LONDON COUNCILS
TRANSPORT AND ENVIRONMENT COMMITTEE

STATEMENT OF ACCOUNTS

YEAR ENDED 31 MARCH 2014

LONDON COUNCILS - TRANSPORT AND ENVIRONMENT COMMITTEE

Contents

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 parking penalties and other additional parking charges within London;
- a statutory responsibility to operate the Parking and Traffic Appeals Service, which allows individuals to appeal to the independent parking adjudicator over decriminalised parking penalties and its extension, under contract to the Greater London Authority (GLA), to provide the same service for road user charging adjudicators;
- 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;
- the operation of the Health Emergency Badge scheme, giving front line medical staff parking privileges when attending emergencies;
- general co-ordination of parking regulations and enforcement policies including the maintenance of London-wide Codes of Practice;
- provision of advice and information on parking regulation and enforcement;
- operation and enforcement of the London Lorry Control Scheme (for 29 boroughs) which controls use of residential roads by Heavy Goods Vehicles at night-time and weekends; and
- the operation of the Parking on Private Land Appeals (POPLA) for London and the whole of England and Wales under contract to the British Parking Association (BPA).

TEC has statutory responsibility under London Local Authorities Acts 2004 and 2007 for setting the level of a number of fixed penalties for some environmental and public realm offences.

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 aviation, rail, tube, buses, roads, walking and cycling, waste management, and recycling, climate change local environmental quality, energy and fuel poverty, air quality and flood risk management, sustainable transport and transport infrastructure. London Councils'

REVIEW OF THE YEAR (continued)

Leaders' Committee and its Executive consider transport and environment policy matters of strategic importance.

The year in review

Mobility

The Freedom Pass provides free transport on almost all public transport in the capital to around 1.3 million older and disabled Londoners. The Freedom Pass is a much valued service for Londoners that has been run and paid for by London boroughs since 1986. In 2013/14 boroughs collectively contributed a total of £332 million for the Freedom Pass. As well as being responsible for running the scheme through London Councils, TEC agrees how the total cost shall be apportioned to each authority. In the autumn of 2008 independent arbitration on the basis of apportionment of the costs of the Freedom Pass had concluded that where there was usage information this should be used as the basis of apportioning the cost of that part of the scheme. For 2012/13, around 92% of the settlement by value was apportioned using historic usage data. It is now possible to extend apportionment by usage data to the London Overground and National Rail elements of the settlement, which means around 99% of the settlement can be apportioned by usage data. As this will significantly change the proportion of costs paid by each borough, TEC agreed in December 2012 to phase this change in over three years starting 2014/15.

We continued to implement the Government's change in age eligibility for concessionary travel which moves the eligible age gradually from 60 in line with the women's state retirement age. By March 2014, the eligible age for Freedom Pass was around 62 years. The Pension Act 2011 provision which came into force on 3 December 2012 changed the age of eligibility to 66 from 2020. People born on or after 6 October 1954 will therefore now not get their pass until their 66th birthday.

During 2013/14, we completed a review of older persons' eligibility for Freedom Pass to take account of pass holders who had died or moved out of London. Previously we had renewed passes every two years, but in 2010 we issued passes with a five-year life, so this 'mid-term' review was necessary to keep the database up-to-date and reduce the potential for fraud. The review was carried out using a data matching service which meant we only had to contact directly fewer than 7 per cent of pass holders to confirm eligibility, helping to reduce the cost to boroughs and the inconvenience to users. The review resulted in 54,272 passes being stopped, saving Boroughs an estimated £1.24 million by March 2015.

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

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

A review of internal Taxicard administrative procedures was carried out, which resulted in streamlining and efficiencies as well as greater consistency in boroughs' approach to eligibility and application procedures.

Parking and Traffic

The London Lorry Control Scheme continued to provide protection for residents' quality of sleep by preventing the movement of Heavy Goods Vehicles (HGVs) on residential roads at night-time. 2013/14 was the first full year of contracting out enforcement of the scheme to NSL, which has proved very successful in terms of reducing administrative costs as well as providing a better level of enforcement.

The tragic number of cyclist fatalities in London towards the end of 2013 heightened concerns about cycle safety, particularly the risk of conflict with larger vehicles. London Councils is working closely with Transport for London to reduce risks to cyclists' safety and following TEC agreement consulted on changing the

REVIEW OF THE YEAR (continued)

existing permit conditions of the London Lorry Control Scheme to require the fitting of side guards and additional safety mirrors to vehicles. Subject to the results of the consultation, the changes could be implemented by the end of 2014.

We are also working with TfL on their proposed Safer Lorry Scheme, which will require the fitting of the same safety equipment to all vehicles over 3.5 tonnes, at all times and on all streets in London. TEC agreed to seek delegated authority from each borough to change the TEC terms of reference to allow a London-wide traffic order to be made by TEC for the implementation and operation of the scheme. Further consultations and decisions on this scheme will be made during 2014.

The TRACE service provided information on the whereabouts of towed vehicles to thousands of motorists across London.

We also continue to manage the issue of approximately 3,500 Health Emergency Badges, issued to health practitioners who attend life threatening emergencies.

PATAS

The Parking and Traffic Appeals Service (PATAS) received almost 76,000 appeals (including nearly 8,000 appeals to the Road User Charging adjudicators). The Parking Adjudicators currently consider appeals against penalty charge notices issued by the London local authorities for parking, bus lane, minor moving traffic, lorry control contraventions, and appeals under the London Local Authorities Acts 2004 and 2007 and is set up to consider persistent evader appeals when enforcement begins in earnest. The back office and ITC support which are responsible for the efficient processing of all the appeals as well as providing customer support is provided under contract by Capita. This contract ends in July 2015 and the retender process has begun. The contract specifications have been completely reviewed to ensure the new service provider(s) modernises the existing systems to achieve improvements for customers and efficiencies. The new contract(s) will be awarded towards the end of 2014.

Parking on Private Land Appeal (POPLA)

London Councils agreed with the British Parking Association to establish a new appeals service in respect of parking charge notices issued to vehicles parked on private land in England and Wales. Agreement was reached to operate a service for three years and POPLA (Parking on Private Land Appeals) was formally launched in October 2012. POPLA received approximately 25,000 appeals in 2013/14, its first full year of operation. Alongside the statutory tribunals already in place, the establishment of POPLA provides the last piece in the parking appeals jigsaw.

The London European Partnership for Transport (LEPT)

The London European Partnership for Transport (LEPT) helps boroughs access European funding for transport projects. Following successful bids, the London Councils' LEPT team are currently leading two European projects, STARS and PTP Cycle. These projects aim to increase the amount of cycling by school children and in residential areas. Both are now in the delivery stages. PTP-Cycle is rolling out Personalised Travel Planning (PTP) programmes across two wards in Haringey and Greenwich covering 10,000 households supporting the boroughs' wider smarter travel activities. The STARS project sees Hackney take even greater steps towards increasing sustainable school travel in the borough; one example is the Cycle Challenge, which sees pupils in nine EU cities compete to cycle the most.

