



**LONDON COUNCILS  
TRANSPORT AND ENVIRONMENT COMMITTEE**

**STATEMENT OF ACCOUNTS**

**YEAR ENDED 31 MARCH 2018**

## **LONDON COUNCILS - TRANSPORT AND ENVIRONMENT COMMITTEE**

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**NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS****REVIEW OF THE YEAR****Introduction**

London Councils Transport and Environment Committee (TEC) was formed on 1 April 2000 and first met on 20 June 2000. The responsibilities of TEC are as follows:

In the field of accessible transport, TEC is responsible for:

- negotiating and operating London's concessionary fares scheme for older and disabled people (Freedom Pass), giving free travel on London's TfL run services, such as Tube, bus and tram and most train services;
- operating the London Taxicard scheme, which provides subsidised taxi and private hire travel for people with mobility problems or who are severely visually impaired; and
- providing general, London-wide policies on accessible transport.

In the field of traffic and parking services, TEC brings together a number of functions, including:

- a statutory responsibility to set decriminalised traffic and parking penalties and other additional parking charges within London;
- a statutory responsibility to operate the Environment and Traffic Adjudicators (ETA) through London Tribunals (formerly PATAS), which allows individuals to appeal to an independent adjudicator over decriminalised environment, traffic and parking penalties and, under contract to the Greater London Authority (GLA), to provide the same service for the Road User Charging Adjudicators (RUCA);
- the operation of the Towing, Removal and Clamping Enforcement (TRACE) service, which provides 24 hour information on the recovery of towed-away vehicles;
- electronic link services between the London local authorities and the Traffic Enforcement Centre for the registration of traffic and parking enforcement debts;
- the operation of the Health Emergency Badge scheme, giving front line medical staff parking privileges when attending emergencies;
- general co-ordination of traffic and parking regulations and enforcement policies including the publication and maintenance of London-wide Codes of Practice;
- provision of advice and information on traffic and parking regulation and enforcement;
- operation and enforcement of the London Lorry Control Scheme, which controls use of residential roads by Heavy Goods Vehicles at night-time and weekends; and
- statutory responsibility under London Local Authorities Acts 2004 and 2007 for setting the level of a number of fixed penalties for some environmental, highways and public realm offences.

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

TEC also aims to ensure that London boroughs' concerns and best practice are taken fully into account in the development and implementation of the whole range of transport and environment policies – in particular those developed by Government departments and the Mayor of London. It deals with a wide array of policy issues including those relating to rail, tube, buses, roads, walking and cycling, waste management, climate change, local environmental quality, energy and fuel poverty, air quality and flood risk management. London Councils' Leaders' Committee and its Executive consider transport and environment policy matters of strategic importance and the TEC Chair liaises closely with the Portfolio Holder for Infrastructure.

**THE YEAR IN REVIEW****Mobility**

Around 1.2 million older and disabled London residents hold a Freedom Pass giving free travel on almost all London's public transport. London Councils is responsible for running the Freedom Pass scheme on behalf of the London local authorities.

On behalf of TEC during 2017/18 London Councils:

- Negotiated and agreed the Freedom Pass settlement for 2018/19 with Transport for London (TfL), successfully achieving an annual reduction in the settlement for the second year running;
- Negotiated and published the 2018/19 London Service Permit (LSP) Concessionary Scheme for Freedom Pass with local bus operators (non-TfL buses);
- Calculated and agreed the apportionment of 2018/19 Freedom Pass costs to boroughs;
- Undertaken the renewal of approximately 56,000 Freedom Passes which expired in March 2018 and a mid-term review of eligibility of pass holders with cards expiring in March 2020; and
- Negotiated and agreed a £150K refund from the Rail Delivery Group as compensation for the Southern Rail service disruption.

On behalf of the boroughs, London Councils runs the Taxicard service to approximately 62,000 people with severe mobility and visual impairments, offering subsidised taxi and private hire vehicle journeys.

On behalf of TEC during 2017/18, London Councils has:

- Successfully negotiated and agreed to maintain TfL funding for Taxicard at current levels plus inflation for 2018/19 in the face of significant budgetary pressures and proposed funding cuts; and
- Re-tendered the Taxicard delivery contract, working in partnership with TfL to jointly procure Taxi and private hire vehicle services for both Taxicard and Dial-a-Ride. The new contract, beginning in October 2018, will reflect the results of a consultation undertaken last year with all Taxicard members and which suggested a number of improvements to the service.

**Parking and Traffic**

The London Lorry Control Scheme continued to provide environmental benefits, particularly protection for residents' quality of sleep by controlling the movement of Heavy Goods Vehicles (HGVs) on residential roads at night-time and at the weekend. Improvements to administrative and enforcement processes has helped see further efficiencies in the running of the service, ensuring the scheme continues to be operated at no cost to the boroughs.

In 2017/18 on behalf of TEC, London Councils has:

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

- Continued to manage the London Lorry Control Scheme, issuing permits and enforcing to ensure compliance;
- Completed the most significant review of the London Lorry Control Scheme since its commencement over 30 years ago and agreed a series of recommendations with TEC; and
- Completed the implementation of a new back office case management computer system and website, which has involved the development of many system improvements and efficiencies.

More broadly, London Councils has helped deliver effective and consistent traffic and parking policies and operations in London on behalf of TEC during 2017/18:

- Provided day-to-day advice and support to boroughs on a range of traffic and parking policy and enforcement issues and hosted a number of forums for front line providers;
- Represented borough interests at the following groups and forums:
  - London Freight Forum and Freight Forum Steering Group
  - London Technical Advisors Group (LoTAG) Transport
  - NESTA's Flying High Challenge
  - TfL's Lane Rental Governance Committee
  - Local Authority Partnership
  - BPA Council and Local Authority Special Interest Group
  - London Tourist Coach Action Plan Group
  - London Automotive Forum
  - TfL's Direct Vision Standard Project Board
  - Urban Freight Working Group;
- Reviewed and updated the parking contravention codes list;
- Competed and published a revised Parking Code of Practice;
- Worked with the BPA, helped launch the 'Positive Parking Agenda' to improve public awareness of the benefits of effective parking management in making the capital's roads safer, more accessible and cleaner;
- Commissioned independent research to identify the range of benefits achieved through parking management backed up with quantitative and qualitative evidence;
- Provided debt registration services with the Traffic Enforcement Centre for the majority of London boroughs;
- Agreed the apportionment of traffic signal and control equipment maintenance costs to boroughs;
- Worked with the BPA to progress the development of international open parking data standards; and
- Collated, analysed and published London-wide traffic and parking enforcement and appeals statistics.

