



**LONDON COUNCILS GRANTS COMMITTEE**

**STATEMENT OF ACCOUNTS**

**YEAR ENDED 31 MARCH 2018**

## **LONDON COUNCILS – GRANTS COMMITTEE**

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## NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS

## REVIEW OF THE YEAR

## Introduction

London Councils is committed to fighting for more resources for the capital and getting the best possible deal for London's 33 local authorities.

Much of our work consists of lobbying the government and others on behalf of our member councils, not just for a fair share of resources, but also to protect and enhance council powers to enable them to do the best possible job for their residents and local businesses.

We develop policy and do all we can to help our boroughs improve the services they deliver. We also run a range of services ourselves, all designed to make life better for Londoners.

## London Councils Grants Committee

The London Councils Grants Programme commissions voluntary organisations through grants to provide specified services. The Programme operates under the London Boroughs Grants Scheme, which was established under Section 48 of the Local Government Act 1985. Each London Borough and the City of London contribute to the costs of the Programme on a per-capita basis. The Programme is overseen by the London Councils Grants Committee. Each borough and the City have a representative on the Committee. The Committee meets regularly to make decisions on grants policies, awards of grants, and oversight of the delivery of the Programme to secure full value for money.

The Programme is accounted for separately from other activities of London Councils.

Under the legislation, the City of London is the "designated council" for the scheme, and has the responsibility under S.151 of the 1972 Local Government Act for adequate financial administration for the scheme.

The London Councils Leaders' Committee sets the overall strategy for grants and the budget.

## The 2017-21 Grants Programme

The financial year 2017/18 saw the start of the 2017-21 four-year programme, covering three priority areas:

***Priority 1 Combatting Homelessness - £9.9million (over 4 years)***

- Prevention and targeted intervention
- Youth homelessness
- Supporting the response to homelessness in London through support to voluntary sector organisations

Five projects are funded under this priority.

***Priority 2 Tackling Sexual and Domestic Violence - £14.8million (over 4 years)***

- Prevention (working with children and young people)
- Advice, counselling and support to access services
- Helpline, access to refuge provision/support and advice, data gathering on refuge provision and supporting regional coordination of refuge provision
- Emergency refuge accommodation and support, and alternative housing options to meet the needs of specific groups
- Strengthening support for frontline sexual and domestic violence workers
- Specifically targeted services for those affected by harmful practices (FGM, honour based violence, forced marriage and other harmful practices).

**NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)**

Eight projects are funded under this priority.

***Priority 3 Tackling Poverty through Employment - £3million (delivery started September 2016 and match-funded by the European Social Fund)***

- Tackling poverty by promoting access to employment and training drawing on opportunities for match funding provided by boroughs working with London Councils and the European Social Fund
- Preparatory training and support to improve access to employment and further training opportunities for people not eligible for the Work Programme affected by long term conditions.

Six projects are funded under this priority.

The 2014-21 Programme will operate under the following principles agreed by the Leaders' Committee:

***Principles***

- Commissioning services that deliver effectively and can meet the outcomes specified by London Councils, rather than funding organisations
- Commissioning services where there is clear evidence of a need to complement existing provisions that support organisations deliver services
- Commissioning services where it is economical and efficient to deliver services on a London wide basis or where mobility is key to delivery of a service to secure personal safety
- Commissioning services that cannot reasonably be delivered locally, at a borough or sub-regional level
- Commissioning services that work with statutory and non-statutory partners and contribute to meeting the objectives of the Equality Act 2010.

**London Funders**

London Councils works closely with London Funders, reflecting the challenges of delivering services efficiently and attracting other funding for voluntary organisations in London. London Councils provides an annual subscription of £60,000 to London Funders on behalf of the London boroughs.

**European Social Fund**

The European Social Fund (ESF) was set up to improve employment opportunities in the European Union and to help raise standards of living. It aims to help people fulfil their potential by giving them better skills and better job prospects. London Councils receives ESF through the Greater London Authority, which operates within a framework set by the Department for Work and Pensions and the London Economic Action Partnership. Activities, outputs and results that contribute to the employment and skills priorities in the regional ESF framework are funded through the ESF programme.

Priority 3 of the Grants Committee's programme – tackling poverty through employment – is half funded by ESF. The six projects delivering this priority were commissioned in the summer of 2016.

**Looking forward to 2018-19**

We look forward to continuing to tackle the priorities set by Leaders' and Grants Committees in the coming year. We will do this by starting work on a mid-point review of the 2017-21 programme to better understand the impact of the projects and, where necessary, look to better realign projects to a changing landscape. We will manage the performance of these commissions and report to the Committee on a regular basis.

**NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)****Financial Review**

The Committee's accounts for the 2017/18 financial year are set out over the following pages. They include:

- i) Statement of Responsibilities for the Statement of Accounts (page 5);
- ii) Expenditure and Funding Analysis (page 15);
- iii) Comprehensive Income and Expenditure Statement (page 16);
- iv) Movement in Reserves Statement (page 17);
- v) Balance Sheet (page 18);
- vi) Cash Flow Statement (page 19); and
- vii) Notes to the Accounts (page 20 - 40).

