

# Executive

17 January 2017: 9.30 am

London Councils offices are wheelchair accessible

**Location:** Room 5

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### **\* Declarations of Interests**

If you are present at a meeting of London Councils' or any of its associated joint committees or their sub-committees and you have a disclosable pecuniary interest\* relating to any business that is or will be considered at the meeting you must not:

- participate in any discussion of the business at the meeting, or if you become aware of your disclosable pecuniary interest during the meeting, participate further in any discussion of the business, or
- participate in any vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public. It is a matter for each member to decide whether they should leave the room while an item that they have an interest in is being discussed. In arriving at a decision as to whether to leave the room they may wish to have regard to their home authority's code of conduct and/or the Seven (Nolan) Principles of Public Life.

\*as defined by the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012

**Minutes of the Meeting of the Executive  
Tuesday 13 September 2016 9:30am**

**Cllr Claire Kober was in the chair**

**Present**

<b>Member</b>	<b>Position</b>
Cllr Claire Kober OBE	Chair
Cllr Teresa O'Neill OBE	Vice chair
Mr Mark Boleat	Vice chair
Mayor Sir Steve Bullock	
Cllr Ray Puddifoot MBE	
Cllr Julian Bell	
Cllr Baroness Couttie	
Cllr Lib Peck	
Cllr Peter John OBE	
Cllr Ravi Govindia	In attendance

London Councils officers were in attendance.

Cllr Claire Kober OBE opened the meeting by pointing out that it was her first as Chair of London Councils and that it was intended to fill both the vacancy on the Executive and the position of Deputy Chair at the Leaders' Committee meeting on 11 October.

**1. Apologies for absence and announcement of deputies**

Apologies for absence were received from Cllr Ruth Dombey OBE.

**2. Declaration of interest**

No interests were declared.

**3. Minutes of the Executive Meeting held on 21 June 2016**

The minutes of the Executive meeting held on 21 June 2016 were agreed.

**4. Business Rates Devolution and London Finance Commission**

The Director, Finance, Performance and Procurement introduced the report saying:

- The report represented a 'work-in-progress' summarising the set of asks developed over the summer following the joint submission to the Government by London Councils and the GLA in July
- The number of 'asks' had been increased to fourteen and it was hoped that these could gain joint sign-off ready for submission to government in the following week so this meeting represented a last opportunity for the Executive to comment on them
- There were two issues that needed to be taken forward:
  - That the burden of appeals disproportionately hit London
  - On revaluation, the proportion of the national Business Rates 'take' that came from London was likely to increase as would always happen if one part of the property market rose and another fell when there was a fixed yield. This presented both a problem and an opportunity for London.
- The London Finance Commission had reconvened and was working towards making a submission before the Autumn Statement.

Cllr Ravi Govindia and Cllr Baroness Couttie raised questions around whether, given the changes over the summer, it was thought that the Government's position on this topic was likely to have remained the same. The Director, Finance, Performance and Procurement replied that although these points were yet to be tested nothing had happened to indicate any change to the essential policy intent of devolving business rates to the sector. The Chair pointed out that the LGA group working on the issue was thinking on similar lines.

Cllr Ray Puddifoot MBE argued that we needed to look at developing a broader base of local funding to balance the national economy.

Cllr Teresa O'Neill OBE called for the issues around Needs Assessment, a consultation on which was just beginning, to be reflected in our submission.

Cllr Peter John OBE argued that the voice of business needed to be heard, possibly through the LEP.

The Executive agreed to note the report.

## **5. Devolution and Public Service Reform – Next Steps**

The Chief Executive introduced the report saying the Mayor of London had convened a meeting of stakeholders in July 2016 to consider further devolution for London. The Mayor had subsequently met with the Chancellor to discuss the impact of the European referendum result on London's economy and a submission was now being prepared setting out options for further devolution to London, with a view to this informing the Autumn Statement. In addition, officers from across London had been working with DWP, CLG and the Treasury to seek devolution of actual funding in respect of the Work and Health Programme in London. Senior official meetings had taken place, but it was not yet clear whether these negotiations would secure a better outcome for the boroughs.

The Chair pointed out that she had spoken to the Mayor about broadening political oversight of the work on devolution by London Councils and to inform discussions with the Mayor on this topic.

The Chair proposed that a Member Devolution Group (MDG) be established with the following composition:

- Chair
- Conservative Group Leader
- Lead portfolio holder for Skills and Employment
- Lead portfolio holder for Housing
- Conservative Group Lead on Devolution and Public Service Reform
- 4 Sub-Regional Lead representatives (to be nominated by relevant sub-regions respectively)

Supported by:

- officers
- the Chair of the officer level Devolution and Public Service Reform Group
- the Chair of CELC

with theme lead chief executives from the wider supporting infrastructure as required.

It would report to the Executive and Leaders' Committee.

Cllr Ravi Govindia argued that the Crime Reduction Partnership would provide a key test in our relationship with the new Mayor and Cllr Peter John OBE felt that members needed to do more to provide officers with clear guidance on devolution.

The Chair responded to Cllr John's point by saying an Executive awayday was proposed for the latter part of November to discuss what came out of the London Councils Challenge report (discussed elsewhere on the agenda) but it would be sensible to take stock of the overall devolution position as well.

The Executive agreed to:

- Note the progress reported, including the emerging joint initiative championed by the Mayor of London
- Note the position achieved in discussions with the DWP on the Work and Health Programme
- The establishment of a Member Devolution Group (MDG).

## **6. Health and care devolution – emerging asks**

Cllr O'Neill introduced the report saying:

- Boroughs have reacted differently to the STP process. It was important to address the issues that some devolution pilots were experiencing as this would impact on both reputation for London local government and the substance of the devolution asks beyond December
- She did not propose bringing a report to the October Leaders' Committee but, instead, to bring a fuller report on the whole process to the December meeting.

Cllr John agreed and asked whether anything needed to be done before the Autumn Statement and went on to express his view that the Health Service was facing the strain of the cuts to its and the councils' adult social care budgets. Mayor Sir Steve Bullock agreed arguing that the seriousness of the situation was in was not as widely appreciated as it needed to be.

Cllr Puddifoot argued that it would be worth putting to Government that some efficiency savings may be able to be made but after that there was no capacity for local

government to be responsible for securing large health savings. Cllr Julian Bell pointed out that the major reorganisation of health services underway in north-west London had left some unable to sign up to the STP process.

## **7. Developing the 2017-20 Police and Crime Plan**

Cllr Lib Peck introduced the report saying:

- She had had several meetings with Ms Sophie Linden, the Deputy Mayor for Policing and Crime about the evolution of the Police and Crime Plan, the underpinning themes of which were:
  - Neighbourhood and local policing
  - Keeping children and young people safe
  - Tackling violence against women and girls
  - Tackling violent extremism, terrorism and hate crime
  - Ensuring an effective Criminal Justice System.
- London Councils had organised a roundtable session for Community Safety lead councillors, two thirds of whom had attended.
- The time table for the development Police and Crime Plan was:
  - July – October 2016: Early engagement and Police and Crime Plan development
  - November 2016 – January 2017: Twelve week consultation period on formal draft
  - March 2017: Police and Crime Plan published
- It may be appropriate to provide a report to Leaders' Committee in October and to invite the deputy Mayor to the Leaders' Committee meeting in December 2016, covering the development of the Police and Crime Plan and the future of MOPAC's borough funding.

The Executive agreed to note the report.

## **8. London Councils Challenge**

The Chief Executive introduced the report saying that it set out a number of themes flowing from the Challenge Team's report.

Members debated various approaches to next steps.

The Executive agreed to alert Leaders to the contents of the report and to hold a discussion at the end of Leaders' Committee on 11 October. The Executive would hold an awayday to discuss the findings in greater detail at the end of November.

The Executive agreed to note the report.

## **9. Month 3 Revenue Forecast 2016/17**

The Director of Corporate Resources introduced the report saying that it analysed actual income and expenditure after three months of the current financial year and highlighted any significant variances emerging against the approved budget. After excluding the £639,000 projected underspend on taxicard, the projected surplus of £999,000 included:

- A projected net underspend of £141,000 in respect of officer employee costs due to the policy on filling vacancies
- A projected net deficit of £182,000 in respect of TEC traded services
- A projected net underspend of £46,000 relating to commissions in respect of the S.48 grants scheme
- A net projected underspend of £235,000 relating to slippage in the start of the new 2016+ joint borough/ESF funded programme

He pointed to the discussion of the position of the reserves set out in the report and concluded by saying that the external audit report had been received in draft was positive.

Cllr Puddifoot expressed his satisfaction with the report which he said reflected a sound financial position and the Executive agreed to note the overall forecast surplus as at 30 June 2016 (Month 3) of £999,000 and note the position on reserves as detailed in the report.



## **10. Debtors Update Report**

The Director of Corporate Resources also introduced this report saying that he could update the figures - since the report had been circulated the figure for outstanding debt had fallen from £4,530,000 to £1,004,000.

In response to a question from Cllr Puddifoot the Chief Executive pointed out that the mediation provisions in the contract with the BPA were due to come into play in the next few weeks.

Cllr Puddifoot went on to explore the option of a surcharge on late payers of debts and the Director of Corporate Resources cautioned that to be able to do that may require the variation of governing agreements with boroughs. A warning that such a step was discussed could be useful.

The Executive agreed:

- To note the level of outstanding debt of £52.50 in relation to borough, TfL and GLA invoices raised up until 31 December 2015, a reduction on the outstanding figure of £1.352 million reported to the Executive at its meeting on 1 March 2016
- To note the level of outstanding debt of £4.064 million in respect of borough, TfL and GLA invoices raised in the period 1 January to 31 July 2016
- The total level of debt had now been reduced to £1,004,000
- To note the level of outstanding debt of £466,364.58 in relation to other debtors invoices raised up until 31 July 2016;
- To approve the write-off of £1,517.93 in respect of the invoice to the Mosaada Centre for Single Women to recover unused European Social Fund (ESF) community grant funding and
- To note the specific action being taken in respect of significant debtors, as detailed in the report.

	<b>Item</b>	<b>Action</b>	<b>Progress</b>
4.	<b>Business Rates Devolution and London Finance Commission</b> <ul style="list-style-type: none"> <li>Issues around Needs Assessment, a consultation on which was just beginning, to be reflected in our submission.</li> </ul>	<b>Fair Funding</b>	In hand
5.	<b>Devolution and Public Service Reform – Next Steps</b> <ul style="list-style-type: none"> <li>Establish a Member Devolution Group (MDG) comprising: <ul style="list-style-type: none"> <li>Chair</li> <li>Conservative Group Leader</li> <li>Key portfolio holder for Skills and Employment</li> <li>Key portfolio holder for Housing</li> <li>Conservative Group Lead on Devolution and Public Service Reform</li> <li>4 Sub-Regional Lead representatives (to be nominated by relevant sub-regions respectively).</li> </ul> </li> </ul>	<b>CG and CX's office</b>	Completed
6.	<b>Health and care devolution – emerging asks</b> <ul style="list-style-type: none"> <li>London Councils to clearly define its position, to drive that agenda and to bring a report to the December Leaders' Committee meeting while reporting any developments that happened in that time</li> <li>Firm proposals to be brought to the November meeting of the Executive.</li> </ul>	<b>PAPA Health</b>	In hand
7.	<b>Developing the 2017-20 Police and Crime Plan</b> <ul style="list-style-type: none"> <li>A report may be brought to Leaders' Committee in October or December 2016, covering the development of the Police and Crime Plan and the future of MOPAC's borough funding.</li> </ul>	<b>PAPA C&amp;PP</b>	Completed
8.	<b>London Councils Challenge</b> <ul style="list-style-type: none"> <li>Alert leaders to the contents of the report and hold to a discussion at the end of Leaders' Committee on 11 October. The Executive to hold an awayday to discuss the findings in greater detail at the end of November.</li> </ul>	<b>CX's office/CG</b>	Completed

The meeting ended at 10:50

# London Councils' Executive

## Resilience and Emergency Preparedness Review

Item no: 4

**Report by:** Doug Flight      **Job title:** Head of Strategic Policy  
**Date:** 17 January 2017  
**Contact Officer:** Jennifer Sibley  
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**Summary:**

This report outlines proposals for strengthening London's emergency planning arrangements, following a review commissioned by the London Resilience Local Authorities Panel.

The report also takes preliminary account of the issues raised in Lord Harris' review of London's preparedness for a major terrorist attack.

John Barradell, Chair of the London Resilience Local Authorities Panel and Chief Executive of the City of London, has been invited to attend the meeting.

**Recommendations:** The Executive is asked to:

1. Take stock of the review into emergency planning arrangements that was commissioned by the London Resilience Local Authority Panel.
2. Note the issues highlighted by Lord Harris in his report to the Mayor, in relation to local authority preparedness, and the provisional response by the Local Authority Panel.
3. Approve the approach recommended by the Local Authority Panel for strengthening resilience and emergency preparedness across London's local authorities.
4. Agree to bring a report to Leaders Committee in February to enable all Leaders to consider the issues raised by the reviews alongside the proposed improvement measures.



# Resilience and emergency planning review

## Introduction

1. This report outlines proposals for strengthening London's emergency planning arrangements, following a review commissioned by the London Resilience Local Authorities Panel early in 2016. The Panel was keen to build on the foundation of lessons learned during the major multi-agency 'Exercise Unified Response', and to ensure the London's local authority arrangements continue to offer the level of preparedness communities expect.
2. The report also takes account of the issues raised in Lord Toby Harris' subsequent review of London's preparedness for a major terrorist attack, which was commissioned by the Mayor of London in May 2016. Lord Harris submitted his report to the Mayor in November 2016, and it was made available to the public at the same time.

## Background

3. There are well established local authority co-operation arrangements in place across the Capital, underpinned by the local authority Gold resolution which was adopted by all London boroughs and the City in 2006<sup>1</sup>. The arrangements were subsequently enhanced to encompass mutual aid agreements, with the approval of Leaders' Committee in 2010.
4. This London-wide work is overseen by the London Resilience Forum Local Authorities' Panel (LAP), which includes the lead borough Chief Executives for each sub-regional Local Resilience Forum. The Panel is chaired by John Barradell, Chief Executive of the City of London.

## Review of emergency planning arrangements in London

5. The Local Authorities' Panel commissioned a review of London's local authority emergency planning arrangements early in 2016, mindful of rising risk levels combined with the increased financial pressures which local authorities face. The Panel wanted to build on the foundation of lessons learned during the major multi-agency 'Exercise Unified Response', and its overarching objective was to ensure the London's local authority arrangements continue to offer the level of preparedness communities expect.
6. The review set out a series of recommendations which are designed to ensure that local authorities can continue to provide strong emergency planning services that deliver individual and collective leadership on resilience into the 2020s.

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<sup>1</sup> The resolution, promoted by London Councils, replaced an earlier resolution adopted in 2004

7. The review acknowledged the strain placed on authority resilience functions and went on to set out the recommendations which are listed in Appendix A and summarised in the bullet points below. These recommendations identify a number of actions authorities can undertake to bolster the service and enhance resilience to the level communities expect and deserve. To prevent any erosion of the service, potentially exposing authorities to undesirable levels of risk, the recommendations aim to:
- Strengthen collaborative working to better utilise experience, knowledge and expertise;
  - Support a more cost effective and efficient service;
  - Increase opportunities to share scarce resource;
  - Create a more robust Duty London Local Authority Gold arrangement which will further complement our leadership on resilience role and participation at the heart of London strategic coordination;
  - Establish a more robust and meaningful assurance process to improve corporate oversight.
  - Establish a corporate resource of professional advice, support and oversight, where not already established, to support authorities to withstand increasing pressures and ensure Chief Executives have ready access to high quality corporate advice and support in their localities;
8. Improvement work is already being co-ordinated by the Panel to standardise operational response capabilities across local authorities and hence to enable staff to more easily support neighbouring local authorities during a protracted incident ( for example severe flooding).
9. In October 2016, the Local Authority Panel reviewed the recommendations from the review and its Chair went on to discuss them with chief executive colleagues at CELC in November 2016. Both groups lent their support to the recommendations, which are now being brought to members for their consideration and approval.

#### **Lord Harris review of London preparedness**

10. Lord Harris's report focuses on London's preparedness for a Marauding Terrorist Firearms Attack. Such attacks are complex, rapid, involve serious injuries and multiple deaths, and could take place in multiple locations with multiple assailants. Lord Harris reviews the main incident responders in turn and provides 127 recommendations for consideration.

11. Lord Harris considered all emergency responders to an incident in his review, including local authorities. His review has set out 127 recommendations, a number of which directly concern local authorities or are ones that local authorities will wish to be involved in. Lord Harris highlighted the London Local Authority Gold arrangements and welcomed the agreed principles of collaboration and cooperation, including mutual aid, underpinned by the regular testing and exercising of arrangements.
12. Lord Harris discussed the increase in sub-regional working, which he welcomes, but cautions that local knowledge and connections must not be lost. He suggests that sub-regional working on emergency planning might be formal in some places and informal in others. To address concerns about the level of capability in boroughs, Harris proposes an inspectorate sitting at government level to monitor performance.
13. His report highlighted a “mixed picture of provision” across the 33 local authorities, and commented that whilst some authorities have a full emergency planning services, others are taking “a de minimis approach”. Harris also states that “it has been put to me that, in some parts of London, the resource is so denuded as to be unfit to respond to a major disaster”.

#### **Formal Consideration of the Harris Review**

14. The Mayor of London wrote to John Barradell, in his role as the chair of the Local Authority Panel on 16 December 2016, highlighting three recommendations in particular and asking for a written response on behalf of local authorities:

(Rec 70) Local authorities should work with the London Resilience Forum to consider where effective partnerships might be built at a sub-regional, but supra-borough level, ensuring that local connections can be retained.

(Rec 72) Local authorities should be prioritising an effective functioning CCTV network for the detection and prevention of terrorist (or indeed criminal) activity across the Capital in the interests of public safety. The level and functionality of CCTV provision should be kept under review by the Mayor’s office.

(Rec 88) Local police and local authority chief executives and Leaders should annually review the membership of the police engagement groups to ensure that they comprise the right members, and that they are regularly refreshed

A copy of this letter is attached as Appendix B.

15. In advance of this formal request, the Local Authority Panel had provisionally considered Lord Harris’ report and believes the concerns of substance outlined by Lord Harris - in terms of local authority operational resilience and capacity to respond - largely match the concerns addressed by the Local Authority Panel’s own review:

- a. In respect of recommendation 70, the Local Authority Panel's own review has already developed plans to enhance resilience through sub-regional working, whilst recognising that this cannot replace the responsibility of individual local authorities to be prepared. This local authority- led review proposes that a sub-regional lead local authority should be identified to coordinate enhance collaboration and ensure equal contribution and benefit from such sub-regional arrangements.
  - b. In respect of recommendation 72, the Panel noted that individual authorities already engaged with the MOPAC led CCTV task force. London Councils has supported this work through a mapping exercise of local authority plans for future CCTV commissioning. The critical issue identified by Lord Harris would appear to be ensuring that the police have 'fast time' access to available local authority CCTV feeds.
  - c. In respect of recommendation 88, the Panel recognised the importance of maintaining up-to-date local police-held KIN (Key Individual Network) lists. Local authority Leaders chief executives stand ready to support the regular exercises to update these lists utilising their community knowledge and links.
16. Local authorities have an interest in a number of the other recommendations that Lord Harris has made and will have an opportunity to contribute to the broader response through other routes including the statutory London Resilience Forum.
17. Lord Harris recommended that DCLG 'ring-fences' budgets for local resilience teams and introduces a small inspectorate in the Cabinet Office or DCLG to monitor performance. If central government declines to take this forward, he suggests that the London Resilience Forum should undertake this role.
18. The local authority- led review has already addressed the issue of securing greater assurance that authorities are meeting the agreed standards of provision for operational response. The review concluded that the required degree of assurance would best be addressed through better defined criteria and peer based challenge, both within London and across the wider sector. The Local Authority Panel took the view that this is a more appropriate means of ensuring assurance and consistent standards of provision. .

## **Recommendations**

The Executive is asked to:

- 1. Take stock of the review into emergency planning arrangements that was commissioned by the London Resilience Local Authority Panel.



2. Note the issues highlighted by Lord Harris in his report to the Mayor, in relation to local authority preparedness and the provisional response by the Local Authority Panel.
3. Approve the approach recommended by the Local Authority Panel for strengthening Resilience and Emergency Preparedness across London's local authorities.
4. Agree to bring a report to Leaders Committee in February to enable all Leaders to consider the issues raised by the reviews, alongside the proposed improvement measures

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**Financial implications for London Councils**

None

**Legal implications for London Councils**

None

**Equalities implications for London Councils**

None

**Attachments**

Appendix A Executive Summary of the LAP 2020 Review

## **Recommendations for Local Government Emergency Planning and Resilience for the 2020's**

### **Introduction and Background**

A review was commissioned by the Local Authority Panel, Chaired by John Barradell, to assess the status of local authority emergency planning in London. The necessity arose from recognition of the heightened pressure our authorities are facing and increases in risk. The aim of the review was to suggest steps necessary to efficiently reinforce the service and ensure we can continue to provide effective individual and collective leadership on resilience into the 2020's.