LEPT has also led a comprehensive set of briefing activities to London borough officers on the new 2014-2020 EU funding programmes, through workshops, one to ones and presentations at sub regional partnership meetings. 2013/14 has seen the highest level of borough activity in EU bidding, with LEPT having brokered the participation of eight different boroughs in bids with three winning EU funding so far. Successful bids PASTA and Velocitta have now started up as projects, bringing EU funding for Lambeth, Newham and Southwark for projects in the field of public bike hire and the health aspects of cycling (total of

REVIEW OF THE YEAR (continued)

£285,000 EU funding). Further bids include Barking and Dagenham, Hackney, Haringey and Westtrans and cover the areas of urban freight, traffic demand management, electric car hire, e-bikes and Intelligent Transport Systems. Additionally, LEPT is leading a bid called OPTI-MOVE, under a programme called Horizon 2020, which is hoped to bring in EU funding to support the implementation of the Roads Task Force recommendations in two chosen boroughs.

Transport and Environment Policy

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

- successfully lobbying against future cuts for borough Local Implementation Plans (LIPs);
- establishing a set of parameters for assessing any options for expanding aviation capacity, agreed by all council Leaders;
- improving rail and tube services in London;
- improving bus services including convincing TfL to re-evaluate their borough consultation and engagement process;
- encouraging walking and cycling;
- promoting road safety, especially for vulnerable road users - pedestrians, cyclists and motorcycles;
- improving waste management in London including through representation on the London Waste and Recycling Board (LWARB) and identifying key challenges for this sector;
- reducing fuel poverty through supporting the 23 boroughs that participated in the Big London Energy Switch and improving energy efficiency through the RE:NEW programme; and
- reducing flood risk to properties and critical infrastructure including through representation on the Thames Regional Flood and Coastal Committee (TRFCC).

It responded to consultations and submitted evidence to Committees, including:

Air quality

- Defra's review of local air quality management.

Aviation

- Airports Commission's consultation on short and medium term options for making best use of existing airport capacity;
- Airports Commission's consultation on the draft appraisal framework for increasing airport capacity in the long term; and
- DfT's Stage 1 and 2 consultation on night flying restrictions at Heathrow, Gatwick and Stansted.

Bus services

- London Assembly's Transport Committee investigation into bus services.

Crossrail 2

- TfL / Network Rail consultation on Crossrail 2.

Road Safety

- Response to TfL's consultation on the draft Pedestrian Safety Action Plan.

Waste

- Defra consultation on the Waste Management Plan for England; and

REVIEW OF THE YEAR (continued)

- Defra consultation and call for evidence on the Waste Prevention Programme for England.

Energy

- DCLG consultation on the housing standards review; and
- DCLG consultation on next steps to zero carbon homes – Allowable Solutions.

The Committee engaged with key stakeholders, including:

- the Mayor and Deputy Mayor for Transport throughout the year including at Leader's Congress and through joint lobbying to government on behalf of London on a range of policy areas;
- the London Assembly Transport Committee, including through two meetings held between lead representatives of the Transport Committee and TEC leads and by providing written and oral evidence on bus services, TfL/borough engagement and LIP funding;
- TfL throughout the year on key issues for London local government, including through the regular scheduled meetings between the TfL Commissioner and TEC leads; and
- Government departments throughout the year including DfT, Defra, DECC, DCLG and the Environment Agency, including a meeting between TEC leads and the Secretary of State for Transport, Stephen Hammond MP.

TEC oversaw the production of several publications, which have helped to shape the agenda for future years, including:

- an externally commissioned evaluation of the Big London Energy Switch scheme;
- a revised good practice guide and briefing explaining the new civil enforcement options available to boroughs for waste receptacles and littering from vehicles; and
- a wide range of member briefings across the full range of transport and environment policy TEC covers.

Looking forward to 2014/15

Next year will see a number of significant challenges.

Around 1 million Freedom Passes with a 31 March 2015 expiry date will need to be replaced in early 2015. This is a major exercise and preparatory work is well underway including the development of an online portal to enable quick and easy renewal for the majority of card holders.

Work will continue to streamline the Taxicard card issuance and administration.

We will continue to introduce innovations to TRACE, on-line appeals, on-line evidence and the electronic transfer of data between PATAS and the Parking Enforcement Authorities (including TfL) as part of the existing contract with Capita for IT and back office administration. Work will also continue on the tender process for renewing the existing contract, which ends in July 2015. The contract specifications are being completely reviewed to ensure the new service provider(s) modernises the existing systems to achieve improvements for customers and efficiencies. The new contract(s) will be awarded towards the end of 2014.

We will develop an online enquiry facility for the TRACE service.

We will progress the proposed changes to the permit conditions of the London Lorry Control Scheme to require the fitting of side guards and additional safety mirrors to vehicles. Subject to the results of the consultation, the changes could be implemented by the end of 2014.

REVIEW OF THE YEAR (continued)

We will also continue working with TfL on their proposed Safer Lorry Scheme, which will require the fitting of the same safety equipment to all vehicles over 3.5 tonnes, at all times and on all streets in London.

The Transport and Environment Policy team is working on three main projects that have been agreed by the Leaders' Committee as part of the 2014/15 business plan:

- Enabling infrastructure for a growing city;
- Assessing the opportunity for improved waste management; and
- Reducing London utilities poverty.

In addition to the policy projects, we will be continuing work in other key areas including flood risk management and air quality.

EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS

Financial Information

The Director of Corporate Resources has pleasure in presenting the financial statements for 2013/14. The financial statements consist of the following:

- Statement of Responsibilities for the Statement of Accounts (page 10)
- Movement in Reserves Statement (page 22 - 23);
- Comprehensive Income and Expenditure Statement (page 24);
- Balance Sheet (page 25);
- Cash Flow Statement (page 26); and
- Notes to the Accounts (page 27 - 56).

Revenue expenditure

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

	Budget £000	Actual £000	Variation £000
Net cost of services	113	(287)	(400)
Interest Income Receivable	-	139	139
Deficit/(Surplus) for the year	**113**	**(148)**	**(261)**
Transfer from/to Reserves	(113)	(23)	90
Surplus for the year including transfer from reserves	-	**(171)**	**(171)**

A surplus on revenue activities of £148,000 has been posted for 2013/14 which, after a net transfer of £23,000 from reserves has led to an overall surplus after net transfers from reserves of £171,000. The surplus is due to:

- **Lorry Control Administration/PCN income (-£709,000)** - The administration of the London Lorry Control Scheme marginally underspent the budget of £553,000 by £2,000. However, there was a significant increase in the collection of PCN income of £707,000 above the budgetary provision of £450,000. This significant increase is due to the results arising from the first full year of the outsourcing the enforcement function meaning that transaction volumes have significantly increased, leading to higher levels of debt actually being raised and collected. In addition, the Adaptis computer management system has now become fully functional, allowing outstanding debt to be registered at the Court more quickly. Of the £1.157million income due for the year, £218,000 has yet to be collected and has been registered with the County Court. A bad debt provision of £175,000 has been established in respect of this outstanding amount;

EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS (continued)

- **Freedom Pass non-TfL bus services (-£292,000)** - In December 2012, TEC approved a budgetary provision of £2 million for 2013/14 to cover the cost of payments to non-TfL bus operators resulting from the introduction of the national concessionary fares scheme in April 2008, the overall cost of which is demand led by eligible bus users. Claims from operators amounting to £1.728 million have been received for 2013/14, which together with a surplus of liabilities set up in relation to claims for 2012/13 of £20,000 has led to an underspend of £292,000;

