3,371)	-
Parking adjudication	1,435	(1,311)	124	1,649	(1,649)	-
Payments to Northampton County Court	2,655	(2,655)	-	2,584	(2,584)	-
Reimbursement of parking penalty notices to boroughs	13	(13)	-	12	(12)	-
Concessionary fares reissue	1,020	(833)	187	873	(777)	96
	42,203	(43,416)	(1,213)	42,208	(43,468)	(1,260)
Other Operating Expenditure						
Staff costs	2,853	(2,329)	524	2,789	(2,483)	306
Premises	840	(686)	154	816	(727)	89
Central Support Services	1,341	(1,095)	246	830	(740)	90
Consultancy	9	(7)	2	23	(20)	3
	5,043	(4,117)	926	4,458	(3,970)	488
Net Revenue Cost of Services	47,246	(47,533)	(287)	46,666	(47,438)	(772)
Financing and investment income and expenditure			139			79
Surplus on Provision of Services			(148)			(693)
Actuarial (gain)/loss on pension assets and liabilities			(40)			129
Other Comprehensive Income and Expenditure			(40)			129
Total Comprehensive Income and Expenditure			(188)			(564)

Appendix C – London Councils Joint Committee Comprehensive Income and Expenditure Statement 2013/14

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

	2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net £000	2012/13 Gross Expenditure £000 Restated	2012/13 Gross Income £000 Restated	2012/13 Net £000 Restated
Cost of Services						
Direct Revenue Expenditure:						
Direct Services to						
Subscribers	13	(13)	-	52	(52)	-
Externally Funded Projects	6,919	(6,919)	-	3,708	(3,729)	(21)
GLE European Contract	75	(75)	-	108	(108)	-
Young Peoples Education and Skills	663	(1,032)	(369)	641	(536)	105
One-off Payment to Boroughs	825	-	825	-	-	-
	8,495	(8,039)	456	4,509	(4,425)	84
Other Operating Expenditure						
Staff costs	3,664	(3,874)	(210)	3,481	(3,855)	(374)
Premises	1,474	(1,559)	(85)	1,410	(1,561)	(151)
Central Support Services	1,293	(1,367)	(74)	1,233	(1,365)	(132)
Consultancy	298	(315)	(17)	300	(332)	(32)
	6,729	(7,115)	(386)	6,424	(7,113)	(689)
Net Revenue Cost of Services	15,224	(15,154)	70	10,933	(11,538)	(605)
Financing and investment income			333			56
Deficit/(Surplus) on Provision of Services			403			(549)
Actuarial losses/(gains) on pension assets/liabilities			1,128			(2,376)
Other Comprehensive Income and Expenditure			1,128			(2,376)
Total Comprehensive Income and Expenditure			1,531			(2,925)

Appendix C – London Councils Joint Committee Comprehensive Income and Expenditure Statement 2013/14 (continued)
a. Consolidation Adjustments

Included within the Net Revenue Cost of Services is expenditure of £626,000 (2012/13: £589,000) and income of £626,000 (2012/13: £589,000) in respect of the premises costs of Angel Square which are incurred by London Councils Limited and recharged to the Transport and Environment Committee. These amounts are removed on consolidation as follows:

	2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net £000	2012/13 Gross Expenditure Restated £000	2012/13 Gross Income Restated £000	2012/13 Net Restated £000
Net Revenue Cost of Services	15,224	(15,154)	70	10,933	(11,538)	(605)
Angel Square consolidation adjustment	(626)	626	-	(589)	589	-
Amount included in Consolidated Income and Expenditure Statement	14,598	(14,528)	70	10,344	(10,949)	(605)
b. Restatement of Comparatives						

The effect of the restatement described on page 48 on the Joint Committee Comprehensive Income and Expenditure Statement for the 31 March 2013 is as follows:

	2012/13 Statement £000	Adjustments made £000	2012/13 Comparatives Restated £000
Other Operating Expenditure: Net Cost of Services			
Staff costs	(248)	(126)	(374)
Premises	(97)	(54)	(151)
Central Support Services	(92)	(40)	(132)
Consultancy	(21)	(11)	(32)

GLOSSARY**Accounting Policies**

The specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the financial statements.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses

Changes in actuarial deficits or surpluses that arise because either actual experience or events have differed from the assumptions adopted at the previous valuation (experience gains or losses) or the actuarial assumptions have been changed.