The scope of the review included; Duty London Local Authority Gold arrangements, contingency planning and operational response functions, arrangements supporting collaborative working, and the means of sharing scarce resource. The two elements excluded were; the London Local Authority Gold Resolution which underpins the collective and coordinated approach of all 33 authorities and the principle of all 33 Chief Executives participation in the London Local Authority Gold rota. This was due to their proven effectiveness to underpin the collective and coordinated approach of authorities to significant incidents.

To support the review, '*The review of resilience arrangements in London: interim findings*' produced in 2014 by Matthew Norwell was considered along with Emergency Planning Monitoring Reports and annual Minimum Standards for London assessments. In addition, the thoughts, case studies and anecdotal evidence provided by experienced emergency planning professionals proved invaluable.

### **Overall Assessment**

The ability of our authorities to discharge a leadership role on resilience to the level communities would expect and deserve is under strain. To prevent degradation of the service and potentially expose authorities to undesirable levels of risk, the recommendations detailed below identify a number of actions authorities can undertake to bolster the service and enhance resilience. The recommendations aim to:

- Establish a corporate resource of professional advice, support and oversight, where not already established, to support authorities to withstand increasing pressures and ensure Chief Executives have ready access to high quality corporate advice and support in their localities;
- Strengthen collaborative working to better utilise experience, knowledge and expertise;
- Support a more cost effective and efficient service;
- Increase opportunities to share scarce resource;
- Create a more robust Duty London Local Authority Gold arrangement which will further complement our leadership on resilience role and participation at the heart of London strategic coordination;
- Establish a more robust and meaningful assurance process to improve corporate oversight.

### **Full List of Recommendations**

#### Corporate Policy

**Recommendation 1:** Consideration should be given to developing a corporate resource of professional advice, support and oversight. This might best be achieved by developing and broadening the role of Emergency Planning Teams to encompass support and oversight of:

- a) Organisational compliance with the Civil Contingencies Act (2004);
- b) Organisational compliance with Minimum Standards for London;

- c) The organisations ability to effectively respond to a localised incident;
- d) The organisations ability to maintain critical services in the lead up to and during emergencies as required by the Civil Contingencies Act and supported by the International Standard for Business Continuity ISO 22301.

To support this aim, consideration should be given to locating emergency planning teams within central directorates or ensure effective lines of reporting and communication are in place to enable them to deliver effective professional corporate level support.

**Recommendation 2:** To support a co-ordinated and efficient approach to maintaining organisational resilience at a time when efficiencies are imperative, consideration should be given to incorporating business continuity functions into the core duties of emergency planning teams, where this is not already the case.

#### Governance and Planning

**Recommendation 3:** Common Standards for London Local Authority Emergency Planning Professionals, reflecting core competencies, should be adopted as a matter of policy by all local authorities and then continuously reviewed to support staff recruitment, development and service delivery.

**Recommendation 4:** A Sub-Regional Lead Local Authority should be identified to coordinate enhanced collaboration and support a more equal contribution and benefit from sub-regional and regional operational and contingency planning. This arrangement should be underpinned by an output based Service Level Agreement and reviewed against clearly defined success criteria every two years.

**Recommendation 5:** Local Authority Panel Implementation Group (LAP IG) members should accept a more proactive role in:

- a) managing the three year Local Authority Panel Business Plan and co-ordination of sub-regional activity to ensure a balanced distribution of work;
- b) agreeing with respective peers in each sub-regional group the appropriate means of delivering allocated workstreams in accordance with the Service Level Agreement.

#### Duty London Local Authority Gold Arrangements

**Recommendation 6:** Local Authority Panel (LAP) membership should carry with it the expectation that members will:

- a) be the local authority representatives on a cadre of multi-agency strategic leads available to Chair Strategic Coordination Groups;
- b) undertake multi-agency training to an accredited standard, when developed, to prepare them to Chair Strategic Coordination Groups;
- c) step in as London Local Authority Gold (LLAG) when necessary to ensure consistency of representation and ease the transition of Chairing the Strategic Coordination Group from the Metropolitan Police Service or other partner agency to local authorities;
- d) where appropriate shadow the Strategic Coordination Group Chair to ease transition prior to accepting responsibility.

#### **Recommendation 7**

All Chief Executives should wherever possible shadow the current LLAG prior to taking over the role during an incident.

#### **Recommendation 8**

All Chief Executives should attend periodical training events delivered by accredited trainers and participate in a structured exercise programme to prepare them to undertake London Local Authority Gold duties.

### Borough Response Capability

**Recommendation 9:** All local authorities should support the standardisation work currently being progressed and adopt consistent protocols and procedures for core response functions when published.

**Recommendation 10:** In order to mitigate any reduction in resource available to support an organisational response, a further piece of work should be initiated to consider the means of:

- a) identifying local authority roles which possess the requisite core competencies to support operational response and recovery functions;
- b) identifying the means by which staff undertaking the roles can be incorporated into operational plans;
- c) ensuring staff are available to undertake the requisite level of training and exercises and are released to undertake response roles during emergencies.

### Assurance

**Recommendation 11:** The means by which Minimum Standards for London are formally audited should be agreed by Chief Executives to offer them the single means by which London local authority emergency planning is accurately assessed.

**Recommendation 12:** Minimum Standards for London should be realigned to more accurately reflect service requirements:

- a) Immediate Response Capabilities (covering both local and LLAG operations);
- b) Contingency Planning to develop capabilities to deal with acute shocks;
- c) Business Continuity Planning and Corporate Assurance;
- d) Longer Term Resilience Strategies to provide resilience for chronic stresses.

**Recommendation 13:** All Minimum Standards for London results should continue to be consolidated to offer an annual assessment of capacity and capability and include the means by which urgent concerns can be escalated to Chief Executives.

**Recommendation 14:** Greater detail should be added to Minimum Standards for London pertaining to immediate response capabilities, including clearly defined measurable criteria to offer meaningful assurance such as baseline numbers of trained staff, defined response times and length of operation to be sustained, to define the level of capacity and capability to be maintained by local authorities to address local incidents.

### **Conclusion**

Given the heightened challenges that we face and understanding of the pressures on our services, it will be important to move as swiftly as possible to start to put a stronger and more resilient framework in place.

By implementing the steps detailed in the review, capability and capacity will be enhanced, with added strength and depth established locally and regionally. This will ensure all local authorities are in the most resilient condition to efficiently and effectively deliver individual and collective leadership on resilience with confidence, into the 2020's.

Finally, it is understood that the recommendations will complement the Lord Harris review but we should anticipate a further short review will be required following the formal release of his findings. This will allow Chief Executives to be assured that areas additional to those covered by this review or further opportunities to enhance our individual or collective resilience are duly considered.

John Barradell

**MAYOR OF LONDON****John Barradell**

Town Clerk and Chief Executive  
City of London  
Guildhall  
London EC2P 2EJ

**Date:** 16 DEC 2016

**Harris Review into London's Preparedness to Respond to a Major Terrorist Attack**

The safety of Londoners is of vital importance and the recent tragic terrorist attacks across Europe and elsewhere have highlighted how important it is for all of us to properly prepare should such an attack occur in London. That is why one of my first tasks as Mayor was to commission Lord Harris to conduct a review of London's preparedness to respond to a major terrorist attack.

I am writing to you as the London Local Authority lead on Resilience. I know from Lord Harris that you, your team and other local authorities provided great assistance to him in completing this Review. I am very grateful to you all for the openness, and cooperation you demonstrated to him and this task.

Lord Harris has now published his review and I hope you will have had a chance to read the report and assess those recommendations which are relevant to London's local authorities.

The review is a thorough and thoughtful assessment of the situation in London and, while it describes a situation where organisations are largely well prepared and have plans in place, it does make a number of important recommendations. The recommendations that are wholly or largely directed at LAs are as follows:

70 Local authorities should work with the London Resilience Forum to consider where effective partnerships might be built at a sub-regional, but supra-borough, level, ensuring that local knowledge and connections can be retained.

72 Local authorities should be prioritising an effective functioning CCTV network for the detection and prevention of terrorist (or indeed other criminal) activity across the capital in the interests of public safety. The level and functionality of CCTV provision should be kept under review by the Mayor's Office.

88 Local police and local authority chief executives and leaders should annually review the membership of the police engagement groups to ensure that they comprise the right members, and that they are regularly refreshed.

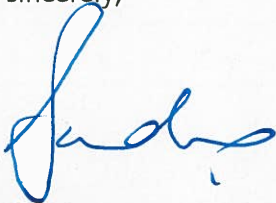
## MAYOR OF LONDON

I would be grateful if you would write to me setting out local authority plans for the implementation of these recommendations, the name of the responsible officer and a timescale. Where recommendations are not accepted, it would be useful to have your thoughts on the reasons for this and have the opportunity to discuss these. It would be most helpful if your initial response could be returned by 13 January 2017, and elements of this may be reflected in a formal response to the review in the New Year.

My Deputy Mayor for Policing And Crime, Sophie Linden, will be overseeing implementation of the recommendations through my Office for Policing And Crime (MOPAC). I would be grateful for your cooperation with her and her team.

All correspondence on this matter should be sent by email to [PreparednessReview@london.gov.uk](mailto:PreparednessReview@london.gov.uk) or to MOPAC at the address below.

Yours sincerely,



**Sadiq Khan**  
Mayor of London

Cc: Doug Flight, London Councils

## Executive

# National Funding Formula for schools – stage 2

Item no: 5

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<b>Report by:</b>	Caroline Dawes	<b>Job title:</b>	Head of Children's Services
<b>Date:</b>	17 January 2017		
<b>Contact Officer:</b>	Caroline Dawes		
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### Summary

The government published the second stage of its consultation into the Schools and High Needs National Funding Formula on 13<sup>th</sup> December 2016. This report sets out the government's plans which includes an announcement of additional funding, a capping of overall funding reductions per school at 3% and a change to the proposed formula factors, which result in less funding leaving London than originally predicted. However, 70% of London's schools will lose funding as a result of the introduction of the NFF. This report also sets out the current challenges and financial pressures facing London's schools and outlines a position for London Councils to adopt in its ongoing lobbying work.

### Recommendations

The Executive is asked to:

- consider the impact that the introduction of the NFF, alongside the current financial pressures facing London's schools, will have on school standards across the capital
- consider the proposed position and next steps from London Councils set out in paragraphs 24-26





# Introduction of National Funding Formula for Schools

## Introduction

1. The 2015 Conservative Party manifesto outlined a plan to protect schools funding, which would rise as pupil numbers increase, and also introduce fairer schools funding. On 25 November 2015, as part of the Spending Review, the then Chancellor of the Exchequer announced his intention to implement the first ever National Funding Formula (NFF) for schools in April 2017, with a consultation to be held in early 2016.
2. In March 2016 the government announced the first stage of its consultation on introducing the NFF. The key elements of the formula included:
  - Redistribution of funding amongst schools from within the existing schools block funding pot
  - Distributing all schools block funding directly to all schools, rather than via Schools Forums and the local authority
  - A reduction in the number of factors used in the formula, including the removal of the mobility factor
  - Creation of a central schools block of the DSG for local authorities to be able to discharge their education statutory duties in relation to all local children
  - Ring-fencing of funding within the four blocks of the DSG (schools, high needs, early years and the new central schools block)
3. The DfE did not announce any indicative allocations alongside the first consultation. Therefore, London Councils undertook preliminary modelling based on the published criteria to understand the potential scale of funding changes to London's schools. This modelling estimated that London could lose £245m per year through a new NFF based on redistribution without any capping or additional investment.
4. This modelling was shared with London Councils' Leaders' Committee on 22 March 2016, where it was agreed that London Councils' campaign should be based on the following broad principles:
  - To address any inequalities in the current funding formula, funding should be levelled up, rather than down

- Fairer funding through a NFF should not result in a reduction in funding for London's children
  - Local flexibility over funding is vital to address and respond swiftly to local diverse and emerging issues
5. London Councils made the case to government for continued investment in London's schools, taking into account its complexities including deprivation, mobility and other local factors. In tandem, London Councils mounted a significant lobbying campaign; briefing the media, London MPs and wider stakeholders on our position. London Councils has been consistently calling on the DfE to level up funding, rather than down, in order to address any inequalities in the current funding formula.
6. London Councils submitted a response to the first stage of the consultation, highlighting:
- Funding allocations should be protected through levelling up funding, not levelling down. Any reduction in schools funding risks having a detrimental impact on educational standards.
  - Schools forums provide local flexibility in the school funding system, which enables funding to be distributed swiftly and effectively in response to quickly changing circumstances, e.g. changes in pupil numbers.
  - Pupil mobility costs local authorities and schools a significant amount to manage and should, therefore, be included in the suite of factors on which the NFF will be based.
  - Basing an Area Cost Adjustment on the General Labour Market reflects more accurately the real additional costs to schools in London, than using the hybrid model proposed.
7. In July 2016 Justine Greening was appointed as the new Secretary of State for Education. She committed the DfE to take forward the NFF but changed the timetable, so that the new NFF would not be introduced to schools until April 2018.

## **Schools and High Needs National Funding Formulae – Government**

### **Consultation stage 2**

8. The government published the second stage of its consultation on the National Funding Formula on 14<sup>th</sup> December 2016. This consultation presents a policy shift in terms of the proposed NFF. The key changes to proposals set out in this consultation, following on from the first iteration are:
  - Capping overall funding reductions by 3% for every local authority area
  - Additional funding of £200m per annum in each of 2018/19 and 2019/20
  - Mobility will be used as a factor in the formula
  - It is unclear whether the NFF will by-pass the Schools Forum, as proposed in the first consultation. The DfE has committed to further consultation on the future role of the Schools Forum, particularly in relation to the NFF.
9. The consultation included indicative allocations for every school. London Councils' analysis reveals that around 70% of London's schools will see a reduction in funding. London collectively will lose £19 million, significantly less than our initial cash flat modelling suggested last year. This is primarily due to the introduction of additional funding, which significantly reduces the amount of money from London that needs to be redistributed to fund gains elsewhere, along with a permanent 3% funding floor.
10. Nationally, 9,047 schools experience a reduction in funding under the revised NFF, including 1,536 schools in London. In total, these 9,047 schools experience a loss of £335 million. This, therefore, would be the total amount of additional funding that would be required to protect every school in the country from a cash cut.
11. The initial reporting of the consultation focused on inner London losing considerable amounts of funding and outer London gaining. Some outer London boroughs are, however, losing funding and some in inner London would gain.
12. These changes to the proposals for the NFF, along with the additional funding that has been announced, result in London losing less funding than initially predicted. London will, however, still see larger reductions in funding than anywhere else in the country and redistribution away from London to increase

funding in other parts of England rather than a funding formula based on the needs of schools wherever they are located.

13. Additional funding has been made available to ensure that no local authority loses funding as a result of the new high needs funding formula. Ten London boroughs gain high needs funding.

### **Current financial climate for schools**

14. With 70 per cent of London schools set to receive less money, by as much as 3 per cent, from 2018/19, there will be considerable concern amongst schools about how this can be managed and the possible impact on school standards. While some may argue this is a relatively small amount and schools should be able to absorb this easily, it is unlikely they will be able to do so in addition to the wider budgetary pressures highlighted recently by the National Audit Office (NAO)<sup>1</sup>.
15. The NAO's report into the financial sustainability of schools found that schools in England face a £3billion funding shortfall by 2020 (8 per cent of the current schools block) as a direct result of per pupil funding being protected in real terms since 2010, but not increasing with the rate of inflation. In addition schools are facing extra costs including salary increases, higher employment contributions to national insurance and the teachers' pension scheme, non-pay inflation and the cost of the apprenticeship levy. Consequently current DfE funding levels are not sufficient to cover costs in the majority of schools. The NAO estimates that over 60% of secondary academies and 59% of secondary maintained schools spent more than their income in 2014/15. Therefore, even a school that will have an uplift as a result of the introduction of the NFF is likely to have an overall budgetary reduction in this financial climate.
16. Combining the findings of the NAO's report with the illustrative allocations published by DfE, London Councils' analysis suggests that London's schools are set to experience a real-term reduction in funding of £360 million in 2018/19, the first year of the new NFF, in comparison to current 2016/17 baseline. All schools in the capital will experience a real-terms reduction in funding by 2019/20 because the cap on gains over the first two years of the new funding formula (5.5

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<sup>1</sup> *Financial Sustainability of Schools*, National Audit Office, December 2016

per cent) does not exceed the funding pressures identified by the NAO (8 per cent).

### **Challenges of delivering high quality education in London**

17. London is still the highest performing region in terms of pupil attainment at GCSE. However, in the past two years, the 5 GCSEs A\*-C performance gap between London and all other regions has narrowed. Between 2013/14 and 2014/15 all regions saw their performance improve – except London which saw a 0.6 percentage point decline over the same period.
18. London boroughs have long been reporting difficulty in recruiting quality teachers across a range of subjects, as well as retaining them in the long term. TES reports in *A Question of Quality: TES Teacher Recruitment Index*<sup>2</sup> that London is the region that has the most difficulty currently recruiting teaching staff.
19. London Councils is predicting that the capital needs an additional 113,000 places between 2015-2020 to cope with rising demand. This amounts to 78,275 places at primary level and 34,835 at secondary.
20. London has experienced a very rapid increase in demand for Special Educational Needs and Disabilities (SEND) places in recent years, far exceeding growth in other regions and among London's mainstream population. Between January 2011 and 2016, the number of pupils educated in dedicated SEND places in London rose 23 per cent from 18,8000 to 23,127. This was over twice the 10 per cent growth rate in the rest of England.
21. Given the scale of these challenges, any funding reductions will be keenly felt by London's schools. It will be increasingly difficult for schools to continue to drive up standards, recruit and retain quality staff, deal with rising pupil numbers and provide additional support for SEND pupils, within this context.
22. A NFF based on redistribution rather than need is directly contrary to the interests of London schools.

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<sup>2</sup> *A Question of Quality: TES Teacher Recruitment Index*, TES, April 2016

### **Next steps**

23. The position that London Councils' Leaders' Committee agreed in March 2016 - to ensure that fairer funding through a NFF should not result in a reduction in funding for London's children – is still applicable in relation to the NFF as set out in the second stage of the consultation.
24. It is proposed that London Councils draft a response to the NFF that makes the case for continued investment in London's schools, taking into account current pressures in the system. The response will draw on the wider context of budgetary reductions as identified by the NAO report and focus on the impact that any reduction could have on school standards across the capital.
25. It is proposed that London Councils continue work with head teachers, MPs and businesses to inform them of the risk to the standards of education in London and financial viability of London's schools.
26. The deadline for consultation responses is 22 March. Therefore it is proposed that a report is presented at London Councils' Leaders' Committee to secure support for a collective position on school funding.