**Revenue expenditure**

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

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Expenditure	8,899	7,636	(1,263)
Income	(8,668)	(7,983)	685
<b>Net cost of services</b>	<b>231</b>	<b>(347)</b>	<b>(578)</b>
Interest Expense	-	29	29
<b>Deficit/(Surplus) for the year</b>	<b>231</b>	<b>(318)</b>	<b>(549)</b>
Net Transfer from Reserves	(231)	(338)	(107)
<b>Surplus for the year (including transfer from reserves)</b>	<b>-</b>	<b>(656)</b>	<b>(656)</b>

The surplus of £656,000 is attributable to a surplus of £155,000 in relation to London Councils main grants programme and a surplus of £501,000 in the European Social Fund (ESF) match funded grants programme.

For the main grants programme, a breakeven position has been recorded in respect of the payments to providers of commissioned services for 2017/18. In addition, during the course of closing the 2016/17 accounts, liabilities of £755,000 relating to 25 outstanding payments due to commissions were set up. Payments of £636,000 have been released during 2017/18, with the residual £119,000 that has not been paid out being recycled through the revenue account and transferred back to reserves.

There is an underspend of £23,000 in relation to the administration of the main grants programme, attributable to an underspend of £18,000 in respect of salary costs and an underspend of £5,000 for general running costs and central recharges. In addition, a sum of £13,000 from investment income was been received during the year.

**NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)**

For the ESF matched funded commissions, the provisional surplus of £501,000 is attributable to the current ESF programme. The continued slippage for these commissions was reported to the Grants Committee in both November 2017 and March 2018. Performance has increased and improved over the last six months, so that payments to providers of £659,000 can now be recognised in the 2017/18 outturn figures. Due to the payment structure for ESF projects, higher levels of spend are recognised in the accounts towards the latter stages of projects, when outcomes (job entries and sustained jobs) can be verified. Similarly, a sum of £487,000 out of the £1 million boroughs contributions levied during 2017/18 can also be recognised as income in the provisional results for the year, along with £424,000 borough contributions treated as deferred income received during 2016/17. Administrative costs, estimated to be in the region of £155,000, have been incurred in respect of the new programme, for which ESF grant of £74,000 is expected to accrue in respect of eligible expenditure. This is included within the overall ESF grant income due for the year of £404,000. From 2018/19 onwards, no further borough contributions will be levied toward the cost of the ESF matched funded commissions. Residual expenditure in both 2018/19 and 2019/20 will be funded by provisional accumulated reserves of £1.92 million and through ESF grant accruing from eligible expenditure incurred.

The Balance Sheet shows that the General Fund reserve balance has increased from £2.018 million at the beginning of the year to £2.443 million at the year-end. A balance is held in the General Fund reserve for cash flow purposes.

**Budget for 2018/19**

On 5 December 2017, the Leaders' Committee approved a gross expenditure budget for 2018/19 of £8.668 million. An amount of £8.113 million related to payments to commissioned services, with the residual budget of £555,000 relating to management and administration expenditure. The London boroughs gave agreement to the budget by the statutory two-thirds majority before the end of January 2018.

The Committee has arrangements in place to secure economy, efficiency and effectiveness in the use of its resources.

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS****The Committee's Responsibilities**

The Committee is required to:

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

**The Chamberlain of the City of London's Responsibilities**

The Chamberlain of the City of London is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chamberlain of the City of London has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Committee's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Committee will continue in operational existence for the foreseeable future; and
- maintained such internal control as is determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Committee at 31 March 2018 and of its income and expenditure for the year then ended.



Dr Peter Kane CPFA  
The Chamberlain, City of London

18 September 2018

**APPROVAL CERTIFICATE**

At a meeting of London Councils' Audit Committee held at 59½ Southwark Street, London, SE1 0AL on 18 September 2018, the statement of accounts were approved on behalf of the Committee.

A handwritten signature in black ink, appearing to read 'R. Ramsey', is positioned above the printed name and title.

Cllr Roger Ramsey  
Chair of London Councils' Audit Committee

18 September 2018



## 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 2016. 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.

### 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 2018 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:

- **Developing and communicating the Committee's vision** – The Committee produces an annual Corporate Business Plan which sets out its proposed purpose, themes, work programmes and services. The plan consists of two levels: a high level plan available for stakeholders and external audiences and detailed internal work plans developed for management purposes. This is informed by on-going liaison with key borough stakeholders including 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, briefings for senior managerial and professional colleagues in boroughs and events such as the London Councils' Summit.
- **Commitment to openness and acting in the public interest** – The Committee has adopted the Information Commissioners model publications scheme and follows the definition for joint authorities and boards. Details of the scheme and the information published are available on London Councils' website. The Committee's decisions are made by its elected members and the agendas, reports, background papers and minutes of meetings are published under this scheme.