Actuary

An independent consultant who advises on the financial position of the Pension Fund.

Balance Sheet

A statement showing the position of the Council's assets and liabilities as at 31 March in each year.

Budget

A forecast of the Committee's planned expenditure. Budgets are reviewed during the course of the financial year to take account of pay and price changes and other factors affecting the level or cost of services.

Capital Charges

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. The charge includes depreciation (intended to represent the cost of using the asset) and any impairment that may have occurred in the year of account.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

Change in Accounting Estimate

An adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors.

Consistency

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingent

A condition which exists at the balance sheet date where the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the authority's control.

Creditors

Amounts owed by the Committee for goods received or services provided before the end of the accounting period but for which payments have not been made by the end of that accounting period.

GLOSSARY (continued)**Current Asset**

An asset that will be consumed or cease to have value within one year of the reporting date. Examples are inventories and debtors.

Current Expenditure

A general term for the direct running costs of local authority services, including employee costs and running expenses.

Current Liability

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

Current Service Cost

The increase in the present value of a defined benefit obligation resulting from employee service in the current period.

Curtailments

Curtailments arise as a result of the early payment of accrued pensions on retirement on the grounds of efficiency, redundancy or where the employer has allowed employees to retire on unreduced benefits before they would otherwise have been able to do so.

Debtors

Amounts due to the Committee before the end of the accounting period but for which payments have not yet been received by the end of that accounting period.

Depreciation

The loss in value of a fixed asset due to age, wear and tear, deterioration or obsolescence.

Employee benefits

All forms of consideration given by an entity in exchange for service rendered by employees.

Events after the reporting period

Those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified: a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and b) Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

Fair Value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In accounting terms, fair values are approximated by the present value of the cash flows that will take place over the remaining life of the financial instrument.

Fixed Assets

Tangible assets that yield benefit to the Committee and its services for a period of more than one year.

Historical Cost

This is the cost deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. b/f from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

Impairment

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

GLOSSARY (continued)**Intangible Assets**

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the authority as a result of past events, and future economic or service benefits must be expected to flow from the intangible asset to the authority. The most common class of intangible asset in local government bodies is computer software.

Inventories

Assets that are: a) in the form of materials or supplies to be consumed in the production process b) in the form of materials or supplies to be consumed or distributed in the rendering of services c) held for sale or distribution in the ordinary course of operations, or d) in the process of production for sale or distribution.

Levies

A payment that a local authority is required to make to a particular body (a levying body) to meet specific services.

Material

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Net Realisable Value

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

Operational Assets

Fixed assets held and occupied, used or consumed by the Committee in the direct delivery of services for which it has either a statutory or discretionary responsibility.

Past Service Cost

The increase in the present value of Pension Fund liabilities arising in the current year from previous years' service. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Pensions Interest Cost

The expected increase during a period in the present value of Pension Fund liabilities which arises because the benefits are due one year closer to settlement.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Post-Employment Benefits

Employee benefits (other than termination benefits) which are payable after the completion of employment.

Present Value of a Defined Benefit Obligation

The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Provision

An amount set aside in the accounts for liabilities or losses which are certain or very likely to occur but uncertain as to the amounts involved or the dates on which they will arise.

GLOSSARY (continued)**Prudence**

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or other assets and full and proper allowance is made for all known and foreseeable losses and liabilities.

Recharges

The collective term for accounting entries representing transfers of (or to cover) costs initially debited elsewhere. They therefore comprise apportionments and charges.

Recoverable Amount

The recoverable amount of an asset is the higher of fair value less costs to sell (i.e. net selling price) and its value in use.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Related Party Transaction

A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expense allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Reserves

Sums set aside to finance future spending for purposes falling outside the definition of a provision. Reserves set aside for stated purposes are known as earmarked reserves. The remainder are unallocated reserves, often described as balances.

Residual Value

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Short-Term Employee Benefits

Employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service.

Specific Grants

These are grants paid by various government departments outside the main formula. They include ring-fenced grants and specific formula grants.

Specific Reserves

Reserves set aside for a specific purpose or a particular service or type of expenditure.

GLOSSARY (continued)

Tangible Fixed Assets

Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

Useful Life

The period over which benefits will be derived from the use of a fixed asset.

VAT

An indirect tax levied on most business transactions and on many goods and some services. Input Tax is VAT charged on purchases. Output Tax is VAT charged in sales.