### **Recommendations**

27. The Executive is asked to:
- consider the impact that the introduction of the NFF, alongside the current financial pressures facing London's schools, will have on school standards across the capital
  - consider the proposed position and next steps from London Councils set out in paragraphs 24-26

### **Financial Implications for London Councils**

28. None

### **Legal Implications for London Councils**

29. None

### **Equalities Implications for London Councils**

30. None

## Appendix 1: National funding formula analysis

### Appendix 1: National funding formula analysis

**Table 1 - % change by borough**

Borough	Schools block (year 1)	Schools block (final formula)	High needs block (year 1)	High needs block (final formula)
Barking and Dagenham	0.0%	(0.1%)	2.8%	18.2%
Barnet	(0.3%)	(1.0%)	-	-
Bexley	0.9%	1.0%	-	-
Brent	(1.0%)	(1.9%)	-	-
Bromley	0.1%	(0.3%)	-	-
Camden	(1.4%)	(2.8%)	-	-
Croydon	2.1%	5.6%	-	-
Ealing	1.3%	2.3%	-	-
Enfield	1.2%	2.5%	2.9%	5.6%
Greenwich	(1.1%)	(2.3%)	-	-
Hackney	(1.4%)	(2.8%)	-	-
Hammersmith and Fulham	(1.4%)	(2.7%)	2.4%	3.2%
Haringey	(1.4%)	(2.7%)	-	-
Harrow	(0.3%)	(0.7%)	-	-
Havering	0.5%	0.6%	2.8%	8.2%
Hillingdon	1.7%	2.6%	2.8%	3.0%
Hounslow	0.3%	0.3%	-	-
Islington	(1.0%)	(1.5%)	1.0%	1.0%
Kensington and Chelsea	(1.3%)	(2.6%)	-	-
Kingston upon Thames	0.7%	1.0%	-	-
Lambeth	(1.4%)	(2.8%)	-	-
Lewisham	(1.4%)	(2.8%)	-	-
Merton	2.0%	4.3%	-	-
Newham	(1.4%)	(2.6%)	0.0%	0.0%
Redbridge	2.1%	4.1%	-	-
Richmond upon Thames	0.8%	1.2%	-	-
Southwark	(1.4%)	(2.7%)	-	-
Sutton	1.2%	1.9%	-	-
Tower Hamlets	(1.4%)	(2.7%)	2.8%	4.4%
Waltham Forest	(1.1%)	(2.0%)	2.1%	2.1%
Wandsworth	(0.7%)	(1.5%)	-	-
Westminster	0.5%	0.7%	0.6%	0.6%

**Table 2 – number of schools experiencing gains / losses in funding by region**

Region	Losses	Gains / no change	% losses
<b>Total London</b>	<b>1,536</b>	<b>643</b>	<b>70%</b>
<i>Inner London</i>	802	29	97%
<i>Outer London</i>	734	614	54%
East Midlands	698	1,215	36%
East of England	865	1,495	37%
North East	415	629	40%
North West	1,679	1,203	58%
South East	1,175	1,873	39%
South West	582	1,609	27%
West Midlands	1,156	1,017	53%
Yorkshire and the Humber	941	1,137	45%
<b>ENGLAND</b>	<b>9,047</b>	<b>10,821</b>	<b>48%</b>

**Table 3 - % change by year compared to 16/17 baseline**

Region	Schools block	High needs
<b>London</b>	<b>(0.3%)</b>	<b>1.2%</b>
<i>Inner London</i>	(2.4%)	0.6%
<i>Outer London</i>	1.0%	1.5%
East Midlands	2.5%	3.9%
East of England	1.5%	3.6%
North East	1.0%	2.9%
North West	0.1%	3.6%
South East	2.3%	1.8%
South West	2.2%	1.0%
West Midlands	0.3%	6.1%
Yorkshire and the Humber	1.5%	10.6%
<b>ENGLAND</b>	<b>1.1%</b>	<b>3.4%</b>

### Caveats

- Full calculations, such as per pupil rates and pupil numbers, have not been published alongside the consultation. In addition, school-level and local authority-level allocation tables published by DfE do not reconcile with each other. Until London Councils is able to verify the full methodology, figures in this paper should be treated as provisional. DfE is expected to publish a more detailed technical note shortly.
- Further analysis will be needed to understand the interaction between each of the three blocks of DSG (schools, high needs and early years) and the new central schools block





# Executive

## Provisional Local Government Finance Settlement 2017-18 Item 6

**Report by:** Paul Honeyben      **Job title:** Strategic Lead: Finance, Performance & Procurement  
**Date:** 17 January 2017  
**Contact Officer:** Paul Honeyben  
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### Summary

On 15 December 2016 the Secretary of State for Communities & Local Government set out the provisional Local Government Finance Settlement 2017-18 in a ministerial statement to Parliament.

This year's settlement is the second of the current parliament and four year Spending Review period (2016-17 to 2019-20). For those authorities that have accepted the Government's four year offer, the provisional settlement confirms Revenue Support Grant allocations for the next three years 2017-18 to 2019-20.

This report outlines the main headlines from the provisional settlement for London local government, including changes to flexibility to raise the Social Care Precept; the new Adult Social Care Support Grant funded by a cut to New Homes Bonus; and changes to the business rates retention scheme resulting from the 2017 Revaluation.

### Recommendations

The Executive is asked to note and comment on the contents of the report.

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## **Provisional Local Government Finance Settlement 2017-18**

### **Introduction**

1. The provisional 2017-18 Local Government Finance Settlement was announced on 15 December 2016 by Sajid Javid, the Secretary of State for Communities and Local Government. This year's settlement is the second of the current parliament and four year Spending Review period (2016-17 to 2019-20). It set out Revenue Support Grant (RSG) allocations for 2017-18 and confirmed allocations for local authorities that accepted the Government's four year funding "offer" for the following two years 2018-19 and 2019-20.
2. The consultation on the provisional settlement closes on 13 January. As the consultation deadline will have passed by the time the Executive meets, it will be cleared through urgency. The response will be circulated to the Executive in advance of the meeting.
3. This report outlines the key points from the settlement impacting on London local government.

### **Summary of key points for London local government**

4. Final figures for 2017-18 will not be confirmed until the final settlement in early February. The key headlines for London local government from the provisional settlement are, however, summarised below.
  - Settlement Funding Assessment (SFA) for England will fall in real terms by 10.6% in 2017-18 (9.4% for London Boroughs), and by 25.6% by 2019-20 (23.8% for London Boroughs).
  - Core Spending Power - which includes SFA, estimated Council Tax and several other grants, notably New Homes Bonus (NHB) and Improved Better Care Fund (IBCF) - will fall in real terms by 2.8% across England by 2019-20 (3.6% across London boroughs).
  - The referendum threshold for the main Council Tax increase will remain at 2%.
  - Local authorities will be allowed to increase the Social Care Precept up to 3% in 2017-18 and 2018-19, but increases cannot exceed 6% over the three years to 2019-20.
  - Councils wishing to use the extra freedom to raise their precept by 3% instead of 2% in 2017-18 must also show how they plan to use this extra money to improve social care.
  - There will be a new one off Adult Social Care Support Grant of £241.1 million (£37.3 million London) in 2017-18

- This is funded by reducing NHB by £241.1 million (£48.0 million London) as a result of moving from 6 to 5 year rolling scheme.
- It is estimated that London will lose out by £10.7 million from this switch in funding, however the impact varies across London with 12 boroughs gaining slightly while 21 are worse off.
- The settlement confirms the Improved BCF will be £105 million in 2017-18 rising to £1.5 billion by 2019-20 across England. London Boroughs will receive a cumulative £409 million of this.
- It was confirmed that London boroughs will receive £665 million in Public Health Grant (£3.3 billion England) in 2017-18.
- Business rates baselines, tariffs and top-ups will be adjusted to reflect the 2017 Revaluation – with London's overall tariff (including the GLA) increasing from £345 million to £748 million. This will increase to around £950 million at the final settlement to reflect TfL capital grant and the GLA's RSG being funded by business rates.
- In London, two boroughs will change from being top-up to tariffs authorities.

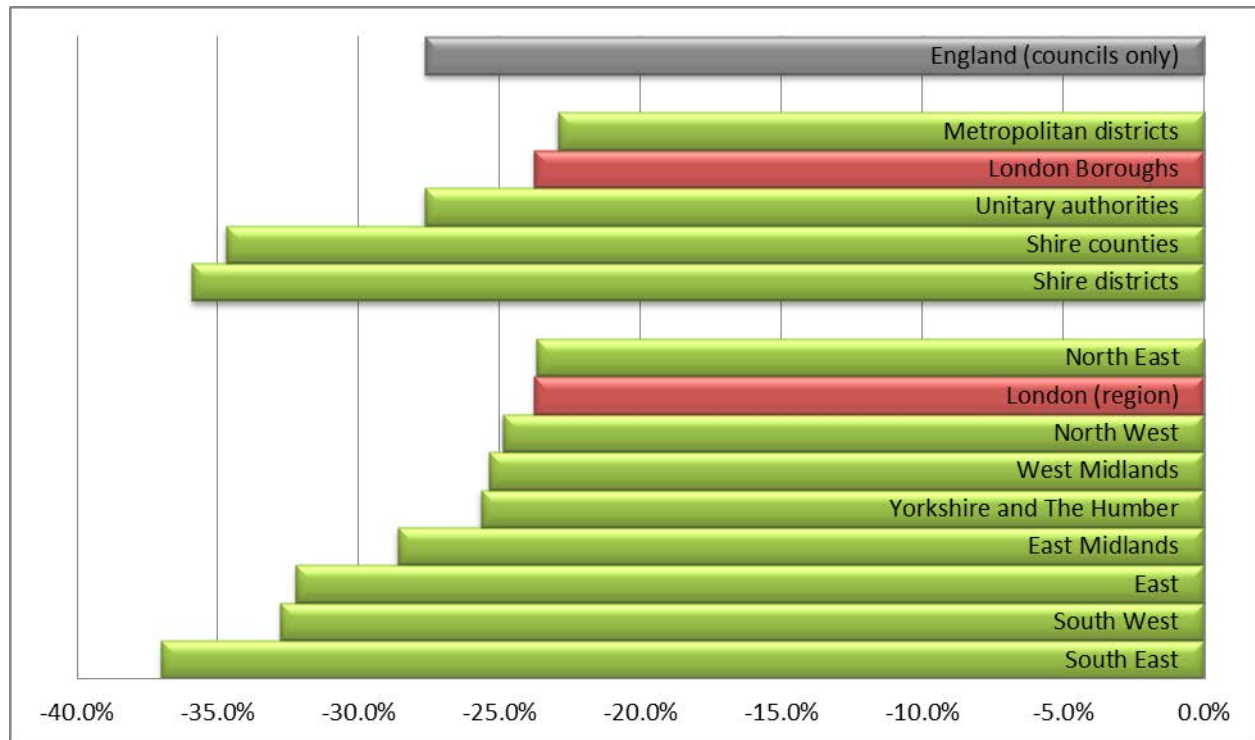
## **Overall Funding Allocations**

### **Settlement Funding Assessment**

5. Since 2013, Settlement Funding Assessment has been the main measure of central funding to local government. It comprises RSG and baseline funding (locally retained business rates after tariff/top up payments). Within SFA, baseline funding continues to increase by RPI inflation (2% this year), meaning any cuts to overall SFA come through reductions to RSG.
6. The Government's 'offer' of fixed funding allocations for the four year period came with the proviso that any authority accepting the offer would have to publish an efficiency plan. Take up of the offer has been high with 97% of councils accepting (all but one London borough). Those councils not accepting are subject to the existing annual process for determining the level of central funding they will receive. However, in 2017-18 funding allocations for the 10 councils that did not take up the offer remain unchanged.
7. The provisional settlement broadly confirmed the figures set out in last year's settlement which included an important change to how RSG was allocated, taking into account local authorities' ability to raise council tax. That change benefits London overall, but has an adverse impact on around a third of boroughs.
8. In 2017-18, SFA will be cut in real terms by 10.6% (9.4% for London Boroughs), and by 2019-20 it will fall by 25.6% (23.8% for London Boroughs). Appendix A shows the individual

borough allocations. Chart 1 (below) shows that over the cumulative three year period, London boroughs will receive the second lowest percentage cut of all regions, and the second lowest in terms of authority type (only metropolitan districts will receive a lower cut). Shire counties and districts will see the largest percentage cuts to SFA.

**Chart 1 – Real terms change in SFA (%) 2016-17 to 2019-20 by region & authority type**



Note: Figures are for councils only - i.e. they exclude Fire Authorities and the GLA.

### Core Spending Power

9. In 2017-18 “Core Spending Power” is defined as the sum of:

- Settlement Funding Assessment
- Estimated Council Tax
- Social Care Precept
- Potential Council Tax revenue from referendum principle for all districts.
- Improved Better Care Fund
- New Homes Bonus
- Rural Services Delivery Grant
- Transition Grant
- The 2017-18 Adult Social Care Support Grant.

10. Table 1 below shows the breakdown of ‘Core Spending Power’ by funding element. At the England level, spending power will increase by £1.1 billion from £43.6 billion to £44.7 billion (2.6% cash increase). Reductions to SFA and New Homes Bonus will be largely offset by the Government’s estimate of council tax increasing by £4.4 billion (13% in real terms). This

assumes that taxbase growth continues at the average annual rate between 2013-14 and 2016-17, that all authorities raise council tax by the maximum available (2%), and that all eligible local authorities take up an average of 2% social care flexibility per annum. This is likely to overstate the amount of council tax raised, as not all authorities will raise council tax or take up the social care precept. Added to which historic levels of housing growth may not continue.

**Table 1 – Detailed breakdown of Core Spending Power – England 2016-17 to 2019-20 (£bn)**

	2016-17 (baseline)	2017-18 (provisional)	2018-19 (illustrative)	2019-20 (illustrative)	Real terms % change (16-17 to 19-20)
Council Tax*	23.2	24.6	26.1	27.6	13%
SFA	18.6	16.6	15.6	14.6	-26%
<i>Of which:</i>					
<i>Local Share of NNDR</i>	<i>11.4</i>	<i>11.7</i>	<i>12.0</i>	<i>12.5</i>	<i>4%</i>
<i>Revenue Support Grant</i>	<i>7.2</i>	<i>5.0</i>	<i>3.6</i>	<i>2.3</i>	<i>-70%</i>
Improved Better Care Fund		0.1	0.8	1.5	n/a
New Homes Bonus	1.5	1.3	0.9	0.9	-43%
Rural Services Delivery Grant	0.1	0.1	0.1	0.1	n/a
Transition Grant	0.2	0.2	0.0	0.0	-100.00%
The 2017-18 Adult Social Care Support Grant	0.0	0.2	0.0	0.0	n/a
<b>Core Spending Power</b>	<b>43.6</b>	<b>43.1</b>	<b>43.5</b>	<b>44.7</b>	<b>-2.8%</b>

\* Council Tax figures includes the government's assumptions about the SC precept and district councils increases

11. Despite cuts to SFA being lower for London boroughs than the England average, overall Core Spending Power for London Boroughs will reduce by 3.6% in real terms (compared with 2.8% for England) between 2016-17 and 2019-20. This is because London boroughs raise proportionally less from Council Tax and are more grant-dependent on average than the rest of England. Again there is a wide variation across London (see Appendix B), ranging from 0.1% to 10.1% cumulative reduction.

## Council Tax

12. The provisional settlement set out the Government's Council Tax referendum principles for 2017-18, with the 2% referendum trigger remaining in place for the portion of the authority's council tax increase that has not been hypothecated for Adult Social Care.
13. The main change to Council Tax is the increase in the flexibility permitted in the use of the Social Care Precept (SCP). Social care authorities will have the freedom to increase by up to

3% in 2017-18 or 2018-19, but cannot exceed 6% in total over the three-year period. Table 2 (below) illustrates possible variations in the maximum increase in this precept in any one year from 2017-18 to 2019-20 (assuming whole percentages are used). In reality, fractional combinations within the overall envelope are permissible, e.g. 2.5%, 2.5%, 1%, but whole number combinations are shown for simplicity.

**Table 2 – Illustrative combinations of allowable increases in SCP**

	2017-18	2018-19	2019-20	Total
Original intention at SR15	2%	2%	2%	6%
Permissible variations from 2017-18 to 2019-20	3%	3%	0%	6%
	3%	2%	1%	6%
	3%	1%	2%	6%
	2%	2%	2%	6%
	2%	3%	1%	6%
	1%	3%	2%	6%

14. To ensure that councils are using income from the precept for adult social care, they will be required to publish a description of their plans, including changing levels of spend on adult social care and other services. This must be signed off by the Chief Finance Officer (Section 151 Officer). Councils wishing to use the extra freedom to raise their precept by 3% instead of 2% in 2017-18 must also show how they plan to use this extra money to improve social care. The DCLG will write to adult social care authorities with further details on the conditions of the scheme in the near future. This suggests an increasing burden compared with 2016-17, where local authorities were only required to show that the funding raised was spent on adult social care. London Councils' consultation response will highlight this additional burden as a concern.

## **Specific grants**

### **New Homes Bonus & Adult Social Care Support Grant**

15. The Government has confirmed NHB payments to councils will be reduced from six years to five years in 2017-18, and will introduce a 0.4% baseline so that local authorities will need to achieve tax base growth of greater than 0.4% before they receive any NHB funding. This will reduce the income of councils in receipt of the New Homes Bonus by £241 million nationally next year (around £48 million in London) in comparison to indicative figures released in February 2016. This money will be used to fund a one-off Adult Social Care Support Grant in 2017-18 (see para 17). London boroughs' share of the national total will stay broadly the same in 2017-18 at 21%, receiving £261 million of the reduced £1.2 billion national total.

16. The Government will not introduce proposals it consulted on in March 2016 to withhold payments for areas without a local plan in 2017-18. However, it will revisit the case for withholding New Homes Bonus from 2018-19 from local authorities that are deemed not to be



planning effectively, making positive decisions on planning applications and delivering housing growth. To encourage more effective local planning, the Government will also consider withholding payments for homes that are built following an appeal.

17. The £241 million saving from NHB will be used to fund a one-off Adult Social Care Support Grant in 2017-18 that will be distributed in proportion to the adult social care relative needs formula from 2013-14 so that all authorities with responsibility for social care receive a share of this funding. London boroughs' share of the national total is £37 million. The change in distribution from NHB to ASC Support Grant will have a redistributive effect. At the overall level, it is estimated that London will lose around £10.7 million from this switch in funding compared with the Government's estimates for 2017-18 from last year's settlement; however the impact varies across London with 12 boroughs gaining, while 21 are worse off.

#### Improved Better Care Fund

18. There is no change to the illustrative figures set out in the 2016-17 LGF Settlement for the Improved Better Care Fund (IBCF). In 2017-18, the Government is providing £105 million, rising to £825 million in 2017-18 across England. The provisional settlement confirmed the allocation methodology which takes into account councils' ability to raise Social Care Precept, thereby benefiting those councils who benefit less from the additional Council Tax flexibility for social care. However, it does not confirm how the new flexibility to raise the Social Care Precept will impact the calculation of future year's IBCF allocations. The Core Spending Power projections for this grant assume the original 2% for the Social Care Precept each year to determine allocations. They show London Boroughs will receive £22 million in 2017-18; £140 million in 2018-19 and £247 million in 2019-20 (a cumulative £409 million).

#### Public Health Grant

19. Alongside the settlement, the Government published the Public Health Grant allocations for 2017-18. These have not changed from the indicative figures published at last year's settlement for 2017-18. The England total is £3.3 billion (down by 7.6% from £3.4 billion in 2016-17), and London boroughs will receive £665 million (also down by 7.6% from £682 million).

#### Lead Local Flood Authority Grant

20. The Government also published Lead Local Flood Authority Grant allocations for 2017-18 (for the grant that sits outside the funding within SFA). London Boroughs will receive £0.75 million in 2017-18 rising to £0.87 million by 2019-20.

## **Social Care funding gap**

21. Before the provisional settlement, London Councils estimated a cumulative funding gap over the next four years (including 2016-17) of around £800 million for Social Care. This included assumptions that not all boroughs would raise the Social Care Precept or would raise overall Council Tax (as was the case in 2016-17). Even if all boroughs did raise the Precept and main Council Tax, the cumulative gap would have been around £700 million by 2020 (an annual gap of around £200 million in 2019-20).
22. If all boroughs used the flexibility to raise the Social Care Precept to 3% in 2017-18 and 2018-19 followed by a freeze in 2019-20, this would raise an additional £87 million over the next three years (£90 million in the next two years and £3 million less in 2019-20), compared with what could be raised from three annual increases of 2%. While this will reduce the Adult Social Care funding gap in the next two years (and the cumulative gap from around £700 million to £610 million), it would do nothing to address the annual gap of £200 million a year by 2019-20 in London.
23. The flexibility to raise more funding through the Social Care Precept, and front load it, is some recognition by Government of the urgent need to tackle the immediate and significant pressures facing Social Care. However, even if all boroughs levied the full Precept, the additional £87 million this would raise represents an increase in the money available for Adult Social Care of around 1% over the next three years – at a time when London's population of older people will rise by more than 6%.
24. In addition, as stated in paragraph 17, the £241 million switch from NHB to Adult Social Care Support Grant will see London lose by at least £10.7 million. While not all of the non-ringfenced NHB would have been spent on Adult Social Care, the switch to a ringfenced grant does little to close the funding gap set out above. This move will see money designed to incentivise growth and housing supply taken away from councils at a time when the Government has made boosting housebuilding a clear priority.

## **Business Rates**

25. Finally, the settlement set out significant changes to the business rates retention scheme as a result of the adjustments for the 2017 Revaluation, which alter both tariff and top ups and business rates baselines for individual authorities. The business rates revaluation adjustment ensures, as far as is practicable, that an authority's retained income is the same after revaluation as immediately before. DCLG will keep the overall methodology under review in order to allow scope for further adjustments to be made in 2018-19.

26. This has resulted in London boroughs' changing from being an overall £14 million top up in 2016-17 to now paying an overall tariff in 2017-18 of £223 million. At an individual authority level, two boroughs (Hounslow and Tower Hamlets) will switch to become tariff authorities from 2017-18 and join the existing eight boroughs that were tariff authorities, leaving 23 top up authorities. The GLA's tariff will increase from £359 million in 2016-17 to £720 million in the final settlement, reflecting the change in funding of TfL's capital grant and the GLA's RSG from the central share of business rates. The GLA's share of business rates will increase from 20% to 37% and the central share reduce from 50% to 33% as a result. London's overall tariff will therefore be around £950 million.
27. The Secretary of State for Communities and Local Government again restated the Government's intentions for local government to retain 100 per cent of business rates by 2020. He announced that the Local Government Finance Bill would enter parliament early in the new year, and that pilots would begin in 6 areas of the country in April 2017. Alongside Greater Manchester, Liverpool and London (announced in Budget 2016), there will be additional pilots in the West of England, Cornwall, and the West Midlands. Full details of the pilots are, however, still to be finalised.
28. The Government has stated the pilots will be "without detriment" to the resources that would have been available to individual authorities under the current local government finance regime (with any "detriment" payments funded from outside the Settlement). The pilot authorities, outside of London, will retain 100% of locally-raised business rates. In return they will forego Revenue Support Grant and a number of funding streams including Public Health Grant in Greater Manchester, Rural Services Grant in Cornwall, Transport for London (TfL) Capital Grant in London. Authorities' tariffs and top-ups will be adjusted to ensure cost neutrality.