- **Parking and Traffic Appeals (-£271,000)** - There is a net surplus of £271,000 in respect of parking and traffic appeals. The number of appeals and statutory declarations heard during the year was 67,731 against a budget of 70,000, generating income of £2.804 million, £93,000 less than the budget estimate. However, this is offset by a significant reduction in adjudicator, contractor and administration costs of £364,000. The throughput of appeals was 3.38 appeals per hour, compared to a budget figure of 2.71, and an actual figure of 2.91 appeals per hour for 2012/13. The continued improvement in adjudicator productivity has led to further increased efficiencies, as demonstrated by these figures. The number of live parking appeals as at 31 March 2014 was 6,204, compared to 7,624 for 2012/13, which broadly equates to the notice of appeals received during the last month of the financial year;

- **Freedom Pass survey and issue costs (-£203,000)** - The budget for the pass survey and issue processes for the year was £794,000. This budget covers the issuing of Freedom Passes to new applicants and for the replacement of passes which are lost, stolen or faulty. To undertake these functions, which were previously undertaken by the Post Office and funded directly by boroughs, a new contract was procured with effect from 1 July 2011, which will run up until the completion of the next reissue exercise planned for 2015. Provisional total expenditure for 2013/14 is £891,000, which includes costs associated with the issuing of replacement Freedom Passes. However, a sum of £700,000 was collected during 2013/14 in respect of replacement Freedom Passes, £300,000, in excess of the £400,000 budgetary provision. In net terms, therefore, there was a surplus of £203,000;

- **Non Operational Staffing Costs (-£96,000)** - The non-operational employee cost budget of £510,000 underspent by £96,000 at £414,000. This is primarily attributable to vacancies being held in respect of policy staff in the Policy and Public Affairs Directorate, leading to a reduced recharge to TEC for these salary costs. In addition, recharging of non-operational salaries to reflect actual support to direct service and externally funded operations has risen, in line with the change in accounting policy;

- **Running Costs/Central Recharges (-£76,000)** - This underspend is attributable to a range of general administration (£63,000) and central recharge (£13,000) budgets;

- **Parking on Private Land Appeals – (+£1.198 million)** – The Committee has recognised a potential liability in the accounts in connection with its operation of the POPLA service (see note 4);

- **Bad Debts provision (+£156,000)** - The Committee's bad debt provision as at 1 April 2013 was £58,000. A review of the aged debts at the year-end has resulted in an increase in the provision of £156,000 (excluding the externally funded projects), giving a year-end provision of £214,000. Included within this amount is £175,000 which relates to a provision in respect of Lorry Control PCNs that had been registered at the County Court but which were unpaid at 31 March 2014, an increase of £147,000 on the figure of £28,000 for 2012/13. The majority of the remaining bad debt provision of £39,000 (up from £30,000 in 2012/13) relates to invoices for traded services provided by the Committee to boroughs and TfL/GLA. The marginal increase in the level of historical debt position emphasizes the importance of regular dialogue continuing between London Councils and borough officers to ensure that disputed invoices are queried by boroughs at an early stage. This will facilitate prompt resolution and prevent a potential adverse effect on the Committee's cash-flow position, which might lead to interest charges from the City;

EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS (continued)

- **PATAS Administration (+£135,000)** - The administration of the appeals Hearing Centre overspent the budget of £2.989 million by £135,000. This is attributable to additional service charge payments for the Angel Square premises of £34,000 in respect of 2012 calendar year, which was unforeseen and for which no provision had been made in the 2012/13 accounts. The remainder of overspend is attributable to additional central costs chargeable following the revision to London Councils central recharging mechanism. This has had a particular impact for the services carried out at Angel Square as the adjudicator hours worked during 2013/14 have had to be annualised as full-time equivalent staff numbers to ensure parity with the way the BPA are charged for the POPLA service. This effective increase in notional staffing numbers has increased the share of overheads apportioned to the activities of the hearing centre;

- **Freedom Pass Mid-term Review (+£129,000)** - The exercise to check on the eligibility of all Freedom Pass holders at the mid-term point to pick up those who are deceased or who have moved out of London and are therefore no longer valid continued during 2013/14. It is estimated that reducing usage of ineligible passes will have a material effect in the cost of settlements from 2015/16 onwards, in excess of £1 million per annum, leading to savings for all boroughs. These checks were undertaken on a phased basis and cost £165,000 in 2012/13, with further costs of £129,000 incurred during 2013/14 to complete the task. The cost of this exercise in 2013/14 can be met from the surplus of £203,000 arising from the charging of freedom passes; and

- Residual variances of £144,000.

Budget for 2014/15

On 12 December 2013, the full TEC Committee approved a total expenditure budget for 2014/15 of £52.07 million, exclusive of the borough payment of £321.596 million to Transport for London (TfL) in respect of Concessionary Fares. Total income sources were estimated to be £52.07 million.

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

The Director of Corporate Resources' Responsibilities

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

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

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

The Director of Corporate Resources has also:

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

Responsible Finance Officer's Certificate

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

F Smith CPFA
Director of Corporate Resources

26 September 2014

APPROVAL CERTIFICATE

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

Roger Ramsey

Cllr Roger Ramsey
Chair of London Councils' Audit Committee

26 September 2014

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

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

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

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

The purpose of the governance framework

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

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

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

The governance framework

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

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

- **Reviewing the Committee's vision** - The Committee produces an Annual Review at the end of each financial year. The review provides a summary of the key activities over the last year and highlights the key achievements.

ANNUAL GOVERNANCE STATEMENT (continued)

- **Measuring the quality of services -** Data collected during the year feeds into the production of a key achievements report at the year end. London Councils Corporate Management Board (CMB), the London Councils Executive and the Grants and Transport and Environment Committees receive regular financial management reports that monitor actual income and expenditure trends against approved budgets. London Councils operates a complaints procedure which provides an opportunity to put things right if an error is made and assists in the search to improve the quality of services to member authorities and to Londoners. There are also a number of internal management mechanisms, such as 1:1 review meetings and a fully embedded performance appraisal framework which monitor on-going progress against objectives.

- **Defining and documenting roles and responsibilities –** The London Councils Agreement sets out the main functions and obligations of London Councils and its member authorities. The Agreement includes the standing orders and financial regulations which provide details of the delegation arrangements in place. There is a scheme of delegation in place which was last reviewed, updated and approved by the Leaders' Committee at its Annual General Meeting on 11 June 2013. There is an established protocol which provides guidance on the working relationships between elected members and officers. Additional information on the roles and responsibilities of London Councils Leaders' Committee, Executive, Grants Committee and Transport and Environment Committee are documented in their individual Terms of Reference. All London Councils officers are issued with a job description which confirms their duties within the organisation.

- **Developing, communicating and embedding codes of conduct** – All London Councils Staff have been made aware of the staff handbook which is located on the intranet site. The staff handbook sign posts staff to London Councils policies and procedures which are on the intranet. All staff are encouraged to refer to the intranet when they require guidance on London Councils policies and procedures. Reference to the staff handbook is also included in the induction training of all new staff joining London Councils with their attention specifically drawn to the financial regulations, the code of conduct, data protection and London Councils whistle blowing policy.