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

The TRACE service provides information on the whereabouts of towed vehicles to thousands of motorists across London. On behalf of TEC London Councils continues to manage and operate the TRACE service, seeing a significant take up of the online portal rather than use the telephone service.

London Councils also continue to operate the London Health Emergency Badge scheme, issuing parking waivers to eligible health workers to use in emergency situations.

**London Tribunals**

On behalf of TEC, in 2017/18 London Councils has:

- Continued to provide the administrative support and infrastructure to the Environment and Traffic Adjudicators and Road User Charging Adjudicators to enable them to fulfil their statutory duties in relation to approximately 50,000 appeals;
- Ensured the RUCA tribunal was ready to receive appeals in relation to the new Toxicity Charge introduced by TfL in October 2017; and
- Continued a move to more online digital service provision, introduced a new streamlined process for dealing with Statutory Declarations and Witnesses Statements.

**The London European Partnership for Transport (LEPT)**

The London European Partnership for Transport (LEPT) helps boroughs access European funding for transport projects. In 2017/18 we have:

- Continued to monitor European funding and knowledge exchange opportunities, and briefed boroughs accordingly;
- Secured TfL funding up to the end of March 2019;
- Coordinated a second stage bid on digital personalised travel planning, entitled PTP-Commute, under the Horizon 2020 call for proposals;
- Attended EU workgroups, seminars and conferences on a wide variety of sustainable transport issues; and
- Commenced a review of the LEPT service in light of the emerging implications of Brexit.

**Transport and Environment Policy**

The Committee considered and progressed a range of significant policy issues for the boroughs, including:

- Progressed the GULCS (Go Ultra Low City Scheme) project:
  - Generated expression of interest from 25 boroughs to take part in the first phase of electric vehicle charge point delivery;
  - Nine Neighbourhoods of the Future have now accessed GULCS funding and starting to deliver innovative schemes to improve the roll out of electric vehicles in London;
  - Continued to work with car clubs to install charging infrastructure in car club bays; and

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

- Continued to work with TfL to deliver on the rapid charging programme;
- Influenced and then formally responded to two of the main Mayoral strategies; the Mayors Transport Strategy and London Environment Strategy;
- Liaised with the Mayor, Deputy Mayor for Transport and the TfL Commissioner after LIP funding cuts were announced, including a members briefing session with Val Shawcross;
- Obtained additional LIP funding of £11.6 million as well as secured the following commitments;
  - The Deputy Mayor to have individual discussions with each authority to discuss the impact of LIP funding reduction in their areas;
  - TfL confirmed that there would not be any in-year (2017/18) cuts;
  - Reinstatement of the Local Transport Fund of £100k;
  - Reinstatement of the training budget for boroughs, £300k overall; and
  - LIP guidance will be re-written;
- In conjunction with TfL jointly wrote the guidance and associated documents for Local Implementation Plans (LIPs);
- Responded to a number of consultations and enquiries from the Mayor, London Assembly, Government, National Infrastructure Commission and Thames Water ranging from air quality, the Ultra Low Emission Zone, the draft National Infrastructure Assessment, deposit return scheme, London's cycling infrastructure, Mayoral CIL, to Thames Water Business Plan and TfL's bus consultations;
- Published the 'Demystifying Air Pollution' report online;
- Undertook second year of air quality polling with results being reported in national press outlets; and
- Re-established joint working arrangements with the Thames Regional Flood and Coastal Committee (Thames RFCC) and its new chair and ensured the new Thames Flood Advisers are settled and support boroughs with the implementation of significant flood alleviation schemes.

Additionally, we:

- Contributed to London Councils wider responses to the Government's Industrial Strategy, the Mayor's London Plan and Housing Strategy;
- Organised a joint business event with London First and National Infrastructure Commission to discuss London's strategic infrastructure requirements;

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

- Briefed Peers and MPs on issues important to London, such as air quality, strategic transport investment and electric charging infrastructure;
- Wrote to Ministers and the Secretary of State for Transport on behalf of London councils to:
  - Raise serious concerns in relation to the handling of the south eastern franchise;
  - Discuss major transport schemes that are required for the wider South East;
  - Highlight the difficulties in achieving housing delivery; and
  - Provide a policy context for lower recycling rates in London compared to the rest of the country.

TEC oversaw the production of a wide range of member briefings across the full range of transport and environment policy TEC covers.

**Looking forward to 2017/18**

On behalf of TEC, London Councils will:

- Engage effectively with the GLA Family to increase borough influence on the implementation of regional strategies, particularly the Mayor's Transport Strategy, Mayor's Environmental Strategy and London Plan;
- Ensure that London Councils TEC takes a leading role in the roll out by boroughs of transport initiatives, such as Electric Vehicle Charging (including rapid), Dockless Bicycles, Smart Mobility, demand responsive initiatives, car clubs and Healthy Streets to ensure borough's interests are maintained;
- Engage with TfL to ensure that the implementation of the new set of LIP Guidance is as collaborative in nature as was intended with the re-write;
- Engage with TfL's Business Planning processes early and effectively to ensure boroughs roles and responsibilities are adequately reflected;
- Strengthening the sub-regional partnerships by continuing to engage with boroughs and helping them to collaborate more effectively on sub-regional schemes, such as cycle ways and bus routes to ensure the best transport outcome for Londoners is achieved;
- Support boroughs to play a proactive role in tackling poor air quality and its health impacts in London, including through lobbying government and the Mayor; ensuring that boroughs are seen to be taking a lead, and are able to efficiently fulfil statutory requirements for monitoring, action planning and reporting on air quality;



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

- Take part in Clean Air Day and undertaking the annual public polling on air quality issues;
- Influence Government's Resource and Waste Strategy and the revised Packaging Recovery system, ensuring an adherence to the waste strategy and no financial penalties for Local Authorities; and
- Work closely with LWARB and LEDNet to improve recycling rates and reduce littering and fly-tipping in London.