## ANNUAL GOVERNANCE STATEMENT (continued)

- **Measuring the performance of services** – The Committee produces an Annual Review at the end of each financial year which provides a summary of the key activities over the last year and highlights the key achievements. Data collected on the performance of activities and services 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 delegations to officers in place which was last reviewed, updated and approved by the Leaders' Committee at its Annual General Meeting on 11 July 2017. 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 11 July 2017. The financial regulations were also reviewed and the changes approved by the Leaders Committee on 11 July 2017. 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 approved by the Audit Committee in September 2016. 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 2017. The Directorate Risk Registers are reviewed by the Audit Committee on a rolling basis. 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.

## 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 July 2016 and London Councils Policy to Combat Fraud, Bribery and Corruption, which was agreed by London Councils Audit Committee in March 2014 and reviewed in February 2016. Both documents 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** – • This is a statutory post under Section 5 of the Local Government and Housing Act 1989 and as such is not applicable to London Councils which is a joint committee<sup>1</sup>. However, legal advice is provided to London Councils by the City of London Corporation including governance advice and support which in a local authority would generally be provided by the borough solicitor and monitoring officer .
- **Discharge of the head of paid service function** – London Councils' Chief Executive is the head of paid service. As with all 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** –The Audit Committee is a sub-committee of London Councils Leaders' Committee. The Terms of Reference are agreed annually and were last agreed on 11 July 2017. 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 are not members of the Executive.
- **Response to audit recommendations** – The Committee responds to information requests and queries received from its external auditor on a timely basis. External and internal audit findings and recommendations are considered by officers and appropriate responses which include implementation timescales are provided to the auditors. Audit reports, which include management responses, are presented to the Audit Committee to consider and are published along with the Committee papers on the website. The implementation of audit recommendations are monitored on a regular basis.

<sup>1</sup> London Councils is a joint committee of the authorities participating in the arrangements and constituted under sections 101 and 102 of the Local Government Act 1972 and section 9EB and 20 of the Local Government Act 2000, as relevant

## ANNUAL GOVERNANCE STATEMENT (continued)

- **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.
- **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 development opportunities 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 work. 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, as do regular meetings of officer networks. 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](http://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.

**ANNUAL GOVERNANCE STATEMENT (continued)****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:

- 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 and 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 review considers the annual opinion of the Head of Audit and Risk Management on the internal control environment in operation at London Councils during the financial year. 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.
- The Audit Committee's review of the governance arrangements in place during 2017/18.
- 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 2018/19**

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2018/19:

**Information Governance and Security**

In 2017/18, London Councils established an action plan in preparation of the introduction of General Data Protection Regulations (GDPR)/Data Protection Act which came into force in the UK on 25 May 2018. A risk-based approach was adopted with priority given to high risk areas that required improvement. The improvement programme involved assisting teams with asset registers, risk assessments and registers, procedure notes, contract revisions, retention schemes, privacy notices, training and a revision of or introduction of corporate policies. London Councils appointed a Data Protection Officer in line with legislative requirements and established a GDPR Preparation Board to monitor the implementation of the action plan. Progress reports have been provided to the London Councils' Executive and Audit Committee in the last quarter of 2017/18. The improvements to information security controls will continue during 2018/19 to help embed a privacy by design culture.

An internal audit review on Information Management and Security was completed in 2017/18. The review assessed the adequacy of controls for compliance with the Data Protection Act, staff training and awareness, disposal of sensitive and confidential data and access controls. The review revealed that there was a sound control environment in place but identified a number of areas of improvement such as enhanced password controls, restricted use of removable media devices and the creation of a disposal register which includes evidence of disposal. The recommended improvements will be implemented during 2018/19.

**ANNUAL GOVERNANCE STATEMENT (continued)**

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**

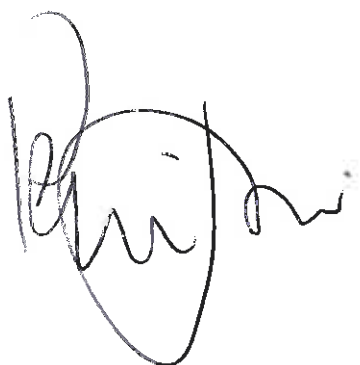
There are no significant governance issues.

John O'Brien  
Chief Executive



18 September 2018

Cllr Peter John OBE  
Chair of London Councils



18 September 2018

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON COUNCILS GRANTS COMMITTEE****Opinion**

We have audited the financial statements of London Councils Grants Committee ("the Committee") for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Committee as at 31 March 2018 and of the Committee's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

**Basis for opinion**

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

**Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**Other information published with the financial statements**

The Chamberlain of the City of London is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

**Chamberlain of the City of London's responsibilities**

As explained more fully in the statement set out on page 5, the Chamberlain of the City of London is responsible for: the preparation of the Committee's financial statements in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Committee's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Committee will continue in operational existence for the foreseeable future.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON COUNCILS GRANTS COMMITTEE (continued)****Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

**THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

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



Neil Hewitson  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

21 September 2018



## EXPENDITURE AND FUNDING ANALYSIS FOR THE YEAR ENDED 31 MARCH 2018

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned by the Committee in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Consolidated Comprehensive Income and Expenditure Statement.