### **Recommendations**

29. The Executive is asked note and comment on the contents of the report.
- 

#### **Financial Implications for London Councils**

None

#### **Legal Implications for London Councils**

None

#### **Equalities Implications for London Councils**

None



## Appendix A – provisional Settlement Funding Assessment by London Borough - 2016-17 to 2019-20 (£m)

	Annual allocations (£m)				Annual % change (cash)			Cumulative % change (cash) 2016-17 to 2019-20	Annual % change (real terms)			Cumulative % change (real) 2016-17 to 2019-20
	2016-17	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20		2017-18	2018-19	2019-20	
Barking & Dagenham	89.5	82.6	78.9	75.3	-7.7%	-4.5%	-4.5%	-15.8%	-9.0%	-6.5%	-6.2%	-20.2%
Barnet	90.6	78.3	71.5	64.8	-13.6%	-8.7%	-9.3%	-28.5%	-14.9%	-10.6%	-11.0%	-32.2%
Bexley	55.5	48.0	43.9	39.8	-13.5%	-8.6%	-9.2%	-28.2%	-14.7%	-10.5%	-10.8%	-31.9%
Brent	136.8	125.2	118.8	112.7	-8.5%	-5.1%	-5.2%	-17.7%	-9.8%	-7.0%	-6.9%	-21.9%
Bromley	56.5	46.8	41.4	36.1	-17.2%	-11.4%	-12.8%	-36.0%	-18.4%	-13.3%	-14.3%	-39.4%
Camden	138.5	126.6	120.1	113.6	-8.7%	-5.1%	-5.3%	-18.0%	-10.0%	-7.1%	-7.0%	-22.2%
City of London	25.9	24.4	23.6	22.8	-5.8%	-3.2%	-3.4%	-11.9%	-7.1%	-5.2%	-5.1%	-16.5%
Croydon	114.6	101.7	94.7	87.8	-11.2%	-6.9%	-7.2%	-23.4%	-12.5%	-8.9%	-8.9%	-27.3%
Ealing	118.9	107.0	100.5	94.1	-10.0%	-6.1%	-6.3%	-20.9%	-11.3%	-8.0%	-8.0%	-25.0%
Enfield	114.4	103.3	97.2	91.3	-9.7%	-5.9%	-6.1%	-20.2%	-11.0%	-7.8%	-7.8%	-24.3%
Greenwich	129.5	119.4	113.8	108.5	-7.8%	-4.6%	-4.7%	-16.2%	-9.2%	-6.6%	-6.4%	-20.6%
Hackney	170.8	158.6	152.0	145.6	-7.1%	-4.2%	-4.2%	-14.7%	-8.5%	-6.1%	-5.9%	-19.2%
Hammersmith & Fulham	95.1	87.3	83.1	78.9	-8.2%	-4.8%	-5.0%	-17.0%	-9.5%	-6.8%	-6.7%	-21.3%
Haringey	126.0	115.2	109.2	103.5	-8.6%	-5.1%	-5.3%	-17.9%	-9.9%	-7.1%	-7.0%	-22.2%
Harrow	58.2	50.1	45.6	41.2	-14.0%	-9.0%	-9.7%	-29.3%	-15.3%	-10.9%	-11.3%	-33.0%
Havering	52.5	44.6	40.2	35.9	-15.2%	-9.9%	-10.7%	-31.7%	-16.4%	-11.7%	-12.3%	-35.3%
Hillingdon	72.6	63.6	58.6	53.8	-12.4%	-7.8%	-8.3%	-26.0%	-13.7%	-9.7%	-9.9%	-29.8%
Hounslow	76.2	67.8	63.2	58.7	-11.0%	-6.8%	-7.1%	-23.0%	-12.3%	-8.7%	-8.8%	-27.0%
Islington	130.9	120.4	114.7	109.2	-8.0%	-4.7%	-4.9%	-16.6%	-9.3%	-6.7%	-6.6%	-21.0%
Kensington & Chelsea	79.8	71.6	67.1	62.6	-10.3%	-6.2%	-6.7%	-21.6%	-11.6%	-8.2%	-8.4%	-25.7%
Kingston upon Thames	32.2	26.1	22.8	19.5	-18.7%	-12.7%	-14.5%	-39.3%	-19.9%	-14.5%	-16.0%	-42.5%
Lambeth	171.4	157.7	150.3	143.0	-8.0%	-4.7%	-4.8%	-16.6%	-9.3%	-6.7%	-6.5%	-20.9%
Lewisham	146.7	135.0	128.7	122.5	-8.0%	-4.7%	-4.8%	-16.5%	-9.3%	-6.7%	-6.5%	-20.8%
Merton	55.5	48.5	44.7	41.0	-12.5%	-7.9%	-8.4%	-26.2%	-13.8%	-9.8%	-10.0%	-30.0%
Newham	172.7	160.5	153.9	147.5	-7.1%	-4.1%	-4.2%	-14.6%	-8.4%	-6.1%	-5.9%	-19.0%
Redbridge	82.0	73.1	68.3	63.6	-10.8%	-6.6%	-6.9%	-22.4%	-12.0%	-8.6%	-8.6%	-26.5%
Richmond upon Thames	33.0	24.5	21.8	15.1	-25.6%	-11.3%	-30.8%	-54.3%	-26.7%	-13.2%	-32.0%	-56.7%
Southwark	179.5	166.0	158.7	151.5	-7.5%	-4.4%	-4.5%	-15.6%	-8.9%	-6.4%	-6.2%	-20.0%
Sutton	58.1	50.8	46.9	43.0	-12.5%	-7.8%	-8.3%	-26.0%	-13.7%	-9.7%	-10.0%	-29.9%
Tower Hamlets	170.7	158.1	151.3	144.6	-7.4%	-4.3%	-4.4%	-15.3%	-8.7%	-6.3%	-6.1%	-19.7%
Waltham Forest	108.7	99.0	93.7	88.5	-8.9%	-5.4%	-5.5%	-18.5%	-10.2%	-7.3%	-7.2%	-22.8%
Wandsworth	114.6	106.0	101.4	96.9	-7.5%	-4.3%	-4.5%	-15.5%	-8.8%	-6.3%	-6.2%	-19.9%
Westminster	140.6	130.6	125.2	119.9	-7.1%	-4.1%	-4.3%	-14.7%	-8.4%	-6.1%	-6.0%	-19.2%
<b>London Boroughs</b>	<b>3,398.5</b>	<b>3,078.3</b>	<b>2,905.6</b>	<b>2,732.7</b>	<b>-9.4%</b>	<b>-5.6%</b>	<b>-6.0%</b>	<b>-19.6%</b>	<b>-10.7%</b>	<b>-7.6%</b>	<b>-7.6%</b>	<b>-23.8%</b>
<b>England</b>	<b>18,601.5</b>	<b>16,632.4</b>	<b>15,598.8</b>	<b>14,584.3</b>	<b>-10.6%</b>	<b>-6.2%</b>	<b>-6.5%</b>	<b>-21.6%</b>	<b>-11.9%</b>	<b>-8.2%</b>	<b>-8.2%</b>	<b>-25.7%</b>

Note: Figures for Richmond, Bromley and Kingston in 2019-20 are the net SFA position after tariff adjustments.

## Appendix B – provisional Core Spending Power by London Borough - 2016-17 to 2019-20 (£m)

	Annual allocations (£m)				Annual % change (cash)			Cumulative % change (cash)	Annual % change (real terms)			Cumulative % change (real)
	2016-17	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2016-17 to 2019-20	2017-18	2018-19	2019-20	2016-17 to 2019-20
Barking & Dagenham	144.9	143.3	145.9	150.6	-1.1%	1.9%	3.2%	4.0%	-2.5%	-0.3%	1.4%	-1.5%
Barnet	256.2	253.9	255.2	262.9	-0.9%	0.5%	3.0%	2.6%	-2.3%	-1.6%	1.2%	-2.7%
Bexley	154.7	154.0	155.9	160.8	-0.4%	1.2%	3.2%	4.0%	-1.8%	-0.9%	1.3%	-1.4%
Brent	246.5	245.8	249.9	258.2	-0.3%	1.7%	3.3%	4.8%	-1.7%	-0.4%	1.5%	-0.7%
Bromley	201.7	199.0	198.4	203.5	-1.4%	-0.3%	2.6%	0.9%	-2.8%	-2.4%	0.7%	-4.4%
Camden	243.3	237.9	239.2	243.6	-2.2%	0.5%	1.8%	0.1%	-3.6%	-1.5%	0.0%	-5.1%
City of London	33.4	32.2	31.7	31.6	-3.4%	-1.6%	-0.2%	-5.1%	-4.8%	-3.6%	-2.0%	-10.1%
Croydon	270.4	266.0	269.1	277.0	-1.6%	1.2%	2.9%	2.5%	-3.0%	-0.9%	1.1%	-2.9%
Ealing	244.7	240.6	244.2	251.3	-1.7%	1.5%	2.9%	2.7%	-3.1%	-0.6%	1.1%	-2.6%
Enfield	227.5	223.9	227.2	233.0	-1.6%	1.5%	2.6%	2.4%	-3.0%	-0.6%	0.7%	-2.9%
Greenwich	218.8	217.9	219.7	225.7	-0.4%	0.8%	2.7%	3.1%	-1.8%	-1.3%	0.9%	-2.2%
Hackney	256.9	251.3	251.6	256.5	-2.2%	0.1%	2.0%	-0.1%	-3.6%	-2.0%	0.1%	-5.3%
Hammersmith & Fulham	157.0	154.5	155.1	158.1	-1.6%	0.4%	2.0%	0.7%	-3.0%	-1.7%	0.1%	-4.5%
Haringey	220.1	217.0	220.0	225.7	-1.4%	1.4%	2.6%	2.5%	-2.8%	-0.8%	0.8%	-2.8%
Harrow	169.5	167.7	169.4	174.5	-1.1%	1.0%	3.0%	3.0%	-2.5%	-1.1%	1.2%	-2.4%
Havering	169.3	169.4	170.5	176.4	0.1%	0.7%	3.4%	4.2%	-1.3%	-1.4%	1.6%	-1.2%
Hillingdon	188.9	186.6	188.9	195.0	-1.2%	1.2%	3.3%	3.2%	-2.6%	-0.9%	1.4%	-2.1%
Hounslow	170.9	167.2	168.9	173.2	-2.2%	1.0%	2.5%	1.3%	-3.6%	-1.1%	0.7%	-3.9%
Islington	223.2	217.5	218.7	223.5	-2.6%	0.5%	2.2%	0.1%	-3.9%	-1.6%	0.4%	-5.1%
Kensington & Chelsea	157.7	153.9	154.8	157.3	-2.4%	0.6%	1.6%	-0.3%	-3.8%	-1.5%	-0.2%	-5.5%
Kingston upon Thames	123.1	121.3	120.2	122.4	-1.5%	-0.9%	1.8%	-0.6%	-2.9%	-3.0%	0.0%	-5.8%
Lambeth	284.6	279.5	282.4	289.6	-1.8%	1.0%	2.5%	1.8%	-3.2%	-1.1%	0.7%	-3.5%
Lewisham	243.2	240.6	242.0	247.1	-1.1%	0.6%	2.1%	1.6%	-2.5%	-1.5%	0.3%	-3.7%
Merton	139.7	137.8	138.3	141.6	-1.4%	0.3%	2.4%	1.3%	-2.8%	-1.8%	0.5%	-4.0%
Newham	251.7	247.5	249.3	254.9	-1.6%	0.7%	2.2%	1.3%	-3.1%	-1.4%	0.4%	-4.0%
Redbridge	181.4	178.4	181.8	187.2	-1.7%	1.9%	3.0%	3.2%	-3.1%	-0.2%	1.1%	-2.2%
Richmond upon Thames	153.2	150.8	150.0	149.9	-1.5%	-0.5%	-0.1%	-2.1%	-2.9%	-2.6%	-1.9%	-7.2%
Southwark	281.0	274.0	275.6	281.4	-2.5%	0.6%	2.1%	0.2%	-3.9%	-1.5%	0.3%	-5.1%
Sutton	148.9	146.7	146.8	150.5	-1.5%	0.1%	2.6%	1.1%	-2.9%	-2.0%	0.7%	-4.2%
Tower Hamlets	276.5	269.6	269.5	275.9	-2.5%	0.0%	2.4%	-0.2%	-3.9%	-2.1%	0.5%	-5.4%
Waltham Forest	201.0	200.5	204.6	211.7	-0.2%	2.1%	3.5%	5.4%	-1.7%	0.0%	1.6%	-0.1%
Wandsworth	178.5	177.2	178.1	182.5	-0.7%	0.5%	2.5%	2.2%	-2.2%	-1.6%	0.6%	-3.1%
Westminster	203.0	195.9	196.3	199.3	-3.5%	0.2%	1.6%	-1.8%	-4.9%	-1.9%	-0.3%	-6.9%
<b>London Boroughs</b>	<b>6,621.2</b>	<b>6,519.5</b>	<b>6,569.1</b>	<b>6,732.5</b>	<b>-1.5%</b>	<b>0.8%</b>	<b>2.5%</b>	<b>1.7%</b>	<b>-2.9%</b>	<b>-1.3%</b>	<b>0.7%</b>	<b>-3.6%</b>
<b>England</b>	<b>43,564.2</b>	<b>43,068.6</b>	<b>43,493.8</b>	<b>44,678.3</b>	<b>-1.1%</b>	<b>1.0%</b>	<b>2.7%</b>	<b>2.6%</b>	<b>-2.6%</b>	<b>-1.1%</b>	<b>0.9%</b>	<b>-2.8%</b>

# Executive

## Policy Developments - Devolution and Public Service Reform

Item no. 7

**Report by:** Doug Flight                      **Job title:** Head of Strategic Policy  
**Date:** 17 January 2017  
**Contact Officer:** Doug Flight  
**Telephone:** 020 7934 9805      **Email:** Doug.flight@londoncouncils.gov.uk

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**Summary:**                      The December meeting of Leaders Committee considered a policy paper on Devolution and Public Service Reform.

Substantial negotiations with Government were continuing at the time of despatch of these papers in relation to:

- Health devolution
- Devolution of the Work and Health Programme

This item provides the Executive with the opportunity to hear and consider the very latest progress in these negotiations.

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The Executive is asked to:

1. Comment on the most recent policy developments which will be reported as part of the meeting.
  2. Provide guidance on next steps in finalising and implementing these policy developments.
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# Policy Developments - Devolution and Public Service Reform

## Background

1. The December meeting of Leaders Committee considered a policy paper on Devolution and Public Service Reform. Following that meeting, substantial negotiations were continuing with Government, in relation to:
  - Health devolution
  - Devolution of the Work and Health Programme
2. This item appears on the agenda to provide the Executive with the opportunity to hear and consider the very latest progress in these negotiations.

## Health Devolution

3. Discussions are progressing with DH and NHS England officials, under the umbrella of the agreement made with the then Chancellor of the Exchequer last December.
4. There is an aspiration that a Memorandum of Understanding (MoU) to facilitate next steps will be agreed with national partners early in the New Year. This would be buttressed by individual agreements with the pilot areas.
5. It is envisaged that the MoU will be an enabling document, allowing local areas to opt-in to detailed devolution proposals that build on learning from the London pilots. The pilots have led to detailed propositions around:
  - i. Integration - Integration requires changes to regulation, payment systems and workforce for it to be effective.
  - ii. Estates- Reinvestment of capital receipts.
  - iii. Prevention – Including potential legislative routes to support behaviour change.
6. Leaders' Committee agreed a process for signing-off the MoU at its December meeting. Verbal updates on this will be provided at the meeting of the Executive.

## **Work and Health Programme (Employment Support)**

7. London Councils and the sub-regional groups of boroughs have been engaged in detailed discussions with the Department for Work and Pensions (DWP) following the Chancellor's announcement in the Autumn Statement 2016 that funding for the Work and Health Programme would be devolved to London, subject to the areas meeting certain conditions, including on co-funding. Encouraging progress has been made in these negotiations.
8. The commitment to deliver the new Programme presents challenging timescales. To help ensure success, all London government partners, including Boroughs, sub-regions, and the GLA will be required to cooperate closely.

## **Wider Issues**

9. Ministers indicated at the time of the Autumn Statement that a broader reform package could be progressed as part of the March 2017 Budget announcement. Discussions with Government – involving both the Mayor's Office and London Councils – are due to resume in early 2017.
10. At the last meeting of the Member Devolution Group, it was agreed that London's narrative needed to be more strongly rooted in the emerging Government emphasis on place based industrial strategy and ways in which devolution and reform can contribute directly to meeting challenges around boosting productivity, creating jobs, equipping people to fill those jobs, securing housing supply etc. Members felt that 'place' needed to be defined in a more granular way than London as a whole. Accordingly, London Councils has sought contributions from boroughs and groups of boroughs along these lines.
11. At that meeting, the Mayor of London indicated that contributions of that type could be important component parts of London's case for further devolution. A date is currently being sought for a meeting of the Member Devolution Group and the Mayor of London to consider next steps on this overall agenda and to begin to consider some of the broader governance issues flowing from devolution and reform propositions.

## **Considerations**

12. The discussion under this agenda item will provide the Executive with the opportunity to hear and consider progress in the continuing programme of work and to provide guidance on next steps.

**Financial implications for London Councils**

None

**Legal implications for London Councils**

None

**Equalities implications for London Councils**

There are no direct equalities implications for London Councils as a result of this paper.

**Attachments**

None

# Executive (sitting as the Appointments Panel)

## Nominations to Outside Bodies

Item no 8

**Report by:** Derek Gadd **Job title:** Head of Governance  
**Date:** 17 January 2017  
**Contact Officer:** Derek Gadd  
**Telephone:** 020 7934 9505 **Email:** [derek.gadd@londoncouncils.gov.uk](mailto:derek.gadd@londoncouncils.gov.uk)

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**Summary:** This report provides the Executive in its capacity as the Appointments Panel, with details of London Councils' nominations/appointments made to outside bodies.

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**Recommendations:** The Executive is recommended to note the nominations/appointments made by the Chief Executive on behalf of London Councils:

- Cllr Fiona Colley (Labour, Southwark) to the LFEPA
- Cllr Denise Hyland (Labour, Greenwich) to the London Regional Council of the Arts Council England
- Cllr Nick Draper (Labour, Merton) to the LVRPA

Transport and Environment appointments listed in attached appendix.

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# Nominations to Outside Bodies

## Background

1. In 2002, London Councils' Elected Officers, acting in their capacity as its Appointments Panel, agreed to delegate the making of nominations to outside bodies to the Chief Executive within agreed guidelines and on Nolan principles and on the basis that they were reported to the next available meeting of the Appointments Panel. The guidelines were refined in 2012 with a fresh set of principles.

## Nominations

2. The Chief Executive has appointed:
  - Cllr Fiona Colley (Labour, Southwark) to the LFEPA
  - Cllr Denis Hyland (Labour, Greenwich) to the London Regional Council of the Arts Council England
  - Cllr Nick Draper (Labour, Merton) to the LVRPA

Transport and Environment appointments listed in attached appendix.

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## Financial Implications:

Where remunerated, payments are made by the appointing body and there are, therefore, no financial implications arising directly from this report.

## Legal Implications:

In making appointments London Councils complies with relevant legislation. It also seeks to comply with the 'Nolan' Seven Principles of Public Life.

## Recommendations:

The Executive is recommended to note the new nominations/appointments made by the Chief Executive on behalf of London Councils.

## **Nominations to TEC Outside Bodies for 2016/17**

The Committee received a report that sought nominations to the various outside bodies that related to the work of TEC for 2016/17

The Committee nominated the following members to the outside bodies:

### Heathrow Airport Consultative Committee (HACC)

Cllr Steve Curran (LB Hounslow)

Deputy - Cllr Tim Coleridge (RB Kensington & Chelsea)

### Thames Regional Flood & Coastal Committee (RFCC)

*West* – Cllr Dean Cohen (LB Barnet)

*South West* – Cllr Nick Draper (LB Merton)

*South East* – Cllr Alan Smith (LB Lewisham)

*North East* – Cllr Lynda Rice (LB Barking & Dagenham *(post meeting note)*)

*Central North* – Cllr Tim Coleridge (RB Kensington & Chelsea)

*Central South* – Cllr Jenny Brathwaite (LB Lambeth)

*North* – Cllr Daniel Anderson (LB Enfield)

### London Sustainable Development Commission

Cllr Claudia Webbe (LB Islington)

### London Electric Vehicle Partnership (LEVP)

No nominations are needed as this partnership no longer convenes.