The Freedom Pass team will:

- Negotiate the Freedom Pass annual settlements with TfL and other bus operators;
- Calculate and agree the apportionment of Freedom Pass costs to boroughs;
- Consider and agree the implications of the opening of the Elizabeth line in terms of costs and acceptance of passes outside of London;
- Consider the implications of the introduction of Demand Responsive Transport services;
- Complete the mid-term review of passholders issued with 2020 passes to check continued eligibility for the scheme and avoid costs;
- Consider the business case for more frequent eligibility reviews to reduce fraudulent use and costs;
- Continue to review customer service provision to consider options for more channel shift towards digital and online services;
- Complete three National Fraud Initiative reviews to cancel deceased members' cards to prevent fraudulent use by others (an increase from two completed in previous years);
- Plan for the renewal of approximately 54K 2019 expiry passes;
- Launch an online portal for disabled person Freedom Pass applications; and
- Introduce the agreed increase from £10 to £12 lost and damaged pass replacement fee.

The Taxicard team will:

- Seek a longer term funding agreement with TfL;
- Start the new contract with the Taxi service supplier, introducing service improvements for card holders;
- Develop further co-ordination of Taxicard and Dial-a-ride schemes with TfL, including joint performance monitoring and reporting, complaints handling, application processing, and a single on-line portal;

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

- Develop and implement a new online Taxicard application portal and process, with a more consistent approach across all boroughs and maximising the efficiencies through greater data sharing;
- Conduct a review of the Taxicard eligibility criteria;
- Continue to improve and enhance customer care;
- Complete regular reviews of usage, cancelling cards following 2 Years of inactivity; and
- Continue to work with TfL on their Assisted Travel Budget pilot schemes, consider and agree funding implications for Taxicard.

For the London Lorry Control Scheme, we will:

- Continue to implement the review recommendations, including:
  - production of a detailed action Plan;
  - a comprehensive signing review;
  - review and amendment of the Excluded Route Network (ERN);
  - development and implementation of a Communications Strategy and Plan;
  - improvements to scheme monitoring, involving traffic as well as enforcement data;
  - conduct ANPR enforcement pilot;
  - research potential changes to weight limit/hours and exemptions; and
  - feasibility of a Mapping/routing tool.
- Review and amend the scheme traffic order to bring Barnet back into the scheme (subject to 'Barnet's agreement) and integrate with the proposed TfL Direct Vision Standard Scheme;
- Seek to reintroduce London-wide Enforcement, subject to agreement from Hillingdon, Redbridge and Havering;
- Utilise new data base management system to improve performance monitoring and reporting;
- Retender or extend enforcement contract;
- Complete enforcement contract review to produce new specification in light of review recommendations; and
- Review and retender bailiff contracts alongside enforcement contract.

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

On traffic and parking policies and operations, we will:

- Continue to provide highly valued advice and support to boroughs and represent their interests at relevant forums and meetings;
- Hold Traffic Control Liaison Committee meetings between TfL and boroughs as necessary, to review the formula for apportioning borough traffic signal costs and ensure boroughs are informed early of the apportionment amounts before agreement by TEC;
- Review and update the parking contravention codes list as necessary;
- Continue to provide debt registration services with the Traffic Enforcement Centre for the majority of London boroughs;
- React quickly to any new policy or legislative proposals, ensuring that boroughs are consulted and proactively lobby for change where necessary;
- Collate, analyse and publish London-wide enforcement and appeals statistics;
- Continue to work with the BPA and DfT regarding consistent open parking data standards and reform of TROs;
- Publish a Borough CCTV enforcement Code of Practice;
- Update the Civil enforcement Officer Handbook;
- Continue to support the Positive Parking Agenda, including the completion and publication of research into the benefits of parking management in London and the launch of a positive parking communications campaign;
- Develop and issue Red Route policy advice to boroughs;
- Review policy advice on the use of bus lanes by Ambulances and Immigration Services;
- Liaise with boroughs to consider the wider roll out of Lane Rental to better manage street works on the most important borough road networks;
- Continue to work with TfL on their Direct Vision Standard project; and
- Continue to work with TfL and NESTA on the London Flying High project.

The Health Emergency Badge scheme will be reviewed, to ensure the service is delivered as effectively and efficiently as possible. This will include consideration of: fraud and misuse; application processing and eligibility criteria; permits (virtual vs physical); costs and potential efficiencies; technological applications; communications and promotion; and integration with wider schemes (e.g. car clubs).

Take up of the online TRACE facility will continue to be monitored and promoted, as well as promoting electronic real time data transfer with all authority pounds where appropriate.

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

In 2018/19 the LEPT service will:

- Continue to monitor European funding and knowledge exchange opportunities, and briefing Boroughs accordingly;
- Lead further bids on behalf of Boroughs, where resources allow, and finding appropriate bidding consortia for Boroughs;
- Complete a review of the future of LEPT in light of Brexit, involving borough consultation;
- Provide promotional services for boroughs and raise awareness of London best practice and current EU transport projects;
- Represent London boroughs on the POLIS management committee;
- Continue to harness the benefits of the POLIS network and other European forums (e.g. CIVITAS, ECF, ELTIS, Velo-City, EPOMM) developing stakeholder contacts for use in bidding consortia and best practice provision to boroughs; and
- Attend sub regional partnership panels and meetings in order to analyse borough and sub-regional priorities and link with EU project, best practice and funding opportunities.

The London Tribunals support service team will continue to provide the administrative support and infrastructure to the Environment and Traffic Adjudicators and Road User Charging Adjudicators. We will monitor and review systems and processes, implementing improvements and enhancements where necessary and providing training and support accordingly; and promote greater levels of channel shift to fully electronic online appeals.

The following cross-cutting priorities will apply to all TEC services in the current year:

- a focus on data protection, including a review all services and data assets in light of the new General Data Protection Regulation (GDPR) coming into force on 25 May 2018.
- a focus on better use and sharing of data to achieve service enhancements and efficiencies.
- a focus on customer service excellence, including continual review and improvement of all public facing services.