- **Reviewing the effectiveness of the Committee's decision-making framework -** The standing orders and financial regulations are included within the London Councils Agreement. The standing orders were last reviewed and the changes approved by Leaders' Committee on 19 October 2012. The financial regulations were reviewed and the changes approved by the Executive in February 2009. Minutes of Committee meetings are posted on London Councils website and provide an official record of decisions made.

- **Identifying and managing risks -** London Councils Risk Management Strategy and Framework was reviewed and updated in 2011/12 and approved by the Audit Committee in March 2012. London Councils Corporate Risk Register is primarily compiled from the Risk Registers for each of London Councils three Directorates. The Corporate Risk Register is reviewed in accordance with London Councils Risk Management Framework which includes an annual review by the Audit Committee and was last reviewed in September 2013. The Directorate Risk Registers are reviewed by the Audit Committee each financial year. London Councils' Corporate Management Board ensures that the risk registers, both Directorate and Corporate, continue to support London Councils' corporate priorities, which provides members with assurance on how the risks identified are being managed. An internal audit review of London Councils risk management arrangements was carried out during 2011/12. The review established that risk management is an embedded governance control and there were no recommended improvements to the arrangements.

ANNUAL GOVERNANCE STATEMENT (continued)

- **Anti-fraud and anti-corruption arrangements** – London Councils is committed to having an effective Anti-Fraud and Anti-Corruption strategy designed to promote standards of honest and fair conduct, prevent fraud and corruption, detect and investigate fraud and corruption , prosecute offenders, recover losses and maintain strong systems of internal control. There are two separate policies in place London Councils Whistle Blowing Policy which was last updated in November 2013 and London Councils Policy to Combat Fraud, Bribery and Corruption, which was agreed by London Councils Audit Committee in March 2014 – both are available on London Councils' intranet and website.

- **Effective management of change and transformation** – London Councils has a framework for managing organisational change which is available to all staff on the intranet. The framework provides guidance on the statutory elements of managing change and issues that should be considered when implementing changes.

- **Financial management arrangements** – London Councils' financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.

- **Assurance arrangements** – London Councils' internal audit function is carried out by the City of London's internal audit team under a service level agreement for financial support services. These arrangements conform with the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit in public service organisations and Public Sector Internal Audit Standards.

- **Discharge of the monitoring officer function** – The City of London's Comptroller & City Solicitors Department (Public and Corporate Law) undertakes the monitoring officer function under a service level agreement for legal services. London Councils' Director of Corporate Governance is charged with ensuring that any monitoring officer duty is commissioned from the City of London. As with all Committee officers, the Director of Corporate Governance is issued with a job description which confirms her duties within the organisation. She is subject to London Councils appraisal arrangements which assess her performance against agreed objectives.

- **Discharge of the head of paid service function** – London Councils' Chief Executive is the head of paid service. As with all Committee officers, the Chief Executive is issued with a job description which confirms his duties within the organisation. He is subject to appraisal arrangements with Group Leaders who assess his performance against agreed objectives.

- **Audit Committee** – London Councils' Audit Committee has its own comprehensive Terms of Reference. The Terms of Reference were reviewed by the Audit Committee on 24 September 2010. The Audit Committee meets three times a year and is chaired by a leading member from a borough who can be a member of the Executive. The members of the Audit Committee will normally, but not necessarily, be members of London Councils Leaders' Committee and with the exception of its chair, are not members of the Executive.

- **Compliance with relevant laws and regulations** - London Councils has comprehensive financial regulations and a comprehensive set of human resources policies and procedures which are reviewed on a regular basis. These arrangements ensure compliance with all applicable statutes, regulations and other relevant statements of best practice in order to ensure that public funds are properly safeguarded and are used economically, efficiently and effectively and in accordance with the statutory and other authorities that govern their use.

- **Whistle-blowing** – London Councils has a whistle-blowing policy which is available to all staff on the intranet. The policy aims to encourage staff and others to feel confident in raising serious concerns by providing clear avenues through which those concerns can be raised and reassuring staff who raise concerns that they will not be victimised if they have a reasonable belief and the disclosure was made in good faith. It is also on the website and staff are encouraged to bring this policy and the policy to combat fraud, bribery and corruption to the attention of contractors and third parties.

- **Identifying the development needs of members and officers** – London Councils has access to a programme of training and development, which is available to all staff and can be found on the intranet. The aim of the programme is to assist in the achievement of the organisation's aims and objectives by providing opportunities for staff to gain the necessary skills and knowledge required to perform their tasks and duties effectively. London Councils also has a performance appraisal scheme which provides all staff with regular assessments of their performance and development needs in relation to their work objectives. Members have access to training in their own authorities. There is a member only section on London Councils' website which provides them with useful information, regular briefings in specific policy areas and a forum for information exchange.

- **Establishing clear channels of communication** – London Councils actively engages with relevant stakeholders when developing its vision and strategies. All Committee meetings are open to the public and consultations are undertaken where relevant. London Councils issues member briefings and arranges a number of events, conferences and seminars that also provide opportunities for stakeholder engagement. London Councils produces an Annual Review which provides a summary of the key achievements over the last year and annual statutory financial statements. Information on consultations, minutes of committee meetings and publications are posted on London Councils website www.londoncouncils.gov.uk. London Councils consults with Chief Officer groupings across boroughs in the development of its work.

- **Enhancing the accountability for service delivery and effectiveness of public service providers** - All working arrangements with public service providers are subject to signed agreements/contracts which set out the terms of the service provided. All agreements/contracts are reviewed to ensure that the roles and responsibilities of the parties involved are clearly defined and the terms are beneficial to London Councils and its member authorities. Key performance indicators are incorporated into agreements where appropriate and monitored regularly. Nominated officers are responsible for managing the outcomes of the service and establishing clear lines of communication with providers.

- **Partnership arrangements** – London Councils has a set protocol for staff to follow when working in partnership with outside bodies. A checklist is to be completed for each new partnership or project. Partnership arrangements are also subject to signed agreements which include objectives, roles and responsibilities. The performance of partnerships are monitored in the same manner as other service providers. London Councils does not currently have any material partnership arrangements.

Review of effectiveness

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

ANNUAL GOVERNANCE STATEMENT (continued)

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

Areas for development during 2014/15

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

ICT Strategy, Security & Operational Control

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

Inventory

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

London Lorry Controls Scheme

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

ANNUAL GOVERNANCE STATEMENT (continued)

Parking and Traffic

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

Taxicard Scheme

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

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

Significant governance issues

There are no significant governance issues.