### Urban Design London (UDL)

Cllr Daniel Moylan (RB Kensington & Chelsea)

Cllr Nigel Haselden (LB Lambeth)

### London Waterways Commission

Cllr James Beckles (LB Newham) *(post meeting note)*

Cllr Lynda Rice (LB Barking & Dagenham)

Cllr Terry Paton (RB Kingston)

### Thames River Basin District Liaison Panel (Thames LP)

Cllr Alan Smith (LB Lewisham)

### London City Airport Consultative Committee (LCACC)

To be confirmed

### London Waste & Recycling Board

Cllr Bassam Mahfouz (LB Ealing – Labour)

Cllr Nicholas Paget-Brown (RB Kensington & Chelsea – Conservative)

2 x Labour representatives to be advised in due course.

### London Cycling Campaign (LCC)

Cllr Feryal Demirci (LB Hackney)

# Executive

## Month 6 Revenue Forecast 2016/17

Item no: 9

**Report by:** Frank Smith      **Job title:** Director of Corporate Resources  
**Date:** 17 January 2017  
**Contact Officer:** Frank Smith  
**Telephone:** 020 7934 9700      **Email:** frank.smith@londoncouncils.gov.uk

### Summary

This report summarises actual income expenditure recorded in the accounts as at 30 September 2016 (Month 6), provides a projected outturn figure for the year and highlights any significant forecast variances against the approved budget. A separate forecast is provided for each of London Councils three funding streams. The Executive is also provided with an update on London Councils reserves. The summary forecast outturn position is as follows:

	<b>M6 Actual</b>	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
Total expenditure	194,824	397,981	394,668	(3,313)
Total income	(195,452)	(395,489)	(393,803)	1,686
Use of reserves	(486)	(2,492)	(2,623)	(131)
<b>Net deficit/(surplus)</b>	<b>(1,104)</b>	<b>-</b>	<b>(1,758)</b>	<b>(1,758)</b>
Net expenditure by Committee				
Grants	(1,071)	-	(854)	(854)
Transport and Environment	1,285	-	(767)	(767)
Joint	(1,318)	-	(137)	(137)
<b>Net deficit/(surplus)</b>	<b>(1,104)</b>	<b>-</b>	<b>(1,758)</b>	<b>(1,758)</b>

### Recommendations

The Executive is asked to note the overall forecast surplus as at 30 September 2016 (Month 6) of £1.758 million and note the position on reserves as detailed in paragraphs 14-16.





## Month 6 Revenue Forecast 2016/17

### Introduction

1. London Councils revenue expenditure budget for 2016/17, as approved by the Leaders' Committee in December 2015 was £398.193 million. The budget was then adjusted by £68,000 to reflect the decision of this Committee to bring forward the £23,000 underspend in respect of NOTIFY in 2016/17, plus a £45,000 adjustment in respect of running costs. In addition payments in respect of the taxicard contract have been reduced by £280,000 on confirmation of borough funding for the scheme for 2016/17, making a revised expenditure budget for 2016/17 of £397.981 million.
2. The corresponding revenue income budget approved by the Leaders' Committee in December 2015 was £398.193 million, which included an approved transfer of £2.469 million from reserves; £1.651 million of which related to the return of funds to boroughs from reserves. An additional transfer from reserves of £23,000 was made to cover the NOTIFY carry forward balance (see paragraph 1), plus additional central recharge income of £45,000, together with a reduction in Taxicard funding from the boroughs of £280,000. Total revised income, therefore, is budgeted to be £397.981 million, of which £2.492 million is a transfer from reserves to produce a balanced budget for the year.
3. This report analyses actual income and expenditure at the half year stage of the current financial year and highlights any significant variances emerging against the approved budget. This report would ordinarily have been presented to the November 2016 Executive meeting; however, that meeting was cancelled. The forecast outturn position as at the three-quarter year stage (31 December 2016) of the current financial year will be presented to the next meeting of the Executive in February.
4. After excluding the £721,000 projected underspend on taxicard, the projected surplus of £1.758 million is broken down as follows:
  - A projected net underspend of £96,000 in respect of officer employee costs;
  - A projected net deficit of £252,000 in respect of TEC traded services;
  - A projected net underspend of £46,000 relating to commissions in respect of the S.48 grants scheme;
  - A net projected underspend of £828,000 relating to slippage in the start of the new 2016+ joint borough/ESF funded programme;
  - A forecast underspend of £80,000 in respect of the commissioning budget;

- A forecast underspend of £200,000 in respect of journeys undertaken by independent bus operators as part of the Freedom Pass scheme;
- A forecast underspend of £500,000 in respect of Freedom Pass issuing/reissuing costs;
- Forecast deficits of £131,000 in respect of LEP funding towards the YPES, although this will be covered by an additional transfer from reserves, and £5,000 in respect of overall investment income; and
- Projected additional income arising from Lorry Control enforcement and replacement Freedom Passes of £95,000 and £174,000 respectively, although this is offset by a projected deficit of £12,000 on income from the issue of replacement Taxicards.

5. Table 1 below details the overall forecast position, with Tables 2-4 showing the position for the three separate funding streams.

**Table 1 – Summary Income and Expenditure Forecast 2016/17, as at 30 September 2016.**

	<b>M6 Actual</b>	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
<b>Expenditure</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee Costs	2,416	5,378	5,282	(96)
Running Costs	1,646	2,814	2,814	-
Central Recharges	8	487	500	13
<b>Total Operating Expenditure</b>	<b>4,070</b>	<b>8,679</b>	<b>8,596</b>	<b>(83)</b>
Direct Services	4,826	8,574	8,561	(13)
Payments in respect of Freedom Pass and Taxicard	180,907	368,677	367,261	(1,416)
Commissioned grants services	3,227	7,505	7,459	(46)
London Funders Group	-	60	60	-
ESF commissions	-	1,880	205	(1,675)
One-off borough payments	1,651	1,651	1,651	-
Improvement and Efficiency work	-	265	265	-
YPES Regional/Provider Activities	33	50	50	-
Commissioning and Research	120	640	560	(80)
<b>Total Expenditure</b>	<b>194,834</b>	<b>397,981</b>	<b>394,668</b>	<b>(3,313)</b>
<b>Income</b>				
Contributions in respect of Freedom Pass and Taxicard	(183,227)	(368,790)	(368,231)	559
Borough contribution towards grant payments	(4,252)	(8,505)	(8,505)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Income for direct services	(1,797)	(8,974)	(8,765)	189
Core Member Subscriptions	(5,491)	(5,706)	(5,706)	-
Borough contribution towards LCP payments	(326)	(326)	(326)	-
Government Grants	(25)	(1,131)	(198)	933
Interest on Investments	(39)	(75)	(70)	5
Other Income	(115)	(289)	(289)	-

Central Recharges	-	(1,513)	(1,513)	-
Transfer from Reserves	(486)	(2,492)	(2,623)	(131)
<b>Total Income</b>	<b>(195,938)</b>	<b>(397,981)</b>	<b>(396,426)</b>	<b>1,555</b>
<b>Net Expenditure</b>	<b>(1,104)</b>	<b>-</b>	<b>(1,758)</b>	<b>(1,758)</b>
<b>Applied to Funding Streams</b>				
Grants Committee	(1,071)	-	(854)	(854)
Transport and Environment Committee	1,285	-	(767)	(767)
Joint Committee Functions	(1,318)	-	(137)	(137)
<b>Net Expenditure</b>	<b>(1,104)</b>	<b>-</b>	<b>(1,758)</b>	<b>(1,758)</b>

### Revenue Forecast Position as at 30 September 2016 – Grants Committee

6. Table 2 below summarises the forecast outturn position for the Grants Committee:

**Table 2 – Summary Forecast – Grants Committee**

	<b>M6 Actual</b>	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
<b>Expenditure</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee Costs	190	382	415	33
Running Costs	10	18	18	-
Central Recharges	8	155	168	13
<b>Total Operating Expenditure</b>	<b>208</b>	<b>555</b>	<b>601</b>	<b>46</b>
Commissioned grants services	3,227	7,505	7,459	(46)
London Funders Group	-	60	60	-
ESF commissions – 2016+	-	1,880	205	(1,675)
One-off payment to boroughs	486	486	486	-
<b>Total Expenditure</b>	<b>3,921</b>	<b>10,486</b>	<b>8,811</b>	<b>(1,675)</b>
<b>Income</b>				
Borough contributions towards commissioned services	(4,252)	(8,505)	(8,505)	-
Borough contributions towards the administration of commissions	(248)	(495)	(495)	-
ESF Grant – 2016+	-	(1,000)	(173)	827
Interest on Investments	(6)	-	(6)	(6)
Other Income	-	-	-	-
Transfer from Reserves	(486)	(486)	(486)	-
<b>Total Income</b>	<b>(4,992)</b>	<b>(10,486)</b>	<b>(9,665)</b>	<b>821</b>
<b>Net Expenditure</b>	<b>(1,071)</b>	<b>-</b>	<b>(854)</b>	<b>(854)</b>

7. The projected surplus of £854,000, is broadly split between the following:

- A projected underspend of £68,000 in respect of S.48 borough funded commissioned services relating to 2016/17, offset by the additional one-off payment of £22,000 to Ashiana, as agreed by the Grants Committee in March 2016, leaving a net projected underspend of £46,000;
- A projected net underspend of £828,000, including administration costs, due to slippage in anticipated payments made in respect of the new 2016+ programme, based on the assumption that the programme becomes operational by the end of the third quarter of 2016/17 and that the funding will be applied at this point, offset by grant receipts; and

- A projected overspend position of £20,000 in respect of the administration of S.48 commissions.

## Revenue Forecast Position as at 30 September 2016 – Transport and Environment Committee

8. Table 3 below summarises the forecast outturn position for the Transport and Environment Committee:

**Table 3 – Summary Forecast – Transport and Environment Committee**

	<b>M6 Actual</b>	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
<b>Expenditure</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee Costs	285	652	568	(84)
Running Costs	116	297	297	-
Central Recharges	0	74	74	-
<b>Total Operating Expenditure</b>	<b>401</b>	<b>1,023</b>	<b>939</b>	<b>(84)</b>
Direct Services	4,755	8,426	8,413	(13)
Research	-	40	40	-
Payments in respect of Freedom Pass and Taxicard	180,907	368,677	367,261	(1,416)
One-off payment to boroughs	340	340	340	-
<b>Total Expenditure</b>	<b>186,403</b>	<b>378,506</b>	<b>376,993</b>	<b>(1,513)</b>
<b>Income</b>				
Contributions in respect of Freedom Pass and Taxicard	(183,227)	(368,790)	(368,231)	559
Income for direct services	(1,798)	(8,892)	(8,703)	189
Core Member Subscriptions	(97)	(97)	(97)	-
Government Grants	-	-	-	-
Interest on Investments	(2)	-	(2)	(2)
Other Income	(24)	(84)	(84)	
Transfer from Reserves	-	(643)	(643)	-
<b>Total Income</b>	<b>(185,118)</b>	<b>(378,506)</b>	<b>(377,760)</b>	<b>746</b>
<b>Net Expenditure</b>	<b>1,285</b>	<b>-</b>	<b>(767)</b>	<b>(767)</b>

9. The projected surplus of £767,000 is made up of the following:

- A projected overall deficit of £252,000 in respect of TEC parking traded services, after considering an estimate of the level of borough/TfL/GLA usage volumes during the first quarter. This is attributable to a number of areas.
  - Firstly, there is a projected net deficit of £185,000 in respect of environmental and traffic appeals (ETA). The estimated number of notice of appeals and statutory declarations received at the half-year stage amounts to 20,293, giving a projected number for the year of 40,586, 12,299 less than the budgeted figure of 52,885. The current throughput of appeals is 2.45 appeals per hour, compared to a budget figure of 2.76. Throughput has been affected by the move to a new case management system and new procedures for considering statutory declarations and witness

statements. However, with the bedding in of the new systems and further planned enhancements, officers expect to see an increase in throughput over the final quarter of the year and beyond.

- Secondly, the transaction volumes for the TRACE parking systems used by boroughs and TfL over the first half of the year have significantly reduced, although use of the TEC system has increased. This has resulted in a projected net deficit of £69,000; and
  - Finally, the fixed cost of the parking managed services contract with NPS is projected to marginally underspend by £2,000.
- 
- A projected underspend of £61,000 in respect of employee costs. The cost of staff providing direct services (included within the direct services administration charge) is estimated to overspend by £23,000, although this is offset by an underspend on staffing costs attributable to non-operational and policy staff of £54,000. In addition, the maternity cover budget is estimated to be underspent by £30,000.
  - A projected underspend of £200,000 in respect of the £1.7 million budget for payments to independent bus operators, based on trends and claims emerging during the year.
  - A projected underspend of £500,000 in respect of the £1.518 million budget for payments to in respect of the issuing/reissuing costs of Freedom Passes.
  - Based on income collected at the half year stage, receipts from Lorry Control PCN income are forecast to exceed the budget of £750,000 by £95,000.
  - Based on income collected at the half year stage, income receipts from replacement Freedom Passes are forecast to exceed the budget of £550,000 by £174,000. For replacement Taxicards, there is a projected deficit on the £36,000 income budget of £12,000 for the year.

### **Revenue Forecast Position as at 30 September 2016 – Joint Committee Core Functions**

10. Table 4 below summarises the forecast outturn position for the Joint Committee core functions:

**Table 4 – Summary Forecast – Joint Committee core functions**

	<b>M6 Actual</b>	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>				
Employee Costs	1,941	4,344	4,299	(45)
Running Costs	1,520	2,499	2,499	-
Central Recharges	-	258	258	-
<b>Total Operating Expenditure</b>	<b>3,461</b>	<b>7,101</b>	<b>7,056</b>	<b>(45)</b>
Direct Services	71	148	148	-
Commissioning and Research	120	600	520	(80)
Improvement and Efficiency work	-	265	265	-
YPES Regional/Provider Activities	33	50	50	-
One-off borough payment	825	825	825	-
<b>Total Expenditure</b>	<b>4,510</b>	<b>8,989</b>	<b>8,864</b>	<b>(125)</b>
<b>Income</b>				
Income for direct services	(29)	(82)	(82)	-
Core Member Subscriptions	(5,114)	(5,114)	(5,114)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Borough contribution towards LCP payments	(326)	(326)	(326)	-
Government Grants	(25)	(131)	(25)	106
Interest on Investments	(31)	(75)	(62)	13
Other Income	(123)	(205)	(205)	-
Central Recharges	-	(1,513)	(1,513)	-
Transfer from Reserves	-	(1,363)	(1,494)	(131)
<b>Total Income</b>	<b>(5,828)</b>	<b>(8,989)</b>	<b>(9,001)</b>	<b>(12)</b>
<b>Net Expenditure</b>	<b>(1,318)</b>	<b>-</b>	<b>(137)</b>	<b>(137)</b>

11. A projected underspend of £137,000 is forecast against the approved budget in respect of the joint committee core functions. Employee costs are projected to underspend by £45,000, primarily due to holding off recruiting to certain current vacant posts. In addition, there is a forecast underspend of £80,000 in respect of the commissioning budget. Additional income of £25,000 is forecast to accrue in respect of the YPES managed Accelerated Learning Project.
12. These are offset by a projected shortfall of £13,000 in respect of investment income, plus a potential shortfall of £131,000 in respect of LEP funding for the YPES. Officers will continue to liaise with GLA officials to determine whether or not a contribution towards this service will be received in respect of 2016/17. If this income does not materialise, it will be offset by an additional transfer of £131,000 from uncommitted reserves, which is reflected in Table 4.

#### **Externally Funded Projects**

13. The externally funded projects are estimated to have matched income and expenditure of just over £7.3 million for 2016/17, including funding for the new ESF 2016+ programme. This is based on a review of the indicative budget plans held at London Councils by the designated

project officers, which confirms that, at this stage, there is no projected net cost to London Councils for managing these projects during 2016/17.

## Reserves

14. The forecast reserves position for each of the three funding streams for the current year and beyond is illustrated in Table 6 below (inclusive of the decisions regarding the use of reserves by the Leaders' Committee and TEC following the December 2016 budget setting meetings):

**Table 6 – Forecast reserves after all current commitments**

	<b>Transport and Environment Committee (£000)</b>	<b>Joint Committee (£000)</b>	<b>Grants Committee (£000)</b>	<b>Total (£000)</b>
Unaudited General Reserve at 31 March 2016	3,269	6,379	634	10,282
Unaudited Specific/ESF Reserve at 31 March 2016	1,000	-	1,358	2,358
<b>Provisional reserves at 31 March 2016</b>	<b>4,269</b>	<b>6,379</b>	<b>1,992</b>	<b>12,640</b>
Committed in setting 2016/17 budget	(303)	(515)	-	(818)
One-off payment to boroughs 2016/17	(340)	(825)	(486)	(1,651)
Balances c/f into 2016/17	-	(23)	-	(23)
Provision for support to 3 <sup>rd</sup> sector via City Bridge	-	-	(38)	(38)
Borough ESF 2008-15 programme closure provision	-	(300)	-	(300)
Provisional commitments for 2017/18 -2019/20	(2,628)	(2,119)	(2,116)	(6,863)
Forecast surplus/(deficit) 2016/17	767	137	854	1,758
<b>Uncommitted reserves</b>	<b>1,765</b>	<b>2,734</b>	<b>206</b>	<b>4,705</b>

15. The current level of commitments from reserves, as detailed in Table 6, come to £9.693 million over the short-medium term and are detailed in Table 7 below:

**Table 7 – Commitments from Reserves 2016-2020**

	<b>2016/17</b>	<b>2017/18</b>	<b>2018-20</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Approved transfer from JC general reserves	164	164	-	328
Approved transfer from TEC general reserves	303	288	-	591
NOTIFY system developments	23	-	-	23
Accumulated YPES funds	150	443	456	1,049
Slippage of ESG grants funding	-	-	1,885	1,885
One-off repayment to boroughs in 2015/16	1,651	826	-	2,477
Challenge Implementation Fund	-	525	-	525



Support to the health transition process	201	201	-	402
2020 Freedom Pass reissue	-	-	1,800	1,800
TEC priority projects	-	200	-	200
ESF 2008-15 programme closure	300	-	-	300
Support to 3 <sup>rd</sup> sector via City Bridge Trust	38	75	-	113
<b>Totals</b>	<b>2,830</b>	<b>2,722</b>	<b>4,141</b>	<b>9,693</b>

## Conclusions

16. This report highlights the projected outturn position for the current year, based on transactions undertaken up until 30 September 2016 (month 6), together with known future developments. At this point, a forecast underspend of £1.758 million is projected for 2016/17, across the three funding streams. Uncommitted reserves are currently projected to be £4.7 million by the end of the current financial year, after considering recommendations for the use of uncommitted reserves within the budget proposals for 2017/18, which were approved by the Leaders' Committee on 6 December 2016 and TEC on 8 December 2016.

17. The next forecast will be presented to the Executive in February 2017, which will highlight the projected position at the three quarter year stage of the 2016/17 financial year.

## Recommendations

18. The Executive is asked to note the overall forecast surplus as at 30 September 2016 (Month 6) of £1.758 million and note the position on reserves as detailed in paragraphs 14-16.

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## Financial Implications for London Councils

No additional implications other than detailed in the body of the report.

## Legal Implications for London Councils

None

## Equalities Implications for London Councils

None

## Appendices

None

## Background Papers

London Councils Revenue Forecast File 2016/17

# Executive

## Audited Accounts 2015/16

Item no: 10

**Report by:** David Sanni

**Job title:** Head of Financial Accounting

**Date:** 17 January 2017

**Contact Officer:** David Sanni

**Telephone:** 020 7934 9704

**Email:** david.sanni@londoncouncils.gov.uk

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### Summary

This report presents the audited statement of accounts for 2015/16 for adoption and compares the results to the pre-audited position reported to the Executive at their meeting held on 21 June 2016.

### Recommendations

The Executive is asked:

- to note that there was no significant change to the pre-audited financial outturn for 2015/16 for each of London Councils' three committees; and
  - to formally adopt each of the three statutory accounts attached at Appendices A to C.
-

## Introduction

1. At their meeting on 21 June 2016, the Executive was informed of the provisional pre-audited consolidated financial outturn of London Councils for the year ended 31 March 2016. The external auditors, KPMG, completed their work on the financial accounts and have issued unqualified opinions on all three accounts. London Councils' Audit Committee approved the audited accounts at their meeting on 22 September 2016.

## Audited Accounts

2. The audited statutory accounts are included at appendices A to C of this report. Table 1 below compares the pre-audited and audited net surplus for the year (including the transfer to/from reserves) for each of the three accounts.

**Table 1 – Comparison of the Comprehensive Income and Expenditure Statement pre-audited and audited Net Surplus for 2015/16**

Accounts	Pre-Audited (£000)	Audited (£000)	Difference (£000)
Joint Committee	(1,096)	(1,096)	-
Grants Committee	(1,167)	(1,167)	-
TEC	(1,030)	(1,030)	-
<b>Total</b>	<b>(3,293)</b>	<b>(3,293)</b>	<b>-</b>

3. There was no change to the pre-audited net surplus for the year.
4. Table 2 below compares the pre-audited and audited level of reserves (excluding the Pension and Accumulated Absences Reserves) as at 31 March 2016 for each of the three funding streams.