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

## Financial Review

The Director of Corporate Resources has pleasure in presenting the accounts for 2017/18. The accounts consist of the following:

- Statement of Responsibilities for the Statement of Accounts (page 14)
- Expenditure and Funding Analysis (page 24)
- Comprehensive Income and Expenditure Statement (page 25);
- Movement in Reserves Statement (page 26);
- Balance Sheet (page 27);
- Cash Flow Statement (page 28); and
- Notes to the Accounts (page 29 - 55).

## Revenue expenditure

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

	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variation £000</b>
Expenditure	45,343	44,977	(366)
Income	(44,488)	(45,676)	(1,188)
Interest income and expenditure	-	236	236
<b>Deficit/(Surplus) for the year</b>	<b>855</b>	<b>(463)</b>	<b>(1,318)</b>
Transfer from/to Reserves	(855)	(1,111)	(256)
<b>Surplus for the year including transfer from reserves</b>	<b>-</b>	<b>(1,574)</b>	<b>(1,574)</b>

A surplus on revenue activities of £463,000 has been posted for 2017/18 which, after a net transfer of £1.111 million from reserves has led to an overall surplus after net transfers from reserves of £1.574 million. The surplus is due to:

- **Freedom Pass non-TfL bus services (-£478,000)**

In December 2016, TEC approved a budgetary provision of £1.7 million for 2017/18 to cover the cost of payments to non-TfL bus operators under the national concessionary fares scheme, the overall cost of which is demand led by eligible bus users. Claims from operators amounting to £1.213 million have been received and accepted for 2017/18, which has led to an underspend of £478,000, or 28%. This is broadly attributable to a 5.7% overestimate of the increase on the 2016/17 cost base, a 10.4% fall in journey volumes and 4% attributable to reimbursement agreements with new operators that took over the services from the existing operators, the terms of which were more favourable to London Councils. There was also a 7.9% reduction in the projected average trip fare of £3.90 to an actual unit fare of £3.59.

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

- **Net Freedom Pass survey and issue costs (-£377,000)**

The budget for the pass survey and issue processes for the year was £1.518 million. This budget covers the issuing of Freedom Passes to new applicants and for the replacement of passes which are lost, stolen or faulty. For 2017/18, it also covered the cost of the mid-term review of pass eligibility. Total expenditure for 2017/18 is £1.296 million, of which £187,000 was spent on the mid-term review, leading to an underspend of £222,000. In addition, a sum of £777,000 was collected during 2017/18 in respect of replacement Freedom Passes, £177,000 in excess of the £600,000 budgetary provision, which reduces by £22,000 to £155,000 once bank charges are taken into account. In net terms, therefore, there was a surplus of £377,000, which, in accordance with approved TEC practice, will be transferred from the provisional surplus to the specific reserve created to fund the full 2020 freedom pass renewal process.

- **Net position on parking appeals (-£284,000)**

There is a net surplus of £284,000 in respect of environmental and traffic appeals. The number of appeals and statutory declarations represented by corresponding financial transactions posted in the accounts during the year was 42,557 against a budget of 40,586, generating income of £1.366 million, £171,000 more than the budget estimate of £1.195 million. In addition, there is an underspend of £147,000 in adjudicators costs, offset by additional contractor costs of £34,000. The throughput of appeals was 3.66 appeals per hour, compared to a budget figure of 2.76 and an actual figure of 2.5 appeals per hour for 2016/17.

- **London Tribunals Administration (-£172,000)**

The appeals Hearing Centre underspent the budget of £2.769 million by £172,000. There was a provisional underspend on ETA operations of £227,000, spread across salaries (£15,000), premises costs (£83,000), legal costs (£26,000) plus savings of £103,000 in respect of general office running costs and contract costs. Additional costs apportioned to RUCA operations, due to the increased proportion of RUCA appeals during 2017/18 amounted to £55,000 and is fully rechargeable to TfL/GLA.

- **Lorry Control Administration/PCN income (-£360,000)**

The administration of the London Lorry Control Scheme underspent the budget of £709,000 by £50,000. This is attributable to underspends on salary costs of £2,000, offset by additional premises costs of £5,000, additional central recharges of £21,000, additional general office costs of £5,000 and additional contract payments of £9,000. These overspends were offset by an underspend of £86,000 in respect of the review of LLC Scheme. At its meeting in July, the TEC Executive Sub-Committee was asked to approve the carry forward of the underspend on the review of the LLC Scheme of £86,000 into 2018/19. Much of the progress with the review recommended actions to be deferred until after the local elections. The signing review and trial of ANPR camera enforcement is now planned for this summer.

However, there was a significant overachievement in the collection of PCN income of £310,000 above the budgetary provision of £800,000, due to continued effective performance of the outsourced enforcement function meaning that transaction volumes continue to increase, leading to higher levels of debt actually being raised and collected. In addition, the continued development of the computer management system allows outstanding debt to be registered at the Court more quickly. Of the £1.194 million income due for the year, £105,000 has yet to be collected and has been registered with the County Court. A bad debt provision of £84,000 has been established in respect of this outstanding amount, in accordance with usual accounting practice. This is a reduction of £53,000 on the bad debt provision of £137,000 as at 31 March 2017, so the net surplus income increases to £363,000 for the year.

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

- Residual variances of +£97,000.

**Budget for 2018/19**

On 7 December 2017, the full TEC Committee approved a total expenditure budget for 2018/19 of £45.458 million, exclusive of the borough payment of £322.924 million to Transport for London (TfL) in respect of Concessionary Fares. Total income sources were estimated to be £45.458 million.

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 Director of Corporate Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

**The Director of Corporate Resources' Responsibilities**

The Director of Corporate Resources is responsible for the preparation of the 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 Director of Corporate Resources 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.



F Smith CPFA  
Director of Corporate Resources

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. E. 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 TRANSPORT AND ENVIRONMENT COMMITTEE****Opinion**

We have audited the financial statements of London Councils Transport and Environment 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 Director of Corporate Resources 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.

**Director of Corporate Resources' responsibilities**

As explained more fully in the statement set out on page 14, the Director of Corporate Resources 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.