John O'Brien

John O'Brien
Chief Executive

26 September 2014

Jules Pipe

Mayor Jules Pipe
Chair of London Councils

26 September 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LONDON COUNCILS TRANSPORT AND ENVIRONMENT COMMITTEE (THE "COMMITTEE")

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

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

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

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

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

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

What we have audited

The financial statements, which are prepared by London Councils Transport and Environment Committee, comprise:

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LONDON COUNCILS TRANSPORT AND ENVIRONMENT COMMITTEE (THE "COMMITTEE") (continued)

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

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

What an audit of financial statements involves

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

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

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

Opinion on other matter prescribed by the Code of Audit Practice

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

Other matters on which we are required to report by exception

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LONDON COUNCILS TRANSPORT AND ENVIRONMENT COMMITTEE (THE "COMMITTEE") (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Director of Corporate Resources

As explained more fully in the Statement of Responsibilities For the Statement of Accounts set out on page 10 the Director of Corporate Resources is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

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

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

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

Conclusion

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

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

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

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

Our responsibilities and those of the Committee

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LONDON COUNCILS TRANSPORT AND ENVIRONMENT COMMITTEE (THE "COMMITTEE") (continued)

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

Certificate

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

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

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

30 September 2014

Notes:

(a) The maintenance and integrity of the London Councils Transport and Environment Committee website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Statement of Accounts since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of the Statement of Accounts may differ from legislation in other jurisdictions.

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

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

	General Reserve £000	Specific Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Committee Reserves £000
Balance at 1 April 2013	**1,828**	**1,400**	**3,228**	**(4,484)**	**(1,256)**
Surplus on the provision of services	148	-	148	-	148
Other Comprehensive Income and Expenditure (note 11)	-	-	-	40	40
Total Comprehensive Income and Expenditure	**148**	**-**	**148**	**40**	**188**
Adjustments between accounting basis and funding basis under regulations (note 7)	310	-	310	(310)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**458**	**-**	**458**	**(270)**	**188**
Transfers from/to earmarked reserves (note 8)	(400)	400	-	-	-
Increase/Decrease in 2013/14	**58**	**400**	**458**	**(270)**	**188**
Balance at 31 March 2014	**1,886**	**1,800**	**3,686**	**(4,754)**	**(1,068)**

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	General Reserve Restated £000	Specific Reserve £000	Total Usable Reserves Restated £000	Unusable Reserves £000	Total Committee Reserves Restated £000
Balance at 1 April 2012	**1,331**	**1,000**	**2,331**	**(4,151)**	**(1,820)**
Surplus on the provision of services	693	-	693	-	693
Other Comprehensive Income and Expenditure (note 11)	-	-	-	(129)	(129)
Total Comprehensive Income and Expenditure	**693**	**-**	**693**	**(129)**	**564**
Adjustments between accounting basis and funding basis under regulations (note 7)	204	-	204	(204)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**897**	**-**	**897**	**(333)**	**564**
Transfers from/to earmarked reserves (note 8)	(400)	400	-	-	-
Increase/Decrease in 2012/13	**497**	**400**	**897**	**(333)**	**564**
Balance at 31 March 2013	**1,828**	**1,400**	**3,228**	**(4,484)**	**(1,256)**

There has been a restatement of comparatives to reflect the change in accounting policy for recharging central overheads following a review of the existing policy (see note 2).

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

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

	Note	2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net £000	2012/13 Gross Expenditure Restated £000	2012/13 Gross Income Restated £000	2012/13 Net Restated £000
Cost of Services							
Direct Revenue Expenditure:							
Payments to operators	9a	33,774	(35,298)	(1,524)	33,719	(35,075)	(1,356)
Managed service contract	9b	3,306	(3,306)	-	3,371	(3,371)	-
Parking adjudication	9c	1,435	(1,311)	124	1,649	(1,649)	-
Payments to Northampton County Court	9d	2,655	(2,655)	-	2,584	(2,584)	-
Reimbursement of parking penalty notices to boroughs	9e	13	(13)	-	12	(12)	-
Concessionary fares reissue	9f	1,020	(833)	187	873	(777)	96
		42,203	**(43,416)**	**(1,213)**	**42,208**	**(43,468)**	**(1,260)**
Other Operating Expenditure							
Staff costs		2,853	(2,329)	524	2,789	(2,483)	306
Premises		840	(686)	154	816	(727)	89
Central Support Services		1,341	(1,095)	246	830	(740)	90
Consultancy		9	(7)	2	23	(20)	3
		5,043	**(4,117)**	**926**	**4,458**	**(3,970)**	**488**
Net Revenue Cost of Services		**47,246**	**(47,533)**	**(287)**	**46,666**	**(47,438)**	**(772)**
Financing and investment income and expenditure	10			139			79
Surplus on Provision of Services				**(148)**			**(693)**
Actuarial (gain)/loss on pension assets and liabilities	11			(40)			129
Other Comprehensive Income and Expenditure				**(40)**			**129**
Total Comprehensive Income and Expenditure				**(188)**			**(564)**

There has been a restatement of comparatives to reflect the change in accounting policy for recharging central overheads following a review of the existing policy (see note 2).

BALANCE SHEET AS AT 31 MARCH 2014

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Committee. The net 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.

	Notes	31 March 2014 £000	31 March 2013 Restated £000	31 March 2012 Restated £000
Property, Plant and Equipment	12	121	274	435
Long Term Assets		**121**	**274**	**435**
Short Term Debtors	13	3,694	3,736	3,775
Cash and Cash Equivalents	14	5,932	3,901	2,773
Current Assets		**9,626**	**7,637**	**6,548**
Short Term Borrowings	15	-	(8)	(17)
Short Term Creditors	16	(6,103)	(4,728)	(4,669)
Current liabilities		**(6,103)**	**(4,736)**	**(4,686)**
Long Term Borrowings	15	-	-	(8)
Other Long Term Liabilities	11	(4,712)	(4,431)	(4,109)
Long Term Liabilities		**(4,712)**	**(4,431)**	**(4,117)**
Net Assets/(Liabilities)		**(1,068)**	**(1,256)**	**(1,820)**
Usable Reserves	17	3,686	3,228	2,331
Unusable Reserves	18	(4,754)	(4,484)	(4,151)
Total Reserves		**(1,068)**	**(1,256)**	**(1,820)**

The notes on pages 27 to 56 form part of the financial statements.

There has been a restatement of comparatives to reflect the change in accounting policy for recharging central overheads following a review of the existing policy (see note 2).

F. J. Smith

F Smith CPFA
Director of Corporate Resources

26 September 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

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

	2013/14 £000	2012/13 Restated £000
Net surplus on the provision of services	148	693
Adjustments to net surplus on the provision of services for non-cash movements	1,891	452
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	(47)	(14)
Net cash flows from Operating Activities (note 19)	**1,992**	**1,131**
Investing Activities (note 20)	47	14
Financing Activities (note 21)	(8)	(17)
Net increase in cash and cash equivalents	**2,031**	**1,128**
Cash and cash equivalents at 1 April	**3,901**	**2,773**
Cash and cash equivalents at 31 March	**5,932**	**3,901**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

1. Accounting Policies

a General Principles

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

The Statement of Accounts has been prepared with reference to:

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

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

The accounting policies have been consistently applied.

b Accruals of Income and Expenditure

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

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

1. Accounting Policies (continued)

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;

- Income and expenditure are credited and debited to the relevant category within the Comprehensive Income and Expenditure Statement, unless they represent capital receipts or capital expenditure; and

- Creditors for grants outstanding to voluntary organisations at the year-end are included where approved by Committee, the circumstances of the voluntary organisation have not changed since approval, and evidence shows that expenditure in respect of the grant has been incurred. Creditors for ESF grants are recognised where grant claims received from voluntary organisations exceed payments made to the claimant.

c Allocation of Income

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

d Cash and Cash Equivalents

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

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

e Contingent Liabilities

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

f Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and

1. Accounting Policies (continued)

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

Termination Benefits

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

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

Post Employment Benefits

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

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

- The liabilities of the pension fund attributable to the Committee are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, projected earnings of current employees etc.