**Table 2 – Comparison of pre-audited and audited reserves as at 31 March 2016**

Accounts	Pre-Audited (£000)	Audited (£000)	Difference (£000)
Joint Committee	6,379	6,379	-
Grants Committee	1,992	1,993	1
TEC	4,269	4,269	-
<b>Total</b>	<b>12,640</b>	<b>12,641</b>	<b>1</b>

5. The movement on the level of reserves of the Grants Committee is due to rounding differences.

## Annual Governance Statement

6. An Annual Governance Statement (AGS) is included in the audited accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and guidance issued by CIPFA/SOLACE. The AGS was approved by London Councils Audit Committee at their meeting on 22 June 2016. KPMG reviewed the AGS as part of their audit work and concluded that it complies with the requirements of the Code and relevant guidance.
-

**Financial Implications for London Councils**

The financial implications are incorporated into the report

**Legal Implications for London Councils**

None

**Equalities Implications for London Councils**

None

**Appendices**

Appendix A - Consolidated Statement of Accounts of London Councils Joint Committee for 2015/16

Appendix B – Statement of Accounts of London Councils Grants Committee for 2015/16

Appendix C – Statement of Accounts of London Councils Transport and Environment Committee for 2015/16

**Background Papers**

Final Accounts working files 2015/16

London Councils' Executive Report on Pre-Audited Final Accounts 2015/16 of 21 June 2016

**LONDON COUNCILS JOINT COMMITTEE  
CONSOLIDATED STATEMENT OF ACCOUNTS  
YEAR ENDED 31 MARCH 2016**

## **LONDON COUNCILS - JOINT COMMITTEE**

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## REVIEW OF THE YEAR

### About London Councils

London Councils represents London's 32 borough councils and the City of London.

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

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

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

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

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

### Adding Value for London Boroughs

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

These include:

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

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

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

**Capital Ambition**, established in 2008 as the regional improvement and efficiency partnership for London. Capital Ambition has led and supported London local authorities in realising greater efficiency, performance improvement, innovation and new ways of working together to delivery local public services in the boroughs. Since 2013, Capital Ambition has driven innovation in local government through the **London Ventures** programme.

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

London Councils was also instrumental in 2015 in the creation of a new collective investment vehicle for Local Government Pension Scheme (LGPS) funds, the **London CIV**. The London CIV, established by London Councils and initially chaired by Mayor Jules Pipe, was created to help reduce costs and improve investment returns for LGPS funds across the capital.

In September 2015 Lord Kerslake was appointed non-executive chair of the interim board of directors and in November 2015 the London CIV became the first such scheme to be fully authorised in the UK by the Financial Conduct Authority.

**REVIEW OF THE YEAR (continued)**

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

**Advancing London Local Government**

Member authorities have their own relationships with pan-London organisations and in particular with the Mayor and the GLA. There are, however, a range of issues where the Mayor, the GLA and other pan-London organisations seek to establish negotiation or dialogue with London's boroughs. On these issues, London Councils acts as the focal point for representing borough interests – informed by the political and professional networks that we run. We then enable that information to be shared and disseminated quickly with member boroughs.

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

- London Crime Reduction Board
- London Enterprise Partnership
- London Health Board
- Homes for London Board
- London Waste and Recycling Board

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

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

London Councils was also instrumental in establishing the **London All Party Political Group (APPG)** in May 2015, set up to promote London in the interests of all its people, places and businesses as a global city and powerhouse of the economy. Since then the London APPG has met regularly to explore a London approach to key areas of the devolution agenda, housing, transport, welfare and infrastructure. Most recently the APPG secured a debate on education funding in London.

London Councils provides the secretariat to the group on behalf of London government, including the Mayor of London and the London Assembly.

**Devolution and Public Service Reform**

Both in their scale and in their complexity, the challenges facing London are unique. At a time of growing demand and ongoing public finance constraint, devolution and public service reform are not merely desirable but essential. That is why London Councils, in partnership with the Mayor, has been making the case for an ambitious new settlement across all tiers of government that can provide a sustainable solution.

Over the past four years the Mayor and the boroughs have worked together, and with partners across London and beyond, to promote the benefits of reform. We have argued that democratically accountable, locally integrated services offer the best solutions to meeting the challenges faced by a global city in the 21st century.



**REVIEW OF THE YEAR (continued)**

London Councils has long been in the vanguard of the devolution debate; supporting the Mayor of London's London Finance Commission, jointly commissioning the Royal Society for the encouragement of Arts, Manufacturers and Commerce (RSA) City Growth Commission with the Core Cities, Local Government Association and Greater London Authority and working closely with the Greater London Authority on the London Growth Deal.

In July 2015, the Mayor and the borough leaders agreed a 'London Proposition on Devolution and Reform' that encapsulated the broad territory for negotiation with government officials on a package of measures designed to deliver clear benefits for Londoners, the economy in London and in the country as a whole.

In September 2015, London Councils and the Mayor of London submitted joint proposals to government setting out a series of inter-related reforms that London government wishes to deliver to provide a sustainable solution to tackling the capital's deep seated challenges.

In its response to these proposals, the government has agreed significant next steps in the areas of employment support, skills, health and fiscal devolution.

- The government has made a specific commitment that the Mayor of London and London boroughs will jointly commission employment support to assist the very long term unemployed and those with health conditions and disabilities to (re)-enter work-(from 2017 through the new Health and Work Programme).
- The government has indicated that the Adult Education Budget will be devolved to London government from 2018/19 onwards.
- A London Health and Care Collaboration Agreement and a London Health Devolution Agreement between the Chancellor, Mayor of London, and Health partners. The London Health and Care Collaboration Agreement describes the role of five pilots in delivering transformation across London.

In October 2015 the government proposed that local government should retain 100 per cent of the business rates it collects by 2020. London Councils has long advocated the devolution of business rates, along with other taxes, and has worked consistently to develop practical proposals to support that aim. In December, our Leaders' Committee agreed to work jointly with the Mayor of London to develop a 'London Proposition' for business rates, and endorsed four overarching ambitions for the proposed reforms, stating that rates retention and the transfer of responsibilities should:

- Be contingent on improvements to the business rates system.
- Support London's ambitions for devolution and public service reform.
- Support the devolved governance of London.
- Be the start, not the end, of fiscal devolution.

London Councils has been leading the work with London local government as a whole, and with the Mayor of London, to translate these ambitions into a set of principles that can underpin discussions with government on a devolved regional approach to setting, collecting and managing business rates in the capital.

In March, the government confirmed that it would explore early implementation of the reforms in London (along with Greater Manchester and Liverpool).

**Finance and Resources**

An essential core of London Councils' work is to ensure that our member boroughs have the resources to deliver and improve services for Londoners and the places our communities live and work. We make the case to government and others on behalf of member boroughs in terms of both specific funding streams and overall resources base to ensure the capital's councils are able to continue to deliver the services and environment a global city requires. In 2015/16, we:

**REVIEW OF THE YEAR (continued)**

- Made the case for and secured four year funding allocations in the 2016/17 Local Government Finance Settlement in February, providing greater certainty over medium term funding allocations.
- Produced a range of analysis and tools for boroughs to use as part of their financial planning.
- Lobbied for a more equitable method for distributing Revenue Support Grant to be more reflective of need and wider resources available to local authorities. The government listened, changing the method of RSG distribution in the 2016/17 Local Government Finance Settlement to the benefit of London boroughs as a whole by around £500 million over four years.
- Lobbied consistently for the retention of business rates for London – including in our in SR15 submission. The government announced in October 2015 that the sector as a whole will retain 100 per cent of business rates by 2020. London has been announced as a pilot area to explore devolution of business rates prior to 2020 (confirmed in Budget 2016). London Councils has been leading the work with London local government as a whole and with the Mayor of London, to develop the principles that would underpin a London Proposition to government on Business Rate Retention.
- Lobbied for adult social care funding pressures to be fully funded at the 2015 Spending Review. The government found an additional £3.5 billion nationally for adult social care over the next four years. While this is unlikely to be enough to fully fund adult social care pressures in London, it does show the lobbying arguments proposed by London Councils, the LGA, ADASS and others about the adult social care funding pressures were recognised by government.
- Successful engagement with Department for Work and Pensions over discretionary housing payment allocations led to amendment to distribution methodology that directed an extra £1 million to London boroughs.

**Housing and Planning**

Housing is a critical issue for London. The capital's housing market has become increasingly out of kilter with the rest of the country, resulting in real pressures on affordability for a growing number of Londoners. We need to build tens of thousands of new homes every year to keep pace with a growing population and address a long standing housing need backlog that has a range of implications for the capital and its economy. In December the number of homeless London households in temporary accommodation exceeded 50,000, representing three quarters of all households in temporary accommodation in England.

In a survey commissioned by London Councils and carried out by Ipsos MORI in October 2015, more than 88 per cent of Londoners cited housing as their number one concern, compared to Ipsos' national monthly issues index where housing is only the fifth most important issue for those outside the capital.

London Councils has been at the forefront of highlighting London's housing crisis and its implications. We continue to work closely with boroughs to support their efforts to manage the effects of the crisis and make the case for stronger housing delivery powers to help powers address its cause.

In 2015/16 this work has included:

- Working closely with MPs, peers and government officials through the passage of the Housing and Planning Bill to promote amendments and influence the shape of the legislation.
- Commissioning research to scope the potential for collaborative housing delivery mechanisms across London boroughs and agreeing a set of asks of government to support a new approach.

## REVIEW OF THE YEAR (continued)

- Negotiating a joint London government proposal for a case to government for reforms in housing and planning to increase supply.
- Supported the early activity of the London Land Commission and implementation of the Mayor's Housing Zones policy.
- Lobbied to raise concerns about the impact of the 1 per cent rents cut on housing in London, presenting evidence on the impact on housing supply, and calling for an exemption for supported housing. This cut has now been suspended for a year pending further government consideration.
- Responded to government's proposals to 'Pay to Stay' for social housing tenants, promoting the need for more local discretion and a taper system. Following our lobbying, government has confirmed intention to introduce a taper system to help ensure rent increases are proportionate.
- Lobbied government for flexibilities around the use of council Right to Buy receipts, including full receipt retention locally and the ability to combine with other funding streams.
- Influenced the housing debate through submissions to the Lyons Commission, IPPR London Housing Commission, and others.
- Supported borough housing development activity by publishing case studies of local housing investment approaches and facilitating a workshop for officers to discuss local housing companies, share good practice and hear legal advice.
- Commissioning and promoting polling data from Ipsos Mori that secured coverage in *Evening Standard* and other key media.
- Conducting research into the impact of office to residential permitted development rights in London, backed with a media campaign, successfully securing continued exemptions until 2019.
- Responded to government consultation on proposed changes to National Planning Policy Framework, highlighting London's concerns about changing definitions of affordability, and securing Starter Homes amendments in the House of Lords
- Pressed the government to localise planning fees: following pressure from London Councils and partners, government has recently announced a commitment to allow 'well-performing' councils to increase their fees in line with inflation
- Publishing independent research to assess how councils are contributing to temporary accommodation (TA) costs through their own local resources and to understand how homelessness pressures have changed over recent years.
- Submitted evidence to Treasury and DCLG on the costs of TA to local authorities and calling for the protection of the homelessness prevention grant funding, which has now been maintained; our lobbying also helped secure an increased and devolved settlement for the TA management fee, as well as an additional £5 million funding for London boroughs to help relieve TA pressures.
- Published homelessness information resource for journalists and borough communications teams, to clarify local authority responsibilities and the context in which decisions are taken.
- Working with boroughs to improve data sharing and notification in relation to temporary accommodation placements outside London, to ensure a better understanding of the issue and more accurate media coverage.

**REVIEW OF THE YEAR (continued)**

- Promoting collaboration between boroughs to secure a consistent approach to nightly paid TA, securing costs savings for boroughs on new nightly bookings.
- Facilitating events and case studies for borough officers to share best practice on homelessness relief and prevention.

**Transport, Environment and Infrastructure**

London Councils works with and for its member boroughs on a range of transport, environment and infrastructure challenges faced by the capital. London Councils' work in this area is governed by its Transport and Environment Committee (TEC), a statutory committee of councillors from the 32 London boroughs and the City of London. In 2015/16, we:

- Agreed Joint Working Arrangements between TEC and Thames Regional Flood and Coastal Committee (TRFCC) and approved levy increase.
- Set Fixed Penalty Notice (FPN) levels for anti-social spitting and urinating etc in public, noise in public, feeding birds in public spaces; and Penalty Charge Notice (PCN) levels for illegal builders' skips. For clarity, we published a comprehensive FPN/PCN table on our public website.
- Worked with TfL to develop a Car Club Strategy for London.
- Made the case for increased resource and capacity for flood management.
- Provided legal advice to boroughs on EU infraction through the London Air Quality Steering Group.
- Opposed TfL's proposal to replace the 10 year age limit for taxis with a voluntary decommissioning scheme for taxis between 10 and 15 years-old.
- Developed closer working with LEDNET through a new officer post established within London Councils and through a joint response to London Assembly investigation on environmental pressures of growth.
- Commissioned polling of Londoners' attitudes to infrastructure on London and how it should be funded – and hosting a successful member and officer event on Opportunity Areas and their infrastructure needs. London Councils first infographic 'London Needs' (November 2015).
- Established a working group with TfL and borough reps to influence TfL's decision regarding the process for LIP funding in 2017/18 and 2018/19.
- Jointly, with London Travel Watch and Trust for London, commissioning and publicising research into the travel costs of outer London commuters. The final report 'Living on the Edge' achieved wide media coverage.
- Made successful representations to the London Assembly Transport Committee on boroughs' concerns about rail devolution (impact on Freedom Pass costs and the need to involve boroughs in franchising decisions).
- Submitted a successful OLEV bid with TfL and GLA and receiving £13 million in OLEV funding as a result.
- Made the case for increased borough input into rail franchises that has been reflected in the DfT / TfL rail prospectus launched in January 2016.

**REVIEW OF THE YEAR (continued)**

We have represented borough views on a wide range of consultations and reviews in the past year, including:

- The London Assembly investigation on solar power in London.
- TfL night bus consultation response,
- Crossrail 2 Growth Commission consultation (and gave oral evidence).
- TfL Crossrail 2 Consultation (January 2016).
- TfL Private Hire Regulations Review.
- The National Infrastructure Commission call for evidence.
- The Mayor's London Local Air Quality Management proposals (borough concerns discussed with the GLA prior to the consultation led to changes with outstanding borough concerns reflected in London Councils consultation response.
- TfL consultation on ULEZ; this resulted in positive outcomes with TfL announcing that a further 400 Euro V buses outside central London would be retrofitted to meet the Euro VI standard, which responded to one of our key ULEZ lobbying points. TfL has also started work to consider the expansion of the ULEZ, following our lobbying and boroughs have been invited to be part of an engagement group. TfL has kept boroughs engaged in the process of considering options for expanding the ULEZ, which included an update to TEC (December 2015).
- We also submitted a response to the Energy and Climate Change Committee's call for priorities for scrutiny, suggesting the scrapping of zero carbon homes and Green Deal without replacement, the Climate Change Levy, changes to FiT, changes to VED and the roll out of smart meters (August 2015)

**Economic Growth and Regeneration**

The London economy is the biggest net contributor to both government finance and the UK economy. London has led the recovery and over the past decade it has created more than three quarters of a million jobs. But despite its size, London has a varied economy, and Londoners face a distinct set of challenges in accessing the labour market. Too many Londoners are workless and we need to do more to ensure our residents have the skills to compete effectively in a competitive global economy. Over recent years, London Councils has been making its case, in partnership with the Mayor of London and other partners both within the capital and nationally, that devolution and reform of public services will be essential to deliver clear benefits for Londoners, the economy in London and in the country as a whole. In pursuit of these goals in 2015/16, we:

- Secured a commitment in the 2015 Spending Review that the government will co-design and co-commission the new Work and Health Programme with London government. Only London and Manchester received this level of commitment.
- Secured a commitment in the 2015 Spending Review that JCP will increase its co-location with local authorities and are working with DWP to inform the development of Universal Support.
- Ensured that London boroughs played a leadership role in the Area Review process around adult skills, with borough Leaders chairing the sub-regional area review steering groups and London Councils determining sub-regional geographies for the area reviews that reflect boroughs' joint working.

**REVIEW OF THE YEAR (continued)**

- Developed proposals for a two-tier system of devolution of adult skills in London, where some funding will pass to sub-regional groups of boroughs, and agreed this with the Mayor of London.
- Developed a skills vision for London, working with the GLA, to guide the commissioning of the Adult Education Budget (AEB) should this be devolved to London government.
- Developed specifications for European Social Fund (ESF) programmes around adult skills and troubled families that reflect London borough priorities. These will be commissioned by the Skills Funding Agency (SFA) and the Department for Work and Pensions (DWP) on a sub-regional basis, determined by London boroughs.
- Published a summary report to demonstrate the wide range of support that London boroughs provide for arts and culture, with proposals for sustaining some of this report under financial pressure, and secured extensive media coverage for this.
- Published a report outlining the tools and powers London boroughs need to continue to support economic growth in their high streets and town centres.
- Held our annual London Borough Apprenticeship Awards in September 2015 to celebrate the work of London boroughs in generating and supporting apprenticeships and continued to support boroughs to create over 1,500 apprenticeships in 2014/15.
- With the Federation of Small Businesses, held a Small Business Friendly Borough Awards in November 2015 to celebrate the work of boroughs to support small businesses in their area.

**Education and Children**

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

**School places**

**London schools have been transformed over the past 15 years. In 1989, the year before boroughs took over responsibility from the Inner London Education Authority, fewer than 9 per cent of pupils in inner London secondary schools achieved five or more GCSE at grade A\* - C, compared to 17 per cent nationally. Today, the equivalent figures are 71.2 per cent for London compared to 66.5 per cent nationally.**

Demand for London schools continues to grow and London has seen its school age population grow at twice the rate of any other region in recent years. In April 2015, London boroughs received 103,387 applications for primary school places – a record number for the capital and 900 more than in the previous year. And in March 2016 the number of applications for London secondary schools was 86,954, a 3 per cent increase over the previous year and reflecting the emerging pressure London is facing as London's primary growth works its way through to secondary schools.

Keeping pace with such a rapid increase in pupils is a significant challenge for London's boroughs. In recent years boroughs, with the hard work of school leaders, have managed to increase school capacity by nearly 213,000 places across the capital (May 2010 – May 2014), but a further 10 per cent capacity will need to be added between 2015 and 2020, almost twice as much capacity compared to the rest of England.

**REVIEW OF THE YEAR (continued)**

London Councils' research has been key to making the case to government that London cannot realistically continue to meet the growing shortfall in school capacity without sufficient funds. In September 2015, London Councils published the latest in its series of *Do the Maths* publications, which track the pressure on the capital's schools. This analysis demonstrated that London will need to create an additional 146,000 (78,275 primary and 34,845 secondary) school places over the next five years. London needs at least £1.5 billion of Basic Needs Funding by 2020 to create the new places required.

And the picture of school demand in the capital is further complicated by the fact that more London pupils cross boundaries to attend school than anywhere else in England, with more than 136,000 London pupils being taught in a school outside of the local authority they live in. This represents 13 per cent of the total and is twice the rate in Greater Manchester (6 per cent). Getting the right schools in the right places is vital to the continuing success of the capital's schools and, in October 2015, a YouGov poll commissioned by London Councils found that 80 per cent of the capital's parents agreed that their local council should have the final say on the location of new schools within their boundaries.

London Councils' analysis has supported a widespread campaign to raise awareness of the pressures on London schools that has achieved considerable media coverage, including a front page story in the *Evening Standard*.

In November 2015 the government announced plans to introduce a new National Funding Formula for schools and in the 2016 Spring Budget the Chancellor announced plans to require all schools to become Academy schools by 2022.

London Councils recently submitted its response to the first part of the consultation on the introduction of the NFF for schools in April 2017. This response made clear London local authority concerns that any change to the way schools are funded should be fair and transparent and that no local authority area should experience a loss in schools funding as a result of the introduction of the NFF. We have led calls on behalf of London boroughs for a levelling up of funding across the country to ensure every school is given the tools to be able to match the country's best performing schools in London.

The consultation response also makes clear boroughs' concerns that rolling out an NFF at the same time that maintained schools will be converting to academy status could create considerable turbulence in the system that could financially destabilise our schools and put continued improvement at risk.

Other key outcomes in 2015/16 included:

- Securing £200 million of new SEND school places funding.
- Securing government agreement to conduct an independent analysis of the costs of childcare.
- Coordinating the successful transfer of commissioning responsibility for health visiting and Family Nurse Partnership commissioning and secured additional funding that ensures the London starting position is £5.4 million per year better than it would have been.
- Promoting ideas and best practice to improve child protection in the capital, including through the London Safeguarding Children Awards and, in March 2016, a conference on safeguarding children from extremism.