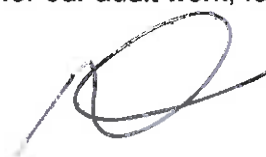
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON COUNCILS TRANSPORT AND ENVIRONMENT COMMITTEE (continued)****Auditor's responsibilities**

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>						
Freedom Pass and Taxicard services	(1,091)	142	(949)	(1,059)	39	(1,020)
Direct Services	(1,501)	194	(1,307)	(854)	51	(803)
One off Payment to Boroughs	340	-	340	340	-	340
<b>Cost of Services</b>	<b>(2,252)</b>	<b>336</b>	<b>(1,916)</b>	<b>(1,573)</b>	<b>90</b>	<b>(1,483)</b>
Other Operating Expenditure	1,176	41	1,217	768	45	813
Financing and investment income and expenditure	(20)	256	236	(1)	249	248
<b>Surplus on Provision of Services</b>	<b>(1,096)</b>	<b>633</b>	<b>(463)</b>	<b>(806)</b>	<b>384</b>	<b>(422)</b>
Opening Usable Reserve Balance	(5,075)			(4,269)		
Surplus or Deficit	(1,096)			(806)		
<b>Closing Usable Reserve Balance</b>	<b>(6,171)</b>			<b>(5,075)</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>							
Freedom Pass and Taxicard services		33,858	(34,807)	(949)	33,511	(34,531)	(1,020)
Direct Services		9,215	(10,522)	(1,307)	9,201	(10,004)	(803)
One off Payment to Boroughs		340	-	340	340	-	340
<b>Cost of Services</b>		<b>43,413</b>	<b>(45,329)</b>	<b>(1,916)</b>	<b>43,052</b>	<b>(44,535)</b>	<b>(1,483)</b>
Other Operating Expenditure	7	1,564	(347)	1,217	1,054	(241)	813
Financing and investment income and expenditure	8	256	(20)	236	249	(1)	248
<b>Surplus on Provision of Services</b>		<b>45,233</b>	<b>(45,696)</b>	<b>(463)</b>	<b>44,355</b>	<b>(44,777)</b>	<b>(422)</b>
Re-measurement of the net defined liability	9			(732)			1,510
<b>Other Comprehensive Income and Expenditure</b>				<b>(732)</b>			<b>1,510</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(1,195)</b>			<b>1,088</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.

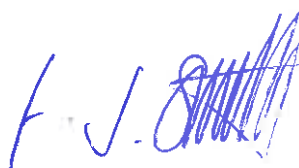
	2017/18			2016/17		
	Usable Reserves £000	Unusable Reserves £000	Total Committee Reserves £000	Usable Reserves £000	Unusable Reserves £000	Total Committee Reserves £000
<b>Balance at 1 April</b>	<b>5,075</b>	<b>(8,749)</b>	<b>(3,674)</b>	<b>4,269</b>	<b>(6,855)</b>	<b>(2,586)</b>
Total Comprehensive Income and Expenditure	463	732	1,195	422	(1,510)	(1,088)
Adjustments between accounting basis and funding basis under regulations (note 6)	633	(633)	-	384	(384)	-
<b>Increase/(Decrease)</b>	<b>1,096</b>	<b>99</b>	<b>1,195</b>	<b>806</b>	<b>(1,894)</b>	<b>(1,088)</b>
<b>Balance at 31 March</b>	<b>6,171</b>	<b>(8,650)</b>	<b>(2,479)</b>	<b>5,075</b>	<b>(8,749)</b>	<b>(3,674)</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.

		31 March 2018	31 March 2017
	Notes	£000	£000
Property, Plant and Equipment	10	720	827
<b>Long Term Assets</b>		<b>720</b>	<b>827</b>
Short Term Debtors	11	4,973	3,716
Cash and Cash Equivalents	12	3,798	4,221
<b>Current Assets</b>		<b>8,771</b>	<b>7,937</b>
Short Term Creditors	14	(3,357)	(3,723)
<b>Current liabilities</b>		<b>(3,357)</b>	<b>(3,723)</b>
Other Long Term Liabilities	9	(8,613)	(8,715)
<b>Long Term Liabilities</b>		<b>(8,613)</b>	<b>(8,715)</b>
<b>Net Liabilities</b>		<b>(2,479)</b>	<b>(3,674)</b>
Usable Reserves	15	6,171	5,075
Unusable Reserves	17	(8,650)	(8,749)
<b>Total Reserves</b>		<b>(2,479)</b>	<b>(3,674)</b>

The notes on pages 29 to 55 form part of the accounts.



F Smith CPFA  
Director of Corporate Resources

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 £000</b>	<b>2016/17 £000</b>
Net surplus on the provision of services	463	422
Adjustments to net surplus on the provision of services for non-cash movements	(886)	263
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	(20)	(1)
<b>Net cash flows from Operating Activities (note 18)</b>	<b>(443)</b>	<b>684</b>
Investing Activities (note 19)	20	(5)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(423)</b>	<b>679</b>
<b>Cash and cash equivalents at 1 April</b>	<b>4,221</b>	<b>3,542</b>
<b>Cash and cash equivalents at 31 March</b>	<b>3,798</b>	<b>4,221</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 actual expenditure.

**d Cash and Cash Equivalents**

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

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



## 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****Defined Benefit Pension Scheme**

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

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

**1. Accounting Policies (continued)**

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

- The liabilities of the pension fund attributable to the Committee are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, projected earnings of current employees etc.
- Liabilities are discounted to their value at current prices using, a discount rate of 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 six components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement;
  - Net interest on the net defined benefit liability (asset), ie net interest expense for the Committee – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;
  - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
  - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

**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.

**Defined Contribution Pension Scheme**

The Committee operates a defined contribution pension scheme for tribunal adjudicators who are classed as workers under auto enrolment legislation but are not entitled to join the Local Government Pension Scheme. A defined contribution scheme is a pension plan under which the Committee pays contributions to a separate pension provider. Once the contributions have been paid the Committee has no further payment obligations. The value of contributions are based on a percentage of the fees paid to adjudicators as set out in the relevant auto enrolment legislation. The contributions recognised as an expense when they are due. Amounts owed at the end of a financial year are recognised as accruals in the accounts. The assets of the scheme are held separately from the Committee in independently administered funds.