- Liabilities are discounted to their value at current prices using, a discount rate of 4.5% (2012/13: 4.7%).

- The assets of the pension fund attributable to the Committee are included in the Balance Sheet at their fair value:

  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate;
  - Unutilised securities – current bid price; and
  - Property – market value.

1. Accounting Policies (continued)

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

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

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

g Exceptional Items and Prior Period Adjustments

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

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

1. Accounting Policies (continued)

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

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

h Financial Instruments

Financial Liabilities

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

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

Financial Assets

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

i Government Grants and Contributions

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

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

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

j Intangible Assets

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

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

1. Accounting Policies (continued)

k Interest Income

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

l 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.

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

1. Accounting Policies (continued)

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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. Restatement of Comparatives

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

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

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

The retrospective restatement has only been applied to the three Joint Committees and has not been applied to externally funded projects as the charges for those previous years have already been agreed under the old recharge policy. The revised policy will be applied to new projects from 2013/14 onwards.

The effect of the restatement on the balance sheet is as follows:

	Opening balances at 1 April 2012 £000	Restatement £000	Correction required to opening balances at 1 April 2012 £000
Cash and Cash Equivalents	2,966	(193)	2,773
Usable Reserves	(2,524)	193	(2,331)

	Closing balances at 31 March 2013 £000	Restatement £000	Correction required to closing balances at 31 March 2013 £000
Cash and Cash Equivalents	4,324	(423)	3,901
Usable Reserves	(3,651)	423	(3,228)

2. Restatement of Comparatives (continued)

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

Net Cost of Services:

	As previously stated £000	Restatement £000	As Restated £000
Concessionary fares reissue	61	35	96
Staff costs	185	121	306
Premises	56	33	89
Central Support Services	50	40	90
Consultancy	2	1	3

The effect of the Movement in Reserves Statement for the year ended 31 March 2013:

Usable Reserves:

	As previously stated £000	Restatement £000	As Restated £000
Balance at 1 April 2012	2,524	(193)	2,331
Surplus on the provision of services	923	(230)	693
Adjustments between accounting and funding basis under regulations	204	-	204
Transfer to/from earmarked reserves	-	-	-
Increase in 2012/13	1,127	(230)	897
Balance at 31 March 2013	3,651	(423)	3,228

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

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

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

- **IFRS 10 Consolidated Financial Statements** – The objective of the standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. London Councils Joint Committee already prepares an annual set of consolidated financial statements which incorporates the activities of London Councils Grants Committee, London

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

Councils Transport and Environment Committee and London Councils Limited. The introduction of this standard will not have any material effect on the Committee's financial statements.

- **IFRS 11 Joint Arrangements** – This standard outlines the accounting disclosures required by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control and are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities), accounted for accordingly. The Committee does not have any joint arrangements.

- **IFRS 12 Disclosure of Interests in Other Entities** – This is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The standard requires the disclosure of information that enables users of financial statements to evaluate:

    - the nature of, and risks associated with, its interests in other entities; and

    - the effects of those interests on its financial position, financial performance and cash flows.

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

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

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

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

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

4. Critical Judgements in Applying Accounting Policies

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

4. Critical Judgements in Applying Accounting Policies (continued)

The critical judgements made in the Statement of Accounts are:

POPLA

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

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

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

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

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

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

Government Funding

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

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

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

The items in the Committee's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions

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

The effect on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £324,000 However, the assumptions interact in complex ways. During 2013/14, Barnett Waddingham LLP advised that the net pensions liability had increased by £1.324 million as a result of estimates being corrected as a result of experience.

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.

Bad Debt Provision

At 31 March 2014, the Committee had a balance of accounts receivable debtors of £1.025 million. A review of these balances resulted in a calculation of a bad debt provision, based on the age and nature of the debts, of £39,000. However, in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate the provision will have to be increased accordingly.

6. Events After the Balance Sheet Date

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

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

7. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

Adjustments for the year ended 31 March 2014:

	General Reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 18)	321	(321)
Adjustments primarily involving the Accumulated Absences Reserve:		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (note 18)	(11)	11
Total Adjustments	**310**	**(310)**

Adjustments for the year ended 31 March 2013:

	General Reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 18)	193	(193)
Adjustments primarily involving the Accumulated Absences Reserve:		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (note 18)	11	(11)
Total Adjustments	**204**	**(204)**

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

8. Transfers to/from Reserves

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

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

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

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

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

9. Direct Revenue Expenditure

Due to the unique nature of the Committee's activities, a brief description of some of the main headings contained in the Comprehensive Income and Expenditure Statement are detailed below:

a. Payments to Operators - amounts paid to transport operators under the Concessionary Fare and Taxicard agreements.
b. Managed Service Contract - payments to Capita Secure Information Systems for the provision of the parking facilities management services in 2013/14.
c. Parking Adjudication - direct cost of the Parking and Traffic Appeals Service, Congestion Charging Appeals Service and Parking on Private Lands Appeals including payments to adjudicators and assessors, adjudicators training and purchase of instructional materials.
d. Payments to Northampton County Court - payments made to the court for the registration of the debt of persistent evaders of the payment of parking penalties. The £7 unit charge is recharged direct to the boroughs.
e. Reimbursement of parking penalty notices to boroughs - reimbursements to boroughs in respect of parking penalties.
f. Concessionary fares reissue - income and expenditure in connection with the Concessionary Fare re-issue.

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

10. Financing and Investment Income and Expenditure

	2013/14 £000	2012/13 £000
Interest Payable	-	1
Interest and Investment Income	(47)	(15)
Net Loss on Pension Scheme Assets/Liabilities (see note 11)	186	93
Total	**139**	**79**

11. Pensions

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

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

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

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

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

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

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

11. Pensions (continued)

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

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

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

The LPFA, as administering authority, provided Barnett Waddingham LLP, an independent firm of qualified actuaries with scheme membership information as at 31 March 2013 for all employees within London Councils as part of the triennial valuation. Assets were allocated within the LPFA Pension Fund based on these calculated liabilities. The triennial valuation as at 31 March 2013 was the starting point for the 'roll forward' IAS19 valuations. In order to assess the actuarial value of the LPFA Pension Fund's liabilities as at 31 March 2014 attributable to London Councils, scheme liabilities have been assessed by Barnett Waddingham LLP on an actuarial basis using the projected unit method, and estimate of pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

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

difference between the percentage used to apportion the deficit at the start of the financial year and the percentage used at the end of the financial year.