	2017/18	2017/18	2017/18	2016/17	2016/17	2016/17
	Net Expenditure Chargeable to Usable Reserves £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Net Expenditure Chargeable to Usable Reserves £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
<b>Cost of Services</b>						
Borough commissioned services	(119)	-	(119)	(47)	-	(47)
ESF commissioned services	(596)	-	(596)	(517)	-	(517)
One off Payment to Boroughs	156	-	156	486	-	486
<b>Net Cost of Services</b>	<b>(559)</b>	<b>-</b>	<b>(559)</b>	<b>(78)</b>	<b>-</b>	<b>(78)</b>
Other Operating Expenditure	147	65	212	70	25	95
Financing and investment income and expenditure	(13)	42	29	(17)	46	29
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(425)</b>	<b>107</b>	<b>(318)</b>	<b>(25)</b>	<b>71</b>	<b>46</b>
Opening Usable Reserve Balance	(2,018)			(1,993)		
Surplus	(425)			(25)		
<b>Closing Usable Reserve Balance</b>	<b>(2,443)</b>			<b>(2,018)</b>		

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2018**

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

	Notes	2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net £000	2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net £000
<b>Cost of Services</b>							
Borough commissioned services		6,054	(6,173)	(119)	7,458	(7,505)	(47)
ESF commissioned services		659	(1,255)	(596)	-	(517)	(517)
One off Payment to Boroughs		156	-	156	486	-	486
<b>Cost of Services</b>		<b>6,869</b>	<b>(7,428)</b>	<b>(559)</b>	<b>7,944</b>	<b>(8,022)</b>	<b>(78)</b>
Other Operating Expenditure	7	767	(555)	212	713	(618)	95
Financing and investment income and expenditure	8	42	(13)	29	46	(17)	29
<b>(Surplus)/Deficit on Provision of Services</b>		<b>7,678</b>	<b>(7,996)</b>	<b>(318)</b>	<b>8,703</b>	<b>(8,657)</b>	<b>46</b>
Re-measurement of the net defined liability	9			(274)			283
<b>Other Comprehensive Income and Expenditure</b>				<b>(274)</b>			<b>283</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(592)</b>			<b>329</b>

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

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.

	2017/18			2016/17		
	Usable Reserves	Unusable Reserves	Total Committee Reserves	Usable Reserves	Unusable Reserves	Total Committee Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April</b>	<b>2,018</b>	<b>(1,606)</b>	<b>412</b>	<b>1,993</b>	<b>(1,252)</b>	<b>741</b>
Total Comprehensive Income and Expenditure	318	274	592	(46)	(283)	(329)
Adjustments between accounting basis and funding basis under regulations (note 6)	107	(107)	-	71	(71)	-
<b>Increase/(Decrease)</b>	<b>425</b>	<b>167</b>	<b>592</b>	<b>25</b>	<b>(354)</b>	<b>(329)</b>
<b>Balance at 31 March</b>	<b>2,443</b>	<b>(1,439)</b>	<b>1,004</b>	<b>2,018</b>	<b>(1,606)</b>	<b>412</b>

**BALANCE SHEET AS AT 31 MARCH 2018**

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 2018 £000	31 March 2017 £000
Short Term Debtors	11	1,440	909
Cash and Cash Equivalents	12	1,556	2,288
<b>Current Assets</b>		<b>2,996</b>	<b>3,197</b>
Short Term Creditors	13	(565)	(1,187)
<b>Current Liabilities</b>		<b>(565)</b>	<b>(1,187)</b>
Other Long Term Liabilities	9	(1,427)	(1,598)
<b>Long Term Liabilities</b>		<b>(1,427)</b>	<b>(1,598)</b>
<b>Net Assets</b>		<b>1,004</b>	<b>412</b>
Usable Reserves		2,443	2,018
Unusable Reserves	14	(1,439)	(1,606)
<b>Total Reserves</b>		<b>1,004</b>	<b>412</b>

The notes on pages 20 to 40 form part of the accounts.



Dr Peter Kane CPFA  
The Chamberlain, City of London

18 September 2018

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018**

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.

	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Net surplus/(deficit) on the provision of services	318	(46)
Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	(1,050)	31
Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	(13)	(17)
<b>Net cash flows from Operating Activities (note 15)</b>	<b>(745)</b>	<b>(32)</b>
Investing Activities (note 16)	13	17
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(732)</b>	<b>(15)</b>
<b>Cash and cash equivalents at 1 April</b>	<b>2,288</b>	<b>2,303</b>
<b>Cash and cash equivalents at 31 March</b>	<b>1,556</b>	<b>2,288</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

**1. Accounting Policies****a General Principles**

The Statement of Accounts summarises the Committee's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Committee prepares its accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The Statement of Accounts have been prepared with the overriding requirement that it gives a 'true and fair' view of the financial position, performance and cash flows of the Committee.