**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.

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

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

**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.

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

## 1. Accounting Policies (continued)

## l Leases

**Finance leases**

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

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

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

**Operating leases**

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

m **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.

n **Property, Plant and Equipment**

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

Assets are initially measured at cost, comprising:

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

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

**1. Accounting Policies (continued)**

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.

**o Reserves**

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

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

**p 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 2018/19 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 critical judgement made in the Statement of Accounts are:

**Government Funding**

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

**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 £519,000. However, the assumptions interact in complex ways. During 2016/17, Barnett Waddingham LLP advised that the net pensions liability had increased by £808,000 as a result of a change in financial assumptions.

**Property, Plant and Equipment**

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

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Leasehold Improvements would increase by £15,000 for every year that useful lives had to be reduced.

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

The Statement of Accounts was 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>
Freedom Pass and Taxicard services	145	(3)	142
Direct Services	189	5	194
One off Payment to Boroughs	-	-	-
<b>Net Cost of Services</b>	<b>334</b>	<b>2</b>	<b>336</b>
Other Operating Expenditure	40	1	41
Financing and investment income and expenditure	256	-	256
<b>Difference between General Reserve and Comprehensive Income and Expenditure Statements Surplus on Provision of Services</b>	<b>630</b>	<b>3</b>	<b>633</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:

<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>
Freedom Pass and Taxicard services	37	2	39
Direct Services	52	(1)	51
One off Payment to Boroughs	-	-	-
<b>Net Cost of Services</b>	<b>89</b>	<b>1</b>	<b>90</b>
Other Operating Expenditure	44	1	45
Financing and investment income and expenditure	249	-	249
<b>Difference between General Reserve and Comprehensive Income and Expenditure Statements Surplus on Provision of Services</b>	<b>382</b>	<b>2</b>	<b>384</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:

- **Freedom Pass and Taxicard services/Direct Services/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

	<b>2017/18 £000</b>	<b>2016/17 £000</b>
Staff costs	1,125	827
Premises costs	86	89
Other running costs	353	138
<b>Total</b>	<b>1,564</b>	<b>1,054</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	(20)	(1)
Net Loss on Pension Scheme Assets/Liabilities (see note 9)	256	249
<b>Total</b>	<b>236</b>	<b>248</b>

## 9. Pensions

**Defined Benefit Scheme**

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.

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)****9. Pensions (continued)**

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

- **Investment risk.** The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- **Interest rate risk.** The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount 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.
- **Longevity risk.** In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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

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

The LPFA, as administering authority, provided Barnett Waddingham LLP, an independent firm of qualified actuaries with scheme membership information as at 31 March 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' IAS19 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.

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

## 9. Pensions (continued)

**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.

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 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.

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

## 9. Pensions (continued)

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;
- 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 Transport and Environment Committee at 31 March 2018:

	At 31 March 2018		At 31 March 2017	
	£000	%	£000	%
Equities	9,906	61%	8,690	59%
Target return portfolio	3,631	22%	3,099	21%
Infrastructure	709	4%	772	5%
Property	1,166	7%	748	5%
Cash	789	5%	1,357	9%
	<b>16,201</b>	<b>100%</b>	<b>14,666</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	16,201	14,666
Present value of scheme liabilities	(24,791)	(23,358)
<b>Net Liability</b>	<b>(8,590)</b>	<b>(8,692)</b>
Present value of unfunded liabilities	(23)	(23)
<b>Net Liability in Balance Sheet</b>	<b>(8,613)</b>	<b>(8,715)</b>

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

## 9. Pensions (continued)

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	540	365
Net interest on the defined liability	255	249
Administration expenses	20	15
<b>Total</b>	<b>815</b>	<b>629</b>

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>(23,381)</b>	<b>(19,017)</b>
Current service cost	(540)	(365)
Interest cost	(688)	(704)
Change in financial assumptions	808	(4,863)
Change in demographic assumptions	-	146
Experience gain on defined benefit obligation	-	824
Estimated benefits paid net of transfers	460	357
Contributions by scheme participants	(123)	(125)
Unfunded pension payments	1	1
Adjustment arising from apportionment of pension liability	(1,351)	365
<b>Closing Defined Benefit Obligation</b>	<b>(24,814)</b>	<b>(23,381)</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>14,666</b>	<b>12,194</b>
Interest on assets	432	455
Return on assets less interest	428	2,004
Other actuarial gains	-	249
Administration expenses	(20)	(15)
Contributions by employer	186	247
Contributions by scheme participants	123	125
Estimated benefits paid plus unfunded net of transfers in	(461)	(358)
Adjustment arising from apportionment of pension liability	847	(235)
<b>Closing Fair Value of Employer's Assets</b>	<b>16,201</b>	<b>14,666</b>

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

## 9. Pensions (continued)

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.

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	24,295	24,814	25,344
Projected service cost	504	516	529
<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	24,858	24,814	24,769
Projected service cost	516	516	516
<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	25,300	24,814	24,337
Projected service cost	529	516	504
<b>Adjustment to Mortality Age Rating Assumption</b>	<b>+1 year</b>	<b>None</b>	<b>-1 year</b>
Present value of total obligation	25,704	24,814	23,955
Projected service cost	533	516	500

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 in excess of interest	428	2,004
Other actuarial gains on assets	-	249
Change in financial assumptions	808	(4,863)
Change in demographic assumptions	-	146
Experience gain on defined benefit obligation	-	824
Adjustment arising from apportionment of pension liability	(504)	130
<b>Re-measurements</b>	<b>732</b>	<b>(1,510)</b>

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

## 9. Pensions (continued)

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

	31 March 2019
	£000
Service cost	516
Net interest on the defined liability	217
Administration expenses	21
<b>Total</b>	<b>754</b>
Employers contribution	182

## Defined Contribution Scheme

The Committee provides a defined contribution scheme to adjudicators who are classed as workers under auto enrolment legislation but are not entitled to join the Local Government Pension Scheme. The scheme is operated by Smart Pension and the amount recognised as an expense is as follows:

	2017/18	2016/17
	£000	£000
Current period contributions	7	-

## 10. Property, Plant and Equipment

	Furniture and Equipment £000	Leasehold Improvements £000	Total £000
<b>Cost</b>			
At 1 April 2017	20	930	950
Additions	-	-	-
Disposals	-	-	-
<b>At 31 March 2018</b>	<b>20</b>	<b>930</b>	<b>950</b>
At 1 April 2017	5	118	123
Charge for the year	6	101	107
Charge relating to Disposals	-	-	-
<b>At 31 March 2018</b>	<b>11</b>	<b>219</b>	<b>230</b>
<b>Net Book Value</b>			
<b>At 31 March 2018</b>	<b>9</b>	<b>711</b>	<b>720</b>
<b>At 31 March 2017</b>	<b>15</b>	<b>812</b>	<b>827</b>



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

## 10. Property, Plant and Equipment (continued)

Comparative movements in 2016/17:

	<b>Furniture and Equipment £000</b>	<b>Leasehold Improvements £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 April 2016	17	927	944
Additions	3	3	6
Disposals	-	-	-
<b>At 31 March 2017</b>	<b>20</b>	<b>930</b>	<b>950</b>
At 1 April 2016	-	17	17
Charge for the year	5	101	106
Charge relating to Disposals	-	-	-
<b>At 31 March 2017</b>	<b>5</b>	<b>118</b>	<b>123</b>
<b>Net Book Value</b>			
<b>At 31 March 2017</b>	<b>15</b>	<b>812</b>	<b>827</b>
<b>At 31 March 2016</b>	<b>17</b>	<b>910</b>	<b>927</b>

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

## 11. Short Term Debtors

	<b>31 March 2018 £000</b>	<b>31 March 2017 £000</b>
Central government bodies	617	542
Other local authorities	2,134	2,557
Public corporations and trading funds	2,103	455
Other entities and individuals	119	162
<b>Total</b>	<b>4,973</b>	<b>3,716</b>

Included within the debtor balances above are amounts due from member boroughs (excluding payments in advance and bad debt provision) of £2.134 million (2016/17: £2.557 million), payments in advance of £165,000 (2016/17: £379,000), a bad debt provision of £86,000 (2016/17: £139,000) and other debtors of £2.76 million (2016/17: £919,000).

## 12. Cash and Cash Equivalents

	<b>31 March 2018 £000</b>	<b>31 March 2017 £000</b>
Cash held by the Committee	60	1,731
Cash balances held by the City of London	3,738	2,490
<b>Total</b>	<b>3,798</b>	<b>4,221</b>

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

## 13. Leases

## Operating Leases

The Committee uses leased properties under the terms of operating leases. The amounts paid under these arrangements during the year amounted to £260,000 (2016/17: £260,000) and are included in Premises costs in the Comprehensive Income and Expenditure Statement.

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

	31 March 2018	31 March 2017
	£000	£000
Not later than one year	297	246
Later than one year and not later than five years	1,187	1,187
Later than five years	592	888
<b>Total</b>	<b>2,076</b>	<b>2,321</b>

## 14. Short Term Creditors

	31 March 2018	31 March 2017
	£000	£000
Central government bodies	(17)	(1)
Other local authorities	(1,761)	(1,794)
Public corporations and trading funds	(42)	(391)
Other entities and individuals	(1,537)	(1,537)
<b>Total</b>	<b>(3,357)</b>	<b>(3,723)</b>

Included within the creditor balances above are amounts due to member boroughs (excluding receipts in advance) of £1.158 million (2016/17: £1.075 million), receipts in advance of £98,000 (2016/17: £250,000), accruals of £1.477 million (2016/17: £2.201 million) and other creditors of £624,000 (2016/17: £197,000).

## 15. Usable Reserves

	31 March 2018	31 March 2017
	£000	£000
General Reserve	3,060	3,341
2020 Freedom Pass Re-issue Reserve	3,111	1,734
<b>Total</b>	<b>6,171</b>	<b>5,075</b>

## 16. Transfers to Specific Reserves

Transfers to the Specific Reserves during the year ended 31 March 2018:

	Balance at 1 April 2017 £000	Transfer out £000	Transfer In £000	Balance at 31 March 2018 £000
2020 Freedom Pass Re-issue Reserve	1,734	-	1,377	3,111
<b>Total</b>	<b>1,734</b>	<b>-</b>	<b>1,377</b>	<b>3,111</b>

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

## 16. Transfers (from)/to Specific Reserves (continued)

Transfers to the Specific Reserves during the year ended 31 March 2017.

	Balance at 1 April 2016 £000	Transfer out £000	Transfer In £000	Balance at 31 March 2017 £000
2020 Freedom Pass Re-issue Reserve	1,000	-	734	1,734
<b>Total</b>	<b>1,000</b>	<b>-</b>	<b>734</b>	<b>1,734</b>

The 2020 Freedom Pass Re-issue Reserves was established by the Committee on 11 December 2014 to accumulate funds to meet the cost of the Freedom Pass reissue exercise.

## 17. Unusable Reserves

	31 March 2018 £000	31 March 2017 £000
Pensions Reserve	(8,613)	(8,715)
Accumulated Absences Reserve	(37)	(34)
<b>Total</b>	<b>(8,650)</b>	<b>(8,749)</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)

## 17. Unusable Reserves (continued)

	2017/18 £000	£000	2016/17 £000	£000
<b>Balance at 1 April</b>		<b>(8,715)</b>		<b>(6,823)</b>
Actuarial gains or losses on pension assets and liabilities		732		(1,510)
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	(816)		(629)	
Employer's pensions contribution and direct payments to pensioners payable in the year	186	(630)	247	(382)
<b>Balance at 31 March</b>		<b>(8,613)</b>		<b>(8,715)</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 £000	£000	2016/17 £000	£000
<b>Balance at 1 April</b>		<b>(34)</b>		<b>(32)</b>
Settlement or cancellation of accrual made at the end of the preceding year	34		32	
Amounts accrued at the end of the current year	(37)		(34)	
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		(3)		(2)
<b>Balance at 31 March</b>		<b>(37)</b>		<b>(34)</b>