**Health and Adult Care**

London boroughs have longstanding responsibilities for adult social care and have more recent widened responsibilities for new public health functions. London faces the significant challenge of taking on these new responsibilities and caring for a rapidly growing population, particularly among vulnerable groups more likely to need care, at a time of ongoing tightening public finances and significant reform of health services generally.

**REVIEW OF THE YEAR (continued)**

London Councils has been engaging with government and the NHS to ensure London local government's commitment to and responsibilities for the health of Londoners are recognised and reflected in reforms. London Councils was the first to develop a credible model of the financial costs of the Care Act used to highlight new burdens pressures of £85 million in 2015/16 and further new burdens of at least £738 million between 2016/17 and 2019/20.

This work was critical in getting the Department of Health to redistribute funds available for the introduction of the Care Act in 2015/16 and London Councils' lobbying for additional funding for adult social care was also exemplified in the new power to levy an adult social care precept, announced in the 2015 Spending Review.

London Councils fully supports moves to greater integration between health and care and supports the government's ambitions for the Better Care Fund (BCF) to drive forward transformation and integration.

London Councils made the case for a reduction of the overly bureaucratic and complex systems that local areas had to go through in reporting for the 2015/16 BCF plans, and it is therefore particularly welcome that in 2016/17 there will be a reduction in the reporting that local areas will have to go through in the assurance process.

All local areas also now have a target of 2017 to ensure that they have a plan for how they will achieve full integration by 2020. London Councils will be lobbying government to ensure that local areas are not overly burdened by complex systems and that they are given flexibility in drawing up their local plans for full integration.

London Councils has also played a key role in bringing together boroughs and partners across the health landscape to secure a collective agreement to transform health and wellbeing outcomes for Londoners.

In December 2015 negotiations with government concluded and two public agreements were announced:

1. A Health and Care Collaboration Agreement between London partners, CCGs, London boroughs, the Mayor of London, NHS England in London and Public health England in London. The Agreement describes the role of five pilots in delivering transformation across London:

- Sub-regional care transformation – Barking & Dagenham, Havering and Redbridge
- Sub-regional estates – Barnet, Camden, Enfield, Haringey and Islington
- Local care integration (two pilots) – one in Hackney and one in Lewisham
- Local prevention – Haringey

2. A London Health Devolution Agreement between the Chancellor, Mayor of London, the Chief Executive of the NHS, the Chair of London Councils, the Secretary of State for Health, the Chair of the London Clinical Commissioning Council and the Chief Executive of Public Health England.

Taken together both agreements present significant opportunities to improve the health and care of Londoners through devolution and a significant programme of work for London boroughs engaged in the devolution pilots that will require governance at a borough, sub-regional and pan-London level.

**Policing and Crime**

Crime is naturally a key concern for residents, businesses and visitors to the capital and London Councils works to ensure that the interests of Londoners and their local democratic representatives are fully recognised in policing the capital, in the development of community safety policies and in the allocation of funding.



**REVIEW OF THE YEAR (continued)**

Our team works on a wide range of policy issues relating to crime, criminal justice and community safety, including the threat of terrorism, violence against women and girls, anti-social behaviour, anti-violence and reducing re-offending.

Work in 2015/16 included:

- Setting up and supporting the delivery of the new London CONTEST board, in collaboration with the Metropolitan Police Service, the Mayor's Office for Policing and Crime and government. Launched in July 2015, the London CONTEST board has been created to deliver a strategic approach to tackling threat, risks and vulnerabilities in London, looking across the four strands of the government's counter-terrorism strategy: Prevent, Protect, Pursue and Prepare.
- Working to influence the future of local policing and community safety during a critical time in the public spending and planning cycle. This included responding to the MPS/ Royal Society of Arts consultation on the future of the MPS, to emphasise the importance of local and neighbourhood policing. We have also facilitated informal conversations with MPS Management Board and worked with MOPA to help shape future Crime Prevention Funding
- Fully engaging with pan-London partnership working, including through the London Crime Reduction Board and on a bilateral basis, for example with the Community Rehabilitation Company to make the case for a continued local approach to integrated Offender management.
- Work with MOPAC and the CRC to ensure that boroughs are able to maximise their use of the Pan-London Gangs Exit and Resettlement. Our focus is on ensuring that the referral routes are well publicised and all boroughs have fair access to the 300 places that will be avail on the scheme per year.
- Supported boroughs in delivering locally led youth justice provision, engaging with national and regional partners on options for reform and arguing for the maintenance of local resources.
- Supported local government in leading on tackling Anti-Social Behaviour. This included collating and publishing a comprehensive set of borough good practice case studies showcasing borough approaches to managing risk and vulnerability in relation to anti-social behaviour and examples of ways in which boroughs have successfully implemented new tools and powers available under the Anti-Social Behaviour Act 2014.
- Supporting and promoting local responses to tackling crime and its causes through the POP (Problem Oriented Partnership) Awards. The awards are a collaboration between London Councils, the Metropolitan Police Service, the Mayor's Office for Policing and Crime and Transport for London. Now in their 10<sup>th</sup> year, 2015 Award winners included schemes in Ealing, Lambeth, Newham and Waltham Forest.
- Supported boroughs in tackling violence against women and girls, working with MOPAC and the VAWG Panel, to take forward the 5 objectives agreed as part of the London Strategy; This included organising and hosting a well attended member event on tackling sexual and domestic violence and publishing a number of borough case studies highlighting good practice and sharing learning in tackling violence against women and girls.

**Transport and Mobility Services**

Alongside our policy work, London Councils runs a number of direct services for and on behalf of Londoners and our member boroughs, where leaders have identified a clear benefit in these being administered by London Councils. In 2015/16, work in these areas included:

**REVIEW OF THE YEAR (continued)****Freedom Pass:**

- Successfully completing the renewal of 805,000 Freedom Passes which expired in March 2015, achieving an 87 per cent renewal rate and far exceeding expectations and with 74 per cent renewing via the newly developed online portal.
- Planned and began the renewal process of a further 175,000 Freedom Passes due to expire at the end of March 2016.

**Taxicard:**

- Carried out research into the declining use of the Taxicard scheme. This found that there was a high degree of satisfaction among users of the Taxicard, with 83 per cent stating that Taxicard met their expectations and 75 per cent were either extremely satisfied, or very satisfied. However the research indicated a complex set of factors relating to users' mobility needs were affecting overall usage. Many of these issues will be taken up by London Councils as part of the work with TfL on the Social Needs Transport Review.

**LEPT:**

- Successfully delivered the final stages of the STARS and PTP-Cycle LEPT projects as lead partner. (see case studies below)

**London Tribunals:**

- Managed the move of all appeals staff and infrastructure from Angel Square to new premises at Chancery Exchange.
- Managed the contract transition from CAPITA to Northgate Public Services in July 2015 for the provision back office and IT services, including the introduction of entirely new IT systems.
- Introduced the facility to make on-line appeals for the first time and on-line case management for boroughs.
- Rebranded from the Parking and Traffic Appeals Service to London Tribunals, supporting the Environment and Traffic Adjudicators and the Road User Charging Adjudicators.

**Freight and Lorry control:**

- Working with all boroughs, assisted TfL to launch the new London Safer Lorry Scheme in September, which requires the fitting of side-guards and extended view mirrors to all vehicles over 3.5 tonnes.
- Worked closely with TfL on developing a more strategic approach to managing freight in London, including the establishment of a new Freight Borough Officer Liaison Group.

**Traffic and Parking:**

- Published a Code of Practice for the erection of signs and lighting on buildings so boroughs can adopt new legislative powers that will help reduce street clutter and costs.
- Through persistent lobbying at each stage of the Deregulation Bill achieved significant concessions that helped ensure the Government's parking reforms had minimal impact on London authorities ability to manage parking effectively, especially in relation to retaining the use of CCTV enforcement outside schools and on red routes.

**REVIEW OF THE YEAR (continued)**

- Facilitated seminars, workshops and the sharing of good practice for the better coordination of Car Clubs across London.
- Consulted and agreed penalty charge levels for the enforcement of builders skips unlawfully sited on the public highway.

**TRACE:**

- Successfully implemented a new web-based portal to allow people to search for their towed away vehicle on-line and via smart phones.

**Young People's Education and Skills**

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

Young People's Education and Skills works for London's boroughs and exists to guide and support them in developing their local strategic plans in tune with regional priorities. The Board brings together key stakeholders from across London to help set the region's priorities to influence and shape the education provision on offer to young people. A small staff resource is based in London Councils to support the work generated by the Board. In 2015/16 the team worked to further four key priorities:

- Business and Education – London's education and learning institutions and the business community should work better together to enable more young people to succeed.
- Careers Guidance – Young people should expect to exercise informed choices about their options, progress and reach their potential.
- Better Support to Young People at 17 and 19 - Young people need to be better prepared, especially at 17 and 19, for progression to further and higher education and employment.
- Working Together – Stakeholders should work collaboratively in the interests of young people.

**Achievements in 2015/16 included:**

- Launching and leading the design and delivery of a coherent framework for a careers offer for all London's young people - London Ambitions - in partnership with the London Enterprise Panel and the Greater London Authority.
- Successfully delivering phase one of a labour market tool for London - Skills Match – with no cost burden to London's local authorities (Department for Business, Innovation and Skills and Cabinet Office funding).
- Supporting local authority colleagues with implementing significant special educational needs and disability reforms initiated by the Children and Families Act 2014.
- Commissioning research into the progression of young Londoner's into Higher Education, with a particular focus on graduate job entry, to support boroughs to widen participation and improve social mobility.
- Sponsoring Skills London, the single largest jobs and careers fair in London.

**REVIEW OF THE YEAR (continued)****Capital Ambition**

London Councils is home to the Capital Ambition programme that evolved from the regional improvement and efficiency partnership. Between 2008 and 2013 the Capital Ambition grants programme invested £34 million in funding projects in all London local authorities to achieve £87 million of cashable savings. By 2016 the programme is forecast to have delivered total savings of £356 million. This would take the programme return on investment to an impressive 13:1.

The Capital Ambition Board continues to oversee and support a wide range of innovative projects, programmes and activities in London. Over the past year some of the key highlights included:

- The London Ventures programme. Working in partnership with EY, this programme seeks to provide London's local authorities with access to innovative products that will raise the effectiveness and efficiency of how services are delivered (see case study below).
- Supporting health and social care integration through a collaborative project with GLA, local authorities and NHS.
- Working with the Behavioural Insights Team to support local authorities in improving how citizens can access and use services, with the ultimate aim of improving effectiveness and efficiency while reducing costs.

Despite the financial challenges facing London and its citizens and the significant pressures on public services Capital Ambition remains committed to providing a space for innovation and support for London's local authorities.

**Case Study: London Ventures**

**Issue:** The need to maintain and improve service delivery to a growing number of Londoners while reducing costs.

**Activities:** Set up using Capital Ambition funds in 2013, London Ventures brings innovative private sector products and ideas to London's local authorities in order to deliver significant benefits for London residents through reducing costs and improving the effectiveness and efficiency of services. London Ventures is a joint partnership between EY and London Councils and is overseen by the Capital Ambition Board. London Ventures' main priorities in choosing venture partners are for them to:

- Work cross organisation and cross sector
- Reduce cost
- Achieve better outcomes for Londoners
- Achieve increased investment in public services.

**Process:** EY brokers conversations with potential London Venture partners – those with viable sounding propositions are asked to submit their 'big idea' for evaluation by the Capital Ambition Board. Using a rapid, *dragon's den* style approach EY present the ideas to the Board. The Board members have the opportunity to ask questions and decide if the potential Venture is of strategic importance and if it sounds commercially viable. If successful in the 'dragon's den' potential Venture Partners are asked to develop an outline business case. The outline business case is presented to the Board by the potential Venture partner – and again allows Board members the opportunity to ask more questions. If the outline business case is approved by the Board, EY broker a commercial deal with the new London Ventures Partner. This outlines the commercial arrangement with the partner. The London Councils programme team plays a key role in awareness raising of the programme with local authorities.

**REVIEW OF THE YEAR (continued)**

**Outcomes:** London Ventures currently operates a portfolio approach with delivery focused on ventures representing greatest strategic importance and commercial viability. The London Ventures portfolio consists of 11 venture partners across three generations. Approximately two thirds of London Local Authorities have implemented at least one venture and all London Local Authorities have engaged with the programme. To date, the programme has identified more than £6 million in potential financial benefits for London's boroughs.

Examples of some of the products and services being developed or offered through London Ventures includes:

- **Oxygen Finance's Early Payment Programme** allows participating Local Authorities to generate a new source of revenue while improving their relationship with suppliers. This initiative allows Local Authorities and their suppliers to negotiate a revenue stream through early payment of invoices. As a result, local authorities generate income.
- **Xantura's Child Safeguarding Profiling model** has achieved better outcomes for Londoners by identifying children most at risk of neglect or abuse but not previously known to Local Authorities.
- **FISCAL Technologies** software solution supports councils in three key areas of financial accountabilities; strong governance, improved risk mitigation and strengthening compliance. The software works alongside all Enterprise Resource Planning (ERP) systems on a continuous monitoring basis to prevent payment errors and identify potential fraud, reducing the need for time-consuming manual checks and recovery audit fees to ultimately save time and money.

**Grants and Community Services**

London Councils runs a longstanding, pan-London grants scheme on behalf of all 33 London councils. Through our grants programme, we fund projects to address four pan-London priorities:

- Homelessness
- Sexual and Domestic Violence
- Tackling poverty through employment
- Supporting voluntary and community organisations to improve services.

The third priority – tackling poverty through employment – is half-funded by the European Social Fund (ESF) - every pound the boroughs contribute is matched by a pound of European Social Fund.

In the first three quarters of 2015/16\*, our grants programme delivered:

- Nearly 7,000 interventions to prevent homelessness and tackle it early
- Nearly 7,000 interventions with young people
- More than 500 interventions to support voluntary and community organisations in tackling homelessness
- More than 8,000 interventions to prevent sexual and domestic violence
- Nearly 36,000 advice sessions
- Help with finding refuge in 1,000 cases
- Emergency refuge to people in 194 cases

**REVIEW OF THE YEAR (continued)**

- 460 interventions to support voluntary and community organisations in tackling sexual and domestic violence
- Nearly 2,000 interventions to tackle harmful practices such as female genital mutilation
- More than 700 interventions to improve the effectiveness and efficiency of services
- More than 600 interventions to improve effectiveness by improving engagement in services
- Some 500 interventions to tackle inequalities in services.

*\*Full year figures will be available in July 2016 and will be presented to the Grants Committee then*

In the cycle ending in this year, the ESF-funded element helped:

- Nearly 1,500 people into work
- More than 700 people into work that lasted more than 26 weeks
- More than 950 people into education and training.

In March 2016, borough leaders agreed that there should be a London Councils Grants programme beyond the end of the current four-year funding cycle in March 2017, addressing the first three of the four priorities in the cycle. This will ensure vital support for vulnerable Londoners for a further four years.

**London Care Services**

London Care Services works on behalf of 40 local authorities (32 London boroughs, the City of London and seven partner authorities). It supports them in their local commissioning of outstanding services for looked-after children and young people.

To do this, London Care Services has developed a single model contract for services for looked-after children. It negotiates and signs the contract and fees with providers across all 40 participating authorities. The authorities can then draw down the services from the providers without having to renegotiate contract terms and fees.

This service eliminates wasteful bureaucracy by centralising the contracting work, while giving councils the freedom they need to choose between contracted providers.

It removes the need for boroughs to undertake the same checks on the same contracts and organisations.

In representing 40 members, London Care Services has a significantly stronger bargaining position when negotiating fees with providers. This produces value for money for boroughs in a large, complex and costly market.

In 2015/16 we completed the following work on behalf of member boroughs:

- Signed up 163 providers of 332 resources.
- Drew up a new contract, agreed with boroughs, which is being used in 2016/17.

**REVIEW OF THE YEAR (continued)****London Self Improvement Board**

London Councils co-ordinates and helps to encourage collaborative work between boroughs on self-improvement and mutual challenge through supporting the London Self Improvement Board (SIB). Comprising a number of borough chief executives, senior chief officer representatives and the chief executive of London Councils, SIB liaises at a political level with the Chair of the London Councils Leaders' Committee on key issues and with relevant political portfolio holders across London.

The board seeks to offer both challenge and support to London local government performance.

Since 2013, SIB has identified key risk areas where it wishes to concentrate its efforts; Adult Social Care, Children's Social Services and the overall financial and corporate health of individual authorities.

Under the Board's direction, London Councils has helped to develop, review and challenge some of the hard and soft tools available for gathering and analysing performance information. The London Authority Performance Solution (LAPS) and Chief Executive to Chief Executive (CE2CE) and Treasurer to Treasurer (T2T) peer challenge processes are part of these developments.

SIB believes it is valuable for the sector to demonstrate a consistent approach to self-improvement and that councils are inviting a level of challenge from their peers to show that they are open to identifying performance challenges and acting upon them. 2015 saw the highest number of boroughs represented since each programme began.

Work in 2015/16 included:

- Continued provision of the LAPS performance measurement tool used consistently by the vast majority of boroughs in 2015/16.
- Continued provision of the HR metrics service – which received overall ratings of 92 per cent from member boroughs in the recent light touch review.
- Continued provision of the school performance toolkit – delivering key performance benchmarking indicators for London boroughs' schools performance managers.
- Increased participation of the peer support programmes for Chief Executives and Treasurers.

**London Procurement Strategy Board**

London boroughs spend around £8 billion on purchasing goods and services from third parties and the London Procurement Strategy Board (LPSB) was formed by Leaders in 2010 to assess what opportunities exist to achieve greater savings by exploiting the significant purchasing power of London local government.

The LPSB acts as the governance board (when required) for London-wide procurement projects; reviews existing, and proposals for new, framework structures across London in order to support the development of a consistent and coherent approach; and provides a forum for sharing expertise, learning and good practice between London local authorities.

The board draws on the expertise of its membership which includes representatives from London Councils, the Society of London Treasurers, the London Procurement Network and sub-regional shared services groupings.

In 2015/16 work included:

- The continued sharing of contract and spend data through the London contracts register and spend analytics tools.

**REVIEW OF THE YEAR (continued)**

- Delivering a regular London Procurement Newsletter to member boroughs.
- Providing support and advice for a number of pan-London procurement projects including:
  - Postal Services Collaboration – a framework contract agreed with 24 boroughs enabling significant purchasing influence to be exerted in contract and performance talks with Royal Mail. Generated savings of £1.2 million in 2015/16 and achieved finalist status at this year's National GO Awards
  - MSTAR 1 project – standardised pay rates for children's social care agency staff across 17 boroughs. Has generated £14.5 million of savings from temporary agency spend since 2011.
  - Supplier Chain Resilience Review Project - developing a toolkit and consolidated framework for supply chain resilience management. Involved 9 boroughs and partners Zurich Municipal – work is ongoing in 2016/17 (nominated for an Alarm Risk Award 2016 for partnership work).

**Events and Awards**

**The London Summit** – Our annual flagship event is free to all London members and senior borough officers. Our 2015 Summit - held on Saturday 21 November at the City of London's Guildhall - saw hundreds of delegates - councillors of all political parties from the 32 London boroughs and the City of London, as well as representatives from the business, public and voluntary sectors - gather to engage in debate and share experiences from across the capital. You can watch a short video of the day here <https://www.youtube.com/watch?v=hemboldJLyU>

**Awards** – London Councils supports and organises a number of awards on behalf of boroughs that highlight and share their successes:

**The London Borough Apprenticeship Awards:** Established in 2011 to showcase the value of apprenticeships to London boroughs, how borough staff have contributed to apprentices' success and how boroughs are helping to maximise apprenticeship opportunities with contractors and suppliers. The 2015 Awards attracted a record number of entrants. The Apprentice of the Year was Sidonie Smith, a Domestic Violence Support Officer at the London borough of Bexley. Apprentices from Camden, the City of London, Greenwich and Southwark were also among the winners of individual awards.

**The London Homelessness Awards – in memory of Andy Ludlow:** The awards are sponsored by the London Housing Foundation, the London boroughs and Shelter and run by London Councils. Inside Housing magazine is our media partner. The awards are the country's leading homelessness awards, with prize money awarded to the organisations that demonstrate innovative and creative solutions for tackling homelessness in the capital. The Asylum Support Appeals Project's Defending Asylum Seekers Rights to Food and Shelter was the overall winner of the 2015 Award,

**The Small Business Friendly Awards** - organised by London Councils and the London Region of The Federation of Small Businesses (FSB) the awards are an opportunity to celebrate projects or initiatives delivered by the London boroughs that have a positive impact on London's small business community. Harrow was named best all round small business friendly borough in the 2015 Awards, while the work of Bexley, Enfield, Greenwich, Merton and Westminster was also recognised in individual categories.

**Keeping You Informed**

**Website** – London Councils' website was visited by just under 1 million unique visitors and had 4.5 million page views in 2015/16. The website, which was completely updated and relaunched in April 2015, serves a variety of purposes and functions for a wide range of stakeholders, including members, officers and policy makers, as well as Londoners and London businesses who rely on services such as the Freedom Pass, the Health Emergency Badge or the London Lorry Control Scheme.