The Statement of Accounts has been prepared with reference to:

- The objective of providing financial information about the reporting authority that is useful to existing and potential investors, lenders and other creditors in making decision about providing resources to it;
- The objective of providing information about the Committee's financial performance, financial position and cash flows that is useful to a wide range of users for assessing the stewardship of the Committee's management and for making economic decisions;
- The objective of meeting the common needs of most users focusing on the ability of the users to make economic decisions, the needs of public accountability and the stewardship of the Committee's resources;
- The accrual basis of accounting;
- The following underlying assumptions;
  - Going concern basis.
- The following qualitative characteristics:
  - Relevance;
  - Materiality; and
  - Faithful representation.
- The following enhancing qualitative characteristics:
  - Comparability;
  - Verifiability;
  - Timeliness; and
  - Understandability.

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

The accounting policies have been consistently applied.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

**1. Accounting Policies (continued)****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;
- 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 budgeted 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.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

**1. Accounting Policies (continued)****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 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 Authority 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 Pensions 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:



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

## 1. Accounting Policies (continued)

- 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 2.6% (2016/17: 2.8%).
- 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.
- The change in the net pensions liability is analysed into the following 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), i.e. 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.

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)****1. Accounting Policies (continued)**

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.

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.

**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.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

**1. Accounting Policies (continued)****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.

**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 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.

**m 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.

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)****1. Accounting Policies (continued)**

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:
  - Furniture and Fittings – 5 years;
  - 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.

**n Reserves**

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

**o 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. Accounting Standards that have been Issued but not yet adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) has introduced changes in accounting policies which will be required from 1 April 2018. If these had been adopted for the financial year 2017/18 there would be no material changes to the Committee's accounts as detailed below.

**IFRS 9 Financial Instruments** – This standard replaces *IAS39 Financial Instruments: Recognition and Measurement* and provides new guidance on the recognition, measurement, classification, impairment, derecognition and hedge accounting of financial instruments. This standard will not have a material impact on the accounts due to the nature of financial instruments held by the Committee.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

**2. Accounting Standards that have been Issued but not yet adopted (continued)**

**IFRS 15 Revenue from Contracts with Customers** – The standard specifies how and when an entity will recognise revenue as well as requiring reporting entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. This standard will not have a material impact on the accounts as member subscriptions and charges from the bulk of the Committee's income. However, the standard will result in increased disclosures in the accounts.

**IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses** – There has been an amendment to this standard to clarify when a deferred tax asset should be recognised for unrealised losses. This amendment will not have a material impact on the Committee's accounts as it does not have a deferred tax liability.

**IAS 7 Statement of Cash Flows** – There has been a narrow scope amendment to this standard which require entities to provide a reconciliation of the amounts in the opening and closing Balance Sheet for each item for which cash flows have been, or would be, classified as financing activities and disclose matters that are relevant to understanding the entity's liquidity, such as restrictions that affect the decisions of an entity to use cash and cash equivalent balances. This amendment will not have a material impact on the Committee's accounts.

**3. 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 only critical judgement made in the Statement of Accounts is:

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.

**4. 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 2018 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 to provide London Councils with expert advice in calculating the net pension liability.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

**4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty (continued)**

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 £86,000. However, the assumptions interact in complex ways. During 2016/17, Barnett Waddingham LLP advised that the net pensions liability had increased by £134,000 as a result of changes in the financial assumptions.

**5. Events After the Balance Sheet Date**

The Statement of Accounts will be authorised for issue by the Director of Corporate Resources on 18 September 2018. Events taking place after this date are not reflected in the accounts or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the accounts and notes have been adjusted in all material respects to reflect the impact of this information.

**6. Note to the Expenditure and Funding Analysis**

This note provides a reconciliation of the main adjustments to the net expenditure chargeable to the General Reserve to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The adjustments arise due to the difference in the accounting basis and funding basis under regulations.

Adjustments between funding and accounting basis during 2017/18:

<b>Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure</b>	<b>Pension Adjustments £000</b>	<b>Accumulated Absence Adjustments £000</b>	<b>Total Adjustments £000</b>
Borough commissioned services	-	-	-
ESF commissioned services	-	-	-
One off Payment to Boroughs	-	-	-
<b>Net Cost of Services</b>	-	-	-
Other Operating Expenditure	61	4	65
Financing and investment income and expenditure	42	-	42
<b>Difference between General Reserve and Comprehensive Income and Expenditure Statements (Surplus)/Deficit on Provision of Services</b>	<b>103</b>	<b>4</b>	<b>107</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

## 6. Note to the Expenditure and Funding Analysis (continued)

Adjustments between funding and accounting basis during 2016/17:

Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure	Pension Adjustments £000	Accumulated Absence Adjustments £000	Total Adjustments £000
Borough commissioned services	-	-	-
ESF commissioned services	-	-	-
One off Payment to Boroughs	-	-	-
<b>Net Cost of Services</b>	-	-	-
Other Operating Expenditure	26	(1)	25
Financing and investment income and expenditure	46	-	46
<b>Difference between General Reserve and Comprehensive Income and Expenditure Statements (Surplus)/Deficit on Provision of Services</b>	<b>72</b>	<b>(1)</b>	<b>71</b>

**Pension adjustments** – These adjustments relate to the removal of pension contributions and the addition of *IAS19 Employee Benefits* pension related expenditure and income as follows:

- **Other Operating Expenditure** – adjustments to remove the employer pension contributions made by the Committee as allowed by statute and the replacement with current service costs and past service costs; and
- **Financing and investment income and expenditure** – adjustment for the net interest on the defined benefit liability charged to the Comprehensive Income and Expenditure Statement.

**Accumulated Absence adjustments** – This adjustment relates to the 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.

## 7. Other Operating Expenditure

	2017/18 £000	2016/17 £000
Staff costs	568	519
Premises costs	68	69
Other running costs	131	125
<b>Total</b>	<b>767</b>	<b>713</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

## 8. Financing and Investment Income and Expenditure

	2017/18 £000	2016/17 £000
Interest and Investment Income	(13)	(17)
Net loss on Pension Scheme Assets/Liabilities (see note 9)	42	46
<b>Total</b>	<b>29</b>	<b>29</b>

## 9. 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 2013. 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 the Local Pensions Partnership. Where appropriate some functions are delegated to the Fund's professional advisers.

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 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. 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 2016, the employers' contribution towards the Future Service Rate was set at 12% of pensionable pay for the period 1 April 2017 to 31 March 2020.

The LPFA aim to establish and maintain full funding on a risk adjusted triennial valuation basis. The LPFA administers the funds of 363 different public sector and 'not for profit' organisations with assets totalling £5.7 billion. At the end of March 2016 the funding level was 96% on a triennial valuation basis, as per the LPFA's external actuary (Barnett Waddingham). The funding level is projected to increase to 111% by 2020/21.

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:



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

## 9. Pensions (continued)

- 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 future liability cashflows. 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; and
- 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 Pensions 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 2016 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 2016 was the starting point for the 'roll forward' IAS 19 valuations. In order to assess the actuarial value of the LPFA Pension Fund's liabilities as at 31 March 2018 attributable to London Councils, scheme 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 2018:

<b>Assumptions as at:</b>	<b>31 March 2018 (% per annum)</b>	<b>31 March 2017 (% per annum)</b>
RPI increases	3.3%	3.6%
CPI increases	2.3%	2.7%
Salary increases	3.8%	4.2%
Pension increases	2.3%	2.7%
Discount rate	2.6%	2.8%

These assumptions are set with reference to market conditions at 31 March 2018.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

## 9. Pensions (continued)

Our estimate of the duration of the Employer's liabilities is 22 years.

An estimate of the employer's future cash flows is made using notional cash flows based on the estimated duration above. These estimated cash flows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cash flows described above. The single inflation rate derived is that which gives the same net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.3% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is a slightly higher deduction than at the last accounting date where it was assumed that CPI was 0.9% lower than RPI.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, a short-term overlay has been allowed from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

**Demographic and Statistical Assumptions**

A set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2016 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 2015 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are:

	31 March 2018	31 March 2017
Retiring today:		
Males	22.0	21.9
Females	24.6	24.5
Retiring in 20 years:		
Males	24.3	24.2
Females	26.9	26.8

The following assumptions have also been made:

- Members will exchange half of their commutable pension for cash at retirement;

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

## 9. Pensions (continued)

- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of membership that had taken up the 50:50 option at the previous valuation date will remain the same.

The fair value of the pension scheme assets attributable to the Grants Committee at 31 March 2018:

	At 31 March 2018		At 31 March 2017	
	£000	%	£000	%
Equities	1,640	61%	1,594	59%
Target return portfolio	601	22%	568	21%
Infrastructure	117	4%	142	5%
Property	193	7%	137	5%
Cash	131	5%	249	9%
	<b>2,682</b>	<b>100%</b>	<b>2,690</b>	<b>100%</b>

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 cashflow liability against inflation.