Financial Assumptions

The financial assumptions as at 31 March 2014:

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

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

11. Pensions (continued)

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

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

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

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

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

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

Demographic and Statistical Assumptions

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

The assumed life expectations from age 65 are:

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

The following assumptions have also been made:

- 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
- No members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

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

11. Pensions (continued)

The fair value of the pension scheme assets attributable to the Transport and Environment Committee at 31 March 2014:

	At 31 March 2014		At 31 March 2013	
	£000	%	£000	%
Equities	5,953	53%	8,438	73%
LDI/Cashflow matching	674	6%	-	-
Target return portfolio	3,369	30%	1,156	10%
Alternative assets	-	-	1,734	15%
Infrastructure	449	4%	-	-
Commodities	112	1%	-	-
Property	337	3%	-	-
Cash	337	3%	231	2%
	11,231	**100**	**11,559**	**100**

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

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

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate; and

- Some labelling changes to the amounts charged to the Comprehensive Income and Expenditure Statement e.g. "Service cost" now includes what was previously described as the "Current Service Cost" plus the "Past Service Cost" plus any "Curtailments" plus any "Settlements".

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

The comparative figures shown below are as they would have been under the new standard for the year to 31 March 2013.
The analysis of the net value of the pension scheme assets and liabilities recognised in the Balance Sheet as at 31 March 2014 is as follows:

	At 31 March 2014	At 31 March 2013
	£000	£000
Fair value of employer assets	11,231	11,559
Present value of scheme liabilities	(15,922)	(15,965)
Net Liability	**(4,691)**	**(4,406)**
Present value of unfunded liabilities	(21)	(25)
Net Liability in Balance Sheet	**(4,712)**	**(4,431)**

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

11. Pensions (continued)

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

	At 31 March 2014 £000	At 31 March 2013 £000
Service cost	349	373
Net interest on the defined liability	186	228
Administration expenses	16	17
Total	**551**	**618**
Actual return on scheme assets	384	1,483

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

	At 31 March 2014 £000	At 31 March 2013 £000
Opening Defined Benefit Obligation	**(15,990)**	**(12,541)**
Current service cost	(349)	(375)
Interest cost	(690)	(701)
Change in financial assumptions	(1,518)	(5)
Change in demographic assumptions	(65)	-
Experience loss on Defined Benefit Obligation	1,324	(3)
Liabilities extinguished on settlements	-	124
Estimated benefits paid net of transfers	173	640
Past service costs, including curtailments	-	(31)
Contributions by scheme participants	(104)	(113)
Unfunded pension payments	1	2
Adjustment arising from apportionment of pension liability	1,275	(2,987)
Closing Defined Benefit Obligation	**(15,943)**	**(15,990)**

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

	At 31 March 2014 £000	At 31 March 2013 £000
Opening Fair Value of Employer's Assets	**11,559**	**8,432**
Interest on assets	504	473
Return on assets less interest	(120)	1,009
Other actuarial gains	65	-
Administration expenses	(16)	(17)
Contributions by employer	230	273
Contributions by scheme participants	104	113
Estimated benefits paid plus unfunded net of transfers in	(174)	(642)
Settlement prices paid	-	(90)
Adjustment arising from apportionment of pension liability	(921)	2,008
Closing Fair Value of Employer's Assets	**11,231**	**11,559**

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

11. 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
Adjustment to Discount Rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	15,619	15,943	16,274
Projected service cost	324	331	339
Adjustment to Long-term Salary Increases	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	15,986	15,943	15,901
Projected service cost	331	331	331
Adjustment to Pension Increases and Deferred Revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	16,236	15,943	15,657
Projected service cost	339	331	324
Adjustment to Mortality Age Rating Assumption	**+1 year**	**None**	**-1 year**
Present value of total obligation	15,441	15,943	16,445
Projected service cost	321	331	342

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

11. Pensions (continued)

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

	At 31 March 2014 £000	**At 31 March 2013 £000** (if the revised standard applied)
Return on plan assets in excess of interest	(120)	1,009
Other actuarial gains on assets	65	-
Change in financial assumptions	(1,518)	(5)
Change in demographic assumptions	(65)	-
Experience gain on defined benefit obligation	1,324	(3)
Adjustment arising from apportionment of pension liability	354	(978)
Re-measurements	**40**	**23**

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

	At 31 March 2013
Annual return less expected return on pension scheme assets	857
Experience gains and losses	(3)
Changes in assumptions underlying the present value of scheme liabilities	(5)
Actuarial Gain	**849**
Adjustments arising from apportionment of pension liability	(978)
Amounts recognised in Other Income and Expenditure	**(129)**

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

	31 March 2015 £000
Service cost	331
Net interest on the defined liability	207
Administration expenses	17
Total	**555**
Employers contribution	241

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

12. Property, Plant and Equipment

	Furniture and Equipment £000	Leasehold Improvements £000	Total £000
Cost			
At 1 April 2013	**196**	**729**	**925**
Additions			
Disposals	(74)	-	(74)
At 31 March 2014	**122**	**729**	**851**
Accumulated Depreciation			
At 1 April 2013	**164**	**487**	**651**
Charge for the year	32	121	153
Charge relating to Disposals	(74)	-	(74)
At 31 March 2014	**122**	**608**	**730**
Net Book Value			
At 31 March 2014	-	**121**	**121**
At 31 March 2013	**32**	**242**	**274**

Comparative movements in 2012/13:

	Furniture and Equipment £000	Leasehold Improvements £000	Total £000
Cost			
At 1 April 2012	**196**	**729**	**925**
Additions			
Disposals			
At 31 March 2013	**196**	**729**	**925**
Accumulated Depreciation			
At 1 April 2012	**125**	**365**	**490**
Charge for the year	39	122	161
Charge relating to Disposals	-	-	-
At 31 March 2013	**164**	**487**	**651**
Net Book Value			
At 31 March 2013	**32**	**242**	**274**
At 31 March 2012	**71**	**364**	**435**

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

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

13. Short Term Debtors

	31 March 2014 £000	31 March 2013 £000
Central government bodies	726	708
Other local authorities	2,227	2,581
Public corporations and trading funds	207	130
Other entities and individuals	534	317
Total	**3,694**	**3,736**

Included within the debtor balances above are amounts due from member boroughs (excluding payments in advance and bad debt provision) of £2.256 million (2012/13: £2.611 million), payments in advance of £386,000 (2012/13: £339,000), a bad debt provision of £214,000 (2012/13: £58,000) and other debtors of £1.266 million (2012/13: £844,000).

14. Cash and Cash Equivalents

	31 March 2014 £000	31 March 2013 Restated £000
Cash held by the Committee	2,588	448
Cash balances held by the City of London	3,344	3,453
Total	**5,932**	**3,901**

15. Leases

Finance leases

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

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

	31 March 2014 £000	31 March 2013 £000
Furniture and Equipment	-	7

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

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

15. Leases (continued)

The minimum lease payments are made up of the following amounts:

	31 March 2014 £000	31 March 2013 £000
Finance lease liabilities (net present value of minimum lease payments):		
▪ Current	-	(8)
▪ Long-term	-	-
Finance costs payable in future years	-	-
Minimum Lease Payments	**-**	**(8)**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Not later than one year	-	8	-	(8)
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
Total	**-**	**8**	**-**	**(8)**

Operating Leases

The Committee uses leased properties under the terms of operating leases. The amounts paid under these arrangements during the year amounted to £274,000 (2012/13: £274,000) and are included in Premises costs in the Comprehensive Income and Expenditure Statement.