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

## 18. Cash Flow Statement – Operating Activities

	2017/18 £000	£000	2016/17 £000	£000
<b>Surplus on Provision of Services</b>		<b>463</b>		<b>422</b>
Adjusted for:				
Current Service Cost Adjustment	374		133	
Depreciation	107		106	
Net return on Pension Scheme				
Assets/Liabilities	256		249	
(Increase)/Decrease in Debtors	(1,257)		58	
Decrease in Creditors	(366)		(283)	
<b>Adjustments for non-cash movements</b>		<b>(886)</b>		<b>263</b>
Interest and Investment Income	(20)		(1)	
<b>Adjustments for investing and financing activities</b>		<b>(20)</b>		<b>(1)</b>
<b>Net cash flows from Operating Activities</b>		<b>(443)</b>		<b>684</b>

## 19. Cash Flow Statement – Investing Activities

	2017/18 £000	2016/17 £000
Interest and Investment Income	20	1
Payment to Acquire Property, Plant and Equipment and Intangible Assets	-	(6)
<b>Total</b>	<b>20</b>	<b>(5)</b>

## 20. Members' Allowances

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

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

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

## 21. Officers' Remuneration

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

Remuneration Bands	Number of Employees	
	2017/18 £000	2016/17 £000
£50,000 - £54,999	1	-
£55,000 - £59,999	2	2
£60,000 - £64,999	2	-
£65,000 - £69,999	1	1
£70,000 - £74,999	2	2
£75,000 - £79,999	-	3
£80,000 - £84,999	1	1
£85,000 - £89,999	-	-
£90,000 - £94,999	-	1
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	1
£110,000 - £114,999	2	1

These amounts include payments made to Parking Adjudicators.

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

## 21. 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 Transport and Environment Committee are as follows:

- Corporate Director, Policy and Public Affairs – 25% (2016/17: 25%)
- Director, Transport and Mobility 100% (2016/17: 100%)
- Director, Corporate Governance – 20% (2016/17: 20%)
- Director, Communications – 28% (2016/17 Nil) from April 2017

## Senior officers remuneration during 2017/18

Post Holder	Salary £	Compensation for Loss of Office £	Pension Contributions £	Total Remuneration £
Corporate Director, Policy and Public Affairs	31,353	-	3,762	35,115
Director, Transport and Mobility	113,120	-	13,574	126,694
Director, Corporate Governance	20,275	-	2,433	22,708
Director, Communications	28,386	-	3,406	31,792
<b>Total</b>	<b>193,134</b>	<b>-</b>	<b>23,175</b>	<b>216,309</b>

## Senior officers remuneration during 2016/17

Post Holder	Salary £	Compensation for Loss of Office £	Pension Contributions £	Total Remuneration £
Corporate Director, Policy and Public Affairs	31,042	-	3,725	34,767
Corporate Director, Services	47,280	35,367	5,588	88,235
Director, Transport and Mobility	109,198	-	13,104	122,302
Director, Corporate Governance	20,074	-	2,409	22,483
<b>Total</b>	<b>207,594</b>	<b>35,367</b>	<b>24,826</b>	<b>267,787</b>

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

**22. Termination Benefits**

There were no termination payments included in the Comprehensive Income and Expenditure Statement for 2017/18 (2016/17: £35,000).

**23. External Audit Costs**

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

	2017/18 £000	2016/17 £000
Fees payable in respect of the audit of the Statement of Accounts to KPMG LLP:	23	22
	23	22

**24. 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 Transport and Environment Committee. The total value of income from subscriptions, contributions and other charges paid to London Councils by its member boroughs during 2017/18 was £32.007 million (2016/17: £31.571 million). The total value of expenditure paid to member boroughs during 2017/18, including the one-off payment from reserves, was £333,000 (2016/17: £338,000). On 31 March 2018, the value of debtor balances owed by member boroughs amounted to £2.134 million (2016/17: £2.361 million) and the value of creditor balances owed to member boroughs (including receipts in advance) amounted to £1.257 million (2016/17: £1.043 million).

**Transport for London**

A representative of Transport for London (TfL) sits on London Councils Transport and Environment Committee and therefore has influence over the activities of the Committee. The total value of income received from TfL in respect of subscriptions, contributions and charges during 2017/18 was £10.32 million (2016/17: £9.908 million). The total value of expenditure on charges during 2017/18 was £29,000 (2016/17: £23,000). On 31 March 2018, the value of debtor balances owed by TfL amounted to £1.531 million (2016/17: £174,000) and there were no creditor balances owed to TfL (including receipts in advance) (2016/17: £301,000).



**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)****24. Related Parties (continued)****Central Government**

Central Government has effective control over the general operations of member boroughs as it is responsible for providing the statutory framework within which the boroughs operate, provides the majority of their funding in the form of grants and prescribes the terms of many of the transactions that the boroughs have with other parties. The total value of expenditure on the registration of debts to HM Courts and Tribunal Services and other charges during 2017/18 amounted to £4.205 million (2016/17: £3.818 million). On 31 March 2018, the value of debtor balances owed by central government bodies amounted to £617,000 (2016/17: £312,000) and the value of creditor balances owed to central government bodies (including receipts in advance) amounted to £17,000 (2016/17: £1,000).

**London Councils Limited**

London Councils Limited is a wholly controlled subsidiary of London Councils. The Committee was recharged an amount of £505,000 (2016/17: £471,000) in respect of the premises cost of London Tribunals' hearing centres. On 31 March 2018, the value of creditor balances owed to the group company was £505,000 (2016/17: £471,000).

**25. Concessionary Fares**

These accounts do not include the amount of £324.181 million (2016/17: £333.94 million) paid directly by member boroughs to Transport for London in respect of the Concessionary Fares scheme.

**26. Consolidated Accounts**

These accounts form part of the consolidated accounts for London Councils from 1 April 2000. A copy of the consolidated accounts for 2016/17 can be obtained from the Director of Corporate Resources, 59½ Southwark Street, London, SE1 0AL.

**27. 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.

### **Creditors**

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

**GLOSSARY (continued)****Current Asset**

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

**Current Expenditure**

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

**Current Liability**

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

**Current Service Cost**

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

**Curtailments**

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

**Debtors**

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

**Depreciation**

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

**Employee benefits**

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

**Events after the reporting period**

Those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the 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).

**Impairment**

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

**GLOSSARY (continued)****Intangible Assets**

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

**Inventories**

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

**Levies**

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

**Material**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the 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.