The analysis of the net value of the pension scheme assets and liabilities recognised in the Balance Sheet as at 31 March 2018 is as follows:

	At 31 March 2018	At 31 March 2017
	£000	£000
Fair value of employer assets	2,682	2,690
Present value of scheme liabilities	(4,105)	(4,284)
<b>Net Liability</b>	<b>(1,423)</b>	<b>(1,594)</b>
Present value of unfunded liabilities	(4)	(4)
<b>Net Liability in Balance Sheet</b>	<b>(1,427)</b>	<b>(1,598)</b>

The analysis of the amounts recognised in the Comprehensive Income and Expenditure Account for the year ended 31 March 2018 is as follows:

	At 31 March 2018	At 31 March 2017
	£000	£000
Service cost	89	67
Net interest on the defined liability	42	46
Administration expenses	3	3
<b>Total</b>	<b>134</b>	<b>116</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

## 9. Pensions (continued)

The reconciliation of the Defined Benefit Obligation at 31 March 2018 is as follows:

	At 31 March 2018	At 31 March 2017
	£000	£000
<b>Opening Defined Benefit Obligation</b>	<b>(4,288)</b>	<b>(3,465)</b>
Current service cost	(89)	(67)
Interest cost	(114)	(129)
Change in financial assumptions	134	(892)
Change in demographic assumptions	-	27
Experience gain on defined benefit obligation	-	151
Estimated benefits paid net of transfers	76	65
Contributions by scheme participants	(20)	(23)
Adjustment arising from apportionment of pension liability	192	45
<b>Closing Defined Benefit Obligation</b>	<b>(4,109)</b>	<b>(4,288)</b>

The reconciliation of the Fair Value of Employer's Assets at 31 March 2018 is as follows:

	At 31 March 2018	At 31 March 2017
	£000	£000
<b>Opening Fair Value of Employer's Assets</b>	<b>2,690</b>	<b>2,222</b>
Interest on assets	72	83
Return on assets less interest	71	368
Other actuarial gains	-	46
Administration expenses	(3)	(3)
Contributions by employer	31	45
Contributions by scheme participants	20	23
Estimated benefits paid plus unfunded net of transfers in	(76)	(66)
Adjustment arising from apportionment of pension liability	(123)	(28)
<b>Closing Fair Value of Employer's Assets</b>	<b>2,682</b>	<b>2,690</b>

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 ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

## 9. Pensions (continued)

Sensitivity analysis:

	£000	£000	£000
<b>Adjustment to Discount Rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	4,023	4,109	4,197
Projected service cost	83	86	88
<b>Adjustment to Long-term Salary Increases</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	4,116	4,109	4,101
Projected service cost	86	86	86
<b>Adjustment to Pension Increases and Deferred Revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	4,189	4,109	4,030
Projected service cost	88	86	83
<b>Adjustment to Mortality Age Rating Assumption</b>	<b>+1 year</b>	<b>None</b>	<b>-1 year</b>
Present value of total obligation	4,256	4,109	3,967
Projected service cost	88	86	83

The analysis of the re-measurements in Other Comprehensive Income and Expenditure for the year ended 31 March 2018 is as follows:

	At 31 March 2018	At 31 March 2017
	£000	£000
Return on plan assets less interest	71	368
Other actuarial gains on assets	-	46
Change in financial assumptions	134	(892)
Change in demographic assumptions	-	27
Experience gain on defined benefit obligation	-	151
Adjustment arising from apportionment of pension liability	69	17
<b>Re-measurements</b>	<b>274</b>	<b>(283)</b>

The projections for the year to 31 March 2019 is as follows:

	2018/19
	£000
Service cost	86
Net interest on the defined liability	36
Administration expenses	4
<b>Total</b>	<b>126</b>
Employers contribution	30

## 10. Capital Commitments

There are no contractual commitments for expenditure on Property, Plant and Equipment or Intangible Assets.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

## 11. Short Term Debtors

	31 March 2018	31 March 2017
	£000	£000
Central Government Bodies	4	-
Other Local Authorities	96	-
Public corporations and trading funds	315	63
Other entities and individuals	1,025	846
<b>Total</b>	<b>1,440</b>	<b>909</b>

Included within the debtor balances above are amounts owed by member boroughs £96,000 (2016/17 Nil), payments in advance of £1.025 million (2016/17: £846,000) and other debtors of £319,000 (2016/17: £63,000).

## 12. Cash and Cash Equivalents

	31 March 2018	31 March 2017
	£000	£000
Cash balances held by the City of London	1,556	2,288
<b>Total</b>	<b>1,556</b>	<b>2,288</b>

## 13. Short Term Creditors

	31 March 2018	31 March 2017
	£000	£000
Other local authorities	(512)	(423)
Other entities and individuals	(53)	(764)
<b>Total</b>	<b>(565)</b>	<b>(1,187)</b>

Included within the creditor balances above are accruals of £16,000 (2016/17: £764,000), receipts in advance of £512,000 (2016/17: £423,000) and other creditors of £37,000.