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

	31 March 2014 £000	31 March 2013 £000
Not later than one year	269	274
Later than one year and not later than five years	-	269
Total	**269**	**543**

16. Short Term Creditors

	31 March 2014 £000	31 March 2013 £000
Central government bodies	(1)	(27)
Other local authorities	(2,406)	(816)
Public corporations and trading funds	(423)	(2,023)
Other entities and individuals	(3,273)	(1,862)
Total	**(6,103)**	**(4,728)**

Included within the creditor balances above are amounts due to member boroughs (excluding receipts in advance) of £1.692 million (2012/13: £69,000), receipts in advance of £164,000 (2012/13: £1.584 million), accruals of £2.642 million (2012/13: £3.065 million) and other creditors of £1.605 million (2012/13: £10,000). Other creditors include £1.198 million in respect of the cumulative income received from the operation of the POPLA contract to 31 March 2014 (note 4).

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

17. Usable Reserves

	31 March 2014	31 March 2013 Restated
	£000	£000
General Reserve	1,886	1,828
2015 Freedom Pass Re-issue Reserve	1,800	1,400
Total	**3,686**	**3,228**

18. Unusable Reserves

	31 March 2014	31 March 2013
	£000	£000
Pensions Reserve	(4,712)	(4,431)
Accumulated Absences Reserve	(42)	(53)
Total	**(4,754)**	**(4,484)**

Pensions Reserve

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

arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2013/14		2012/13	
	£000	£000	£000	£000
Balance at 1 April		**(4,431)**		**(4,109)**
Actuarial gains or losses on pension assets and liabilities		40		(129)
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	(552)		(466)	
Employer's pensions contribution and direct payments to pensioners payable in the year	231		273	
		(321)		(193)
Balance at 31 March		**(4,712)**		**(4,431)**

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

18. Unusable Reserves (continued)

Accumulated Absences Reserve

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

	2013/14		2012/13	
	£000	£000	£000	£000
Balance at 1 April		(53)		(42)
Settlement or cancellation of accrual made at the end of the preceding year	53		42	
Amounts accrued at the end of the current year	(42)		(53)	
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		11		(11)
Balance at 31 March		**(42)**		**(53)**

19. Cash Flow Statement – Operating Activities

	2013/14		2012/13	
			Restated	Restated
	£000	£000	£000	£000
Surplus on Provision of Services		**148**		**693**
Adjusted for:				
Current Service Cost Adjustment	135		100	
Depreciation	153		161	
Net loss on Pension Scheme Assets/Liabilities	186		93	
Decrease in Debtors	42		39	
Increase in Creditors	1,375		59	
Adjustments for non-cash movements		**1,891**		**452**
Interest Payable	-		1	
Interest and Investment Income	(47)		(15)	
Adjustments for investing and financing activities		**(47)**		**(14)**
Net cash flows from Operation Activities		**1,992**		**1,131**

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

20. Cash Flow Statement – Investing Activities

	2013/14 £000	2012/13 £000
Interest Payable	-	(1)
Interest and Investment Income	47	15
Total	**47**	**14**

21. Cash Flow Statement – Financing Activities

	2013/14 £000	2012/13 £000
Finance Lease Capital Repayment	(8)	(17)

22. Members' Allowances

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

	2013/14 £000	2012/13 £000
Members' Allowances	18	19

23. Officers' Remuneration

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

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

These amounts include payments made to Parking Adjudicators.

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

23. Officers' Remuneration (continued)

Post Holder		**2013/14**			**2012/13**	
	Salary	**Pension**	**Total Remuneration**	**Salary**	**Pension**	**Total Remuneration**
	£	**£**	**£**	**£**	**£**	**£**
Corporate Director – Policy and Public Affairs	30,735	4,887	35,622	30,735	4,887	35,622
Corporate Director – Services	61,470	9,774	71,244	61,470	9,774	71,244
Director – Corporate Governance	4,872	775	5,647	4,872	775	5,647
Total	**97,077**	**15,436**	**112,513**	**97,077**	**15,436**	**112,513**

The salaries of the senior officers disclosed above 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% (2012/13: 25%)
- Corporate Director – Services – 50% (2012/13: 50%)
- Director – Corporate Governance – 5% (2012/13: 5%)

	2013/14	**2012/13**
	£	**£**
Remuneration of highest paid Director	122,940	122,940
Remuneration of median member of staff	32,340	36,559
Multiple between the median member of staff and the highest paid director	3.80	3.36

24. Termination Benefits

There were no termination payments included in the Comprehensive Income and Expenditure Statement for 2013/14 (2012/13: £23,000).

25. External Audit Costs

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

	2013/14 £000	2012/13 Restated £000
Fees payable in respect of the audit of the Statement of Accounts:		
• Fees payable to PricewaterhouseCoopers LLP	33	31
• Rebate received from Audit Commission	(5)	(3)
Fees payable in respect of other services provided by PricewaterhouseCoopers LLP during the year	20	-
	48	**28**

26. Grant Income

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

	2013/14 £000	2012/13 £000
EU contribution to London European Partnership for Transport (LEPT)	111	12
TfL contribution to London European Partnership for Transport (LEPT)	116	106
TfL grant to the Taxicard scheme	10,832	8,467
Total	**11,059**	**8,585**

These amounts exclude contributions made by member organisations.

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

	2013/14 £000	2012/13 £000
TfL contribution to London European Partnership for Transport (LEPT)	75	59
TfL grant to the Taxicard scheme	-	1,334
Total	**75**	**1,393**

27. 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

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

27. Related Parties (continued)

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 2013/14 was £33.215 million (2012/13: £36,230 million). The total value of expenditure paid to member boroughs during 2013/14 was £23,000 (2012/13: £92,000). On 31 March 2014, the value of debtor balances owed by member boroughs amounted to £2.227 million (2012/13: £2.581 million) and the value of creditor balances owed to member boroughs (including receipts in advance) amounted to £1.779 million (2012/13: £227,000).

Transport for London

A representative of Transport for London (TfL) sits on London Councils Transport and Environment Committee and therefore has influence over the activities of the Committee. The total value of income received from TfL in respect of subscriptions, contributions and charges during 2013/14 was £11.433 million (2012/13: £9.077 million). The total value of expenditure on charges and reimbursement of Penalty Charge Notices during 2013/14 was £17,000 (2012/13: £47,000). On 31 March 2014, there were no debtor balances owed by TfL (2012/13: Nil) and the value of creditor balances owed to TfL (including receipts in advance) amounted to £281,000 (2012/13: £1.502 million).

British Parking Association

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

28. Concessionary Fares

These accounts do not include the amount of £308.747 million (2012/13: £294.555 million) paid directly by member boroughs to Transport for London in respect of the Concessionary Fares scheme.

29. Consolidated Accounts

These accounts form part of the consolidated accounts for London Councils from 1 April 2000. A copy of the consolidated accounts for 2013/14 can be obtained from the Director of Corporate Resources, 59½ Southwark Street, London, SE1 0AL.

30. 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 financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY (continued)

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY (continued)

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY (continued)

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

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

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