## 14. Unusable Reserves

	31 March 2018	31 March 2017
	£000	£000
Pensions Reserve	(1,427)	(1,598)
Accumulated Absences Reserve	(12)	(8)
<b>Total</b>	<b>(1,439)</b>	<b>(1,606)</b>

## 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.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

## 14. Unusable Reserves (continued)

	2017/18		2016/17	
	£000	£000	£000	£000
<b>Balance at 1 April</b>		<b>(1,598)</b>		<b>(1,243)</b>
Actuarial gain/(loss) on pension assets and liabilities		274		(283)
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	(134)		(117)	
Employer's pensions contribution and direct payments to pensioners payable in the year	31	(103)	45	(72)
<b>Balance at 31 March</b>		<b>(1,427)</b>		<b>(1,598)</b>

**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.

	2017/18		2016/17	
	£000	£000	£000	£000
<b>Balance at 1 April</b>		<b>(8)</b>		<b>(9)</b>
Settlement or cancellation of accrual made at the end of the preceding year	8		9	
Amounts accrued at the end of the current year	(12)		(8)	
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		(4)		1
<b>Balance at 31 March</b>		<b>(12)</b>		<b>(8)</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

## 15. Cash Flow Statement – Operating Activities

	2017/18 £000	£000	2016/17 £000	£000
<b>Surplus/(Deficit) on Provision of Services</b>		<b>318</b>		<b>(46)</b>
Adjusted for:				
Current service cost adjustment	61		26	
Net loss on pension scheme assets/liabilities	42		46	
Increase in debtors	(531)		(909)	
(Decrease)/Increase in creditors	(622)		868	
<b>Adjustments for non-cash movements</b>		<b>(1,050)</b>		<b>31</b>
Interest and Investment Income	(13)		(17)	
<b>Adjustments for investing and financing activities</b>		<b>(13)</b>		<b>(17)</b>
<b>Net cash flows from Operating Activities</b>		<b>(745)</b>		<b>(32)</b>

## 16. Cash Flow Statement – Investing Activities

	2017/18 £000	2016/17 £000
Interest and Investment Income	13	17
<b>Total</b>	<b>13</b>	<b>17</b>

## 17. Members' Allowances

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

	2017/18 £000	2016/17 £000
Members Allowances	17	19

## 18. Officers' Remuneration

There are no employees whose remuneration (including termination payments but excluding employer's pension contributions) was £50,000 or more (2016/17: Nil).



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

## 18. Officers' Remuneration (continued)

The salaries of the senior officers disclosed below are allocated between London Councils Joint Committee, Grants Committee and Transport and Environment Committee. The allocation of their salary costs to the Grants Committee are as follows:

- Director, Corporate Governance – 5% (2016/17: 5%)
- Strategic Director, Young People Education and Skills, Community Services and Grants – 14% (2016/17: 16%)
- Director, Communications – 11% (2016/17: Nil)

## Senior officers remuneration during 2017/18

Post Holder	Salary £	Compensation for Loss of Office £	Pension Contributions £	Remuneration £	Total £
Director – Corporate Governance	5,069	-	608		5,677
Strategic Director, Young People Education and Skills, Community Services and Grants	12,984	-	1,558		14,542
Director, Communications	11,151	-	1,338		12,489
<b>Total</b>	<b>29,204</b>	<b>-</b>	<b>3,504</b>		<b>32,708</b>

## Senior officers remuneration during 2016/17

Post Holder	Salary £	Compensation for Loss of Office £	Pension Contributions £	Remuneration £	Total £
Corporate Director – Services	13,503	10,101	1,596		25,200
Director – Corporate Governance	5,019	-	602		5,621
Strategic Director, Young People Education and Skills, Community Services and Grants	4,229	-	507		4,736
<b>Total</b>	<b>22,751</b>	<b>10,101</b>	<b>2,705</b>		<b>35,557</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

**19. Termination Benefits**

There were termination payments of £9,351 (2016/17 £10,000) included in the Comprehensive Income and Expenditure Statement for 2017/18.

**20. External Audit Costs**

The Committee incurred the following amounts in relation to the audit of the Statement of Accounts:

	2017/18 £000	2016/17 £000
Fees payable in respect of the audit of the Statement of Accounts:		
Fees payable to KPMG LLP	2	2
	2	2

**21. 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' and Grants Committees. The total value of income from subscriptions recognised in the Comprehensive Income and Expenditure Statement from member boroughs during 2017/18 was £7.579 million (2016/17: £8.578 million). The total value of the one-off payment to boroughs during 2017/18 was £156,000 (2016/17: £486,000). On 31 March 2018, the value of debtor balances owed by member boroughs was £96,000 (2016/17: Nil) and the value of creditor balances owed to member boroughs (including receipts in advance) was £512,000 (2016/17: £423,000).

**22. Grant Commitments**

The value of commitments in 2018/19 is £8.053 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.

**23. Consolidated Accounts**

These accounts form part of the consolidated accounts for London Councils. A copy of the consolidated accounts for 2017/18 can be obtained from the Director of Corporate Resources, 59½ Southwark Street, London, SE1 0AL.

**24. 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.

**GLOSSARY****Accounting Policies**

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

**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.

**GLOSSARY (continued)****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.

**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 accounts 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).

**GLOSSARY (continued)****Impairment**

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

**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 accounts. 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.