**REVIEW OF THE YEAR (continued)**

Among the features of the new website are:

- a fully updated and responsive (easier to view and navigate on tablets and mobile phones as well as PCs);
- the members' dashboard, which enables our members to edit and personalise their own content;
- a new platform for our rich policy and services content including comments, blogging and more.

**Key Issues** – our weekly e-newsletter, sent to more than 12,000 subscribers across the capital each Wednesday morning, provides a quick summary of the issues affecting London local government and the evolving policy landscape in the capital.

**Member Briefings** – our member briefing service provides members with timely policy analysis and information across all our main policy themes directly to their inbox. The newly designed website enables members to edit and amend their preferences more easily than ever before. In 2015/16 we sent 77 policy briefings to subscribing members.

**Parliamentary Briefings** – we regularly brief MPs and Peers on government bills that affect London Boroughs. In 2015/16 these included briefings in support of our lobbying work on several bills including the Housing and Planning Bill, on issues such as starter homes, right to buy and pay to stay, the Welfare and Reform Bill and the Cities and Local Government Devolution Bill. In addition, we have briefed on the Local Government Finance Settlement. Our briefings and policy positions were cited on a large number of occasions in both Houses.

**Twitter** – London Councils' Twitter account @londoncouncils has more than 16,300 followers who receive up-to-date news on all the latest developments in London local government as they happen.

**London Government Directory** – a free copy of our annual London Government Directory, sponsored by the London Communication Agency, is sent to every member and senior officers in all 33 London local authorities. The Directory is also available to view online at [www.directory.londoncouncils.gov.uk](http://www.directory.londoncouncils.gov.uk).

**Policy reports** – London Councils publishes a comprehensive range of policy reports providing data, analysis and recommendations on key policy challenges in the capital. In 2015/16 these included reports on: Developing Employment Support; Local Government Support for Arts and Culture; School Places Pressure; Young Londoners' Higher Education Journey; Work Programme Equalities Impact Assessment; The Impact of Permitted Development Rights for Office to Residential Conversions; London's Future Infrastructure Needs; the Impact of Freezing LHA Rates; Building on the Success of London's Town Centres; Transport Affordability; and Joint Working to Deliver Better Care.

**LOOKING FORWARD TO 2016/17**

In 2016/17, London Councils needs to undertake its role against the backdrop of three significant challenges facing our member authorities. They are:

- Supporting councils in their work to meet the challenges of significant further restrictions in funding over the spending review period to 2020.
- Seeking to secure even greater devolution to London government and London boroughs in order to help drive a broader agenda of public service reform based on close integration of local public services, a focus on managing service demand and helping boost sustainable growth across London. In particular, 2016/17 will see significant work in collaboration to boost housing supply and developing a potential London proposition to government on Business Rate Devolution, working with boroughs and the Mayor of London.

**REVIEW OF THE YEAR (continued)**

- Ensuring that boroughs, individually and in groupings, are supported to exploit the reform opportunities that have been created, particularly in area such as Skills, Employment Support and Health.

**London Councils Challenge**

During 2016/17, London Councils will also be reflecting upon how best it can serve London local government over the next five years. A Challenge process has been commissioned to support the organisation and its members in this thinking. The outcome of this will, of course, impact upon business plans going forward in future years.

Our over-arching themes for 2016/17 are as follows:

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

- Ensure the best possible public financing climate for London.
- Provide support on proposed changes in the basis of financing local government and fiscal devolution following the 2015 Spending Review and the commitment to Business Rates Devolution.
- Mitigate the impact of financial reductions upon London boroughs.
- Support councils as they seek to manage significant reductions in their available funding.

**Securing further devolution and localism.** We will:

- Continue to highlight the strong London argument for boroughs, groups of boroughs and the Mayor to be at the heart of commissioning a broader range of integrated local public services.
- Work to develop collaborative approaches to boosting housing supply.
- Work closely with the new Mayor of London to develop further the devolution settlement for London.
- Continue to play a strong brokerage role to help develop opportunities that can be applied more broadly across London local government, and, in particular, to support the implementation of the reform that has been agreed in areas such as Skills, Employment Support and Health.
- Support London local government in its work to turn this into practice on the ground by supporting shared learning and developing London frameworks that allow this devolution to take place at local level.

**Supporting London Delivery.** We will:

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

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

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

**REVIEW OF THE YEAR (continued)**

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

Continue to both host and foster the full development of the London CIV on behalf of London local government.

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

Preparing for and engaging with the London Councils Challenge process early in the new financial year.

Continue to manage our resources to drive on-going improvements in value for our member authorities, in a way which continues to meet the evolving needs of our member authorities over the next five years.

Equipping ourselves with the skills, knowledge and competences required to support London local government in this critical period.

Creating an environment in which we continue to attract talented people and challenge them to deliver outstanding performance.

Working with members to review key roles and positioning of London Councils going forward to reflect a changing environment.

Our directorate programmes detail the range of work that will support our overall objectives, all of which relate in some way to our over-arching themes of resourcing London, securing devolution and localism, supporting London delivery and organisational change.

**NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS**

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

**Financial information**

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

- Statement of Responsibilities for the Statement of Accounts (page 26);
- Consolidated Movement in Reserves Statement (pages 36 - 37);
- Consolidated Comprehensive Income and Expenditure Statement (page 38);
- Consolidated Balance Sheet (page 39);
- Consolidated Cash Flow Statement (page 40); and
- Notes to the Consolidated Accounts (pages 41 – 70).

**Revenue expenditure**

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

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Expenditure	68,395	68,888	493
Income	(66,666)	(69,314)	(2,648)
Interest income and expenditure	(75)	758	833
<b>Deficit for the year</b>	<b>1,654</b>	<b>332</b>	<b>(1,322)</b>
Transfer from Reserves	(1,654)	(3,625)	(1,971)
<b>Net Surplus for the year (including transfers from reserves)</b>	<b>-</b>	<b>(3,293)</b>	<b>(3,293)</b>

The surplus of £3.293 million is split over the three funding streams as follows:

	<b>Grants Committee</b>	<b>Transport, and Environment Committee</b>	<b>Joint Committee</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total Expenditure	8,889	46,405	13,594	68,888
Total Income	(9,509)	(46,945)	(12,860)	(69,314)
Interest income and expenditure	32	241	485	758
<b>(Surplus)/Deficit for the year</b>	<b>(588)</b>	<b>(299)</b>	<b>1,219</b>	<b>332</b>
Transfer from Reserves	(579)	(731)	(2315)	(3,625)
<b>Net Surplus</b>	<b>(1,167)</b>	<b>(1,030)</b>	<b>(1,096)</b>	<b>(3,293)</b>

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

Transport and Environment (TEC) and the Grants Committee (GC) are separate joint-committees that require separate accounts to be prepared (refer to Note 1, Item I on page 46 and Appendices A and B on pages 71 and 72).

**Grants Committee**

The surplus of £1.167 million is attributable to a surplus of £179,000 in relation to London Councils main grants programme and a surplus of £988,000 in the European Social Fund (ESF) match funded grants programme.

The surplus of £179,000 on the main grants programme is attributable to:

- an underspend of £201,000 in relation to payments for commissioned services relating to 2015/16; and
- a net overspend of £22,000 in relation to grants administration expenditure attributable to overspends of £13,000 in respect of salary costs and £23,000 for general running costs and central recharges, offset by £14,000 from investment income received on Committee reserves.

For the ESF/borough funded commissions, the provisional surplus of £988,000 is split between:

- a projected breakeven position relating to payments in respect of the expired 2013-15 borough/DWP ESF programme, where total residual payments to providers of £952,000 and administration costs of £56,000 have been funded by ESF grant of £494,000, a transfer from accumulated ESF reserves of £499,000 and borough contributions received in advance in 2014/15 of £15,000; and
- a projected net underspend of £988,000 in respect of the new 2016+ ESF programme, the start of which has slipped into the 2016/17 financial year. Administrative costs, estimated to be in the region of £12,000, have been incurred in respect of preparatory bid work and may be subject to a retrospective grant claim once the new programme has commenced. However, at this stage, as no substantive spend was incurred in 2015/16 on the new programme, no ESF grant will be receivable. The underspend, therefore, effectively relates to the £1 million borough contributions made during 2015/16 in respect of the funding of the new programme.

**Transport and Environment Committee**

A surplus on revenue activities of £299,000 has been posted for 2015/16 which, after a net transfer of £731,000 from reserves has led to an overall surplus after net transfers from reserves of £1.03 million. The surplus is due to:

- **Freedom Pass non-TfL bus services (-£698,000)** - In December 2014, TEC approved a budgetary provision of £2.2 million for 2015/16 to cover the cost of payments to non-TfL bus operators under the national concessionary fares scheme, the overall cost of which is demand led by eligible bus users. Claims from operators amounting to £1.502 million have been received and accepted for 2015/16, which has led to an underspend of £698,000. The underspend is attributable to a number of factors:
  - a fall of 2% in the past 12 months on bus journeys across London and on most LSPs, partly due to the age eligibility increase;
  - one of the LSP operators ceased to operate in January 2015, after the 2015/16 budget had been set;

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

- TGM, which used to run two routes in London, is now operating under Arriva Kent management and one of the transferred routes was withdrawn in May 2015;
  - Arriva the Shires lost one the most expensive routes (797) to Unibus, which now runs the route a shorter distance and the average fare is lower than it used to be with Arriva; and
  - A review of the postcodes of the stops in London determined that for three operators (Arriva the Shires, Abellio and Metrobus), a few stops on routes fell outside of the London area and as result, the length of journeys included in claims reduced significantly;
- **Lorry Control Administration/PCN income (-£416,000)** - The administration of the London Lorry Control Scheme overspent the budget of £542,000 by £59,000. This is attributable to bailiff fees of £37,000, registering debt at the County Court of £10,000, additional contract payments of £5,000, plus additional central recharges of £7,000 following the cessation of the POPLA contract. However, there was a significant overachievement in the collection of PCN income of £475,000 above the budgetary provision of £550,000, due to continued effective performance of the outsourced enforcement function meaning that transaction volumes continue to increase, leading to higher levels of debt actually being raised and collected. In addition, the continued functionality of the Adaptis computer management system allows outstanding debt to be registered at the Court more quickly. Of the £1.025 million income due for the year, £136,000 has yet to be collected and has been registered with the County Court. A bad debt provision of £108,000 has been established in respect of this outstanding amount, in accordance with usual accounting practice. This is a reduction of £180,000 on the bad debt provision of £288,000 as at 31 March 2015, so the net surplus income increases to £596,000 for the year.;
- **Net Freedom Pass survey and issue costs (-£257,000)** - The budget for the pass survey and issue processes for the year was £1.518 million. This budget covers the issuing of Freedom Passes to new applicants and for the replacement of passes which are lost, stolen or faulty. Provisional total expenditure for 2015/16 is £1,623,773, which includes £193,000 expenditure of residual 2015 pass issue work. Excluding the 2015 issue work, total spend is £87,227 less than the budgetary provision of £1.518 million. In addition, a sum of £670,473 was collected during 2015/16 in respect of replacement Freedom Passes, £170,473 in excess of the £500,000 budgetary provision. In net terms, therefore, there was a surplus of £257,700;
- **Net position on parking appeals (+£225,000)** - The number of appeals and statutory declarations heard during the year was 42,846 against a budget of 69,434, generating income of £1.341 million, £978,000 less than the budget estimate of £2.319 million. However, this is offset by a significant reduction in adjudicator, contractor and administration costs of £753,000. The throughput of appeals was 2.43 appeals per hour, compared to a budget figure of 3.03 and an actual figure of 3.28 appeals per hour for 2014/15. This trend is attributable to the fact that services were interrupted during the year by the move of the appeals hearing centre from Angel Square to Chancery Exchange and the change of parking managed services provider from Capita to Northgate, which involved the introduction of an entirely new IT system;
- **London Tribunals Administration (+£165,000)** - After excluding the unit administration cost of the appeals, the hearing centre overspent its budget of £2.653 million by £165,000. The sum includes a one-off payment of £52,000 in relation to change management costs, leaving an underlying overspend of £113,000, primarily attributable to ETA operations. Salaries overspent by £75,000, premises costs overspent by £118,000, primarily due to having to take on the lease for Chancery Exchange for the whole of 2015/16, instead of for 10 months, as originally budgeted for. Additional central recharges of £96,000 were incurred, following the cessation of the POPLA contract. These additional costs have been offset by savings on the fixed costs associated with the new Northgate contract of £65,000 and £112,000 on general office running costs; and
- Residual variances of -£49,000.

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

## Joint Committee

The surplus of £1.096 million is attributable to:

- **Employee Costs (-£184,000)** - The headline position is an underspend of £119,000 on officer salary costs, plus an additional saving of £60,000 in respect of the maternity budget. There was a marginal underspend of £5,000 in respect of indirect staffing costs, such as training and recruitment costs;
- **Improvement and Efficiency work (-£109,000)** - This relates to the funding of former Capital Ambition performance and procurement legacy projects that the Leaders' Committee agreed to continue in December 2011. These are managed via a variety of borough networks, the budget for which in 2015/16 was £305,000. Work has continued on three projects during 2015/16, amounting to £196,000, leading to the underspend of £109,000, which includes £40,000 in respect of member development work;
- **Research and Commissioning (-£221,000)** - Expenditure on commissioning and other priority work amounted to £279,000 for the year, leading to an underspend of £221,000 against the approved budget of £500,000. This budget is expected to be used during 2016/17 to support joint work to secure further progress on public sector reform and further devolution. An additional £100,000 was spent as a contribution to the London health agenda, in line with the approved budget;
- **Borough Contributions towards London Care Placements (-£87,000)** - Contributions from boroughs and other subscribers exceeded the budgeted target of £222,000 by £26,000. In addition, contributions carried forward as a receipt in advance from 2014/15 of £61,000 led to overall additional income of £87,000;
- **Central Recharge Income (-£481,000)** - Additional income in respect of central recharges of £481,000 has arisen, of £305,000 related to the recharging of Southwark Street premises costs to the TEC and Grants funding streams and to externally funded projects and licenced tenants. A breakdown of the additional recharges broadly comprise of the following:
  - Recharges for communications staffing and running costs of £115,000;
  - Recharges for Corporate Governance functions, including that of the Chief Executive's Office of £60,000;
  - Recharges for Corporate Resources staffing, SLAs with the City of London, External Audit and general office costs of £37,000 to TEC and the Grants Committee; and
  - Recharges for Corporate Resources staffing, SLAs with the City of London, External Audit and general office costs of £269,000 to externally funded functions and licenced tenants; and
- Residual variances of £14,000.

## Budget for 2016/17

On 8 December 2015, the Leaders' Committee approved a total expenditure budget for 2016/17 of £64.253 million, exclusive of the borough payments of £333.940 million to Transport for London (TfL) in respect of Concessionary Fares. Total income sources, including the use of existing balances of £2.469 million were also estimated to be £64.253 million, leaving a projected balanced budget for the year.

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

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

The Committee is required to:

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

**The Director of Corporate Resources' Responsibilities**

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

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

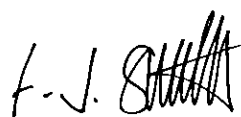
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Director of Corporate Resources has also:

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

**Responsible Finance Officer's Certificate**

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Committee at 31 March 2016 and of its income and expenditure for the year ending 31 March 2016.



F Smith CPFA  
Director of Corporate Resources

22 September 2016



**APPROVAL CERTIFICATE**

At a meeting of London Councils' Audit Committee held at 59½ Southwark Street, London, SE1 0AL on 22 September 2016, the statement of accounts were approved on behalf of the Committee.

A handwritten signature in black ink, appearing to read 'Roger Ramsey'.

Cllr Roger Ramsey  
Chair of London Councils' Audit Committee

22 September 2016

## 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.

### 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 2016 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 2 June 2015. 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 2 June 2015. The financial regulations were also reviewed and the changes approved by the Leaders Committee on 2 June 2015. 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 2015. The Directorate Risk Registers are reviewed by the Audit Committee on a rolling basis. London Councils' Corporate Management Board ensures that the risk registers, both Directorate and Corporate, continue to support London Councils' corporate priorities, which provides members with assurance on how the risks identified are being managed. An internal audit review of London Councils risk management arrangements was carried out during 2015/16. The review established that an effective risk management framework is in place and recommended that a formal review of the framework should be carried out every three years.

## 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 were reviewed in February 2016 and are available on London Councils' intranet and website.
- **Effective management of change and transformation** – London Councils has a framework for managing organisational change which is available to all staff on the intranet. The framework provides guidance on the statutory elements of managing change and issues that should be considered when implementing changes.
- **Financial management arrangements** – London Councils' financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.
- **Assurance arrangements** – London Councils' internal audit function is carried out by the City of London's internal audit team under a service level agreement for financial support services. These arrangements conform with the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit in public service organisations and Public Sector Internal Audit Standards.
- **Discharge of the monitoring officer function** – • This is a statutory post under Section 5 of the Local Government and Housing Act 1989 and as such is not applicable to London Councils which is a joint committee<sup>1</sup>. However, legal advice is provided to London Councils by the City of London Corporation including governance advice and support which in a local authority would generally be provided by the borough.
- **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. On 19 March 2015, the Audit Committee considered a revision to its Terms of Reference to include the responsibility to make a recommendation to Leaders' Committee on the appointment, reappointment and removal of the external auditor. 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.

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

**ANNUAL GOVERNANCE STATEMENT (continued)**

- **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](http://www.londoncouncils.gov.uk). London Councils consults with Chief Officer groupings across boroughs in the development of its work.
- **Enhancing the accountability for service delivery and effectiveness of public service providers** - All working arrangements with public service providers are subject to signed agreements/contracts which set out the terms of the service provided. All agreements/contracts are reviewed to ensure that the roles and responsibilities of the parties involved are clearly defined and the terms are beneficial to London Councils and its member authorities. Key performance indicators are incorporated into agreements where appropriate and monitored regularly. Nominated officers are responsible for managing the outcomes of the service and establishing clear lines of communication with providers.
- **Partnership arrangements** – London Councils has a set protocol for staff to follow when working in partnership with outside bodies. A checklist is to be completed for each new partnership or project. Partnership arrangements are also subject to signed agreements which include objectives, roles and responsibilities. The performance of partnerships are monitored in the same manner as other service providers. London Councils does not currently have any material partnership arrangements.

**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 2015/16.
- London Councils Corporate Management Board considers an annual report on Corporate Governance, which includes work completed during the current year and highlights work planned for the following year.

**Areas for development during 2016/17**

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2016/17:

**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 improved controls. Management has already taking action to address a number of the issues that were raised but there are still improvements to be made in areas such as system security and infrastructure during 2016/17.

A separate review to establish and evaluate the adequacy of the updated ICT strategy was undertaken in 2015/16. It identified areas for improvement in respect of disaster recovery testing, documentation of disk storage thresholds and verification of third party compliance. These improvements will be carried out during 2016/17.

**Inventory**

A review of the Committee's key finance controls was carried out during 2015/16. The objective of the review was to ascertain and evaluate the adequacy of controls in relation to income and expenditure. The review revealed that there was a sound control environment in place with risks to system objectives reasonably managed. However, it also revealed that the information held on the inventory list for furniture and equipment was not fully compliant with the requirements of London Councils' financial regulations. An exercise to update the inventory list will be completed during 2016/17.

**Risk Management and Business Continuity**

An internal audit review of risk management and business continuity was undertaken in 2015/16. The review revealed that there was an adequate control framework in place but there were areas of improvement in relation to the frequency of reviews of the risk management framework, the reporting of the results of business continuity tests and the contents of the Business Continuity Plan. These improvements will be carried out during 2016/17.

**ANNUAL GOVERNANCE STATEMENT (continued)**

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

**Significant governance issues**

There are no significant governance issues.



John O'Brien  
Chief Executive

22 September 2016



Cllr Claire Kober OBE  
Chair of London Councils

22 September 2016

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

We have audited the financial statements of London Councils Joint Committee (The Committee) for the year ended 31 March 2016 on pages 36 to 74. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

**Respective responsibilities of the Director of Corporate Resources and auditor**

As explained more fully in the Statement of Responsibilities for the statement of accounts, the Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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 Narrative Statement and the Review of the Year 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 financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Committee as at 31 March 2016 and of the Committee's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 .

**Matters on which we are required to report by exception**

We to report to you if:

- the Annual Governance Statement set out on pages 28 to 33 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or and



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON COUNCILS JOINT COMMITTEE (continued)**

- the information given in the Narrative Statement and the Review of the Year for the financial year for which the financial statements are prepared is not consistent with the financial statements.

We have nothing to report in respect of these matters.



Philip Johnstone

**For and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
15 Canada Square  
London  
E14 5GL

**23** September 2016

## CONSOLIDATED MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

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 Reserves £000
<b>Balance at 1 April 2015</b>	<b>11,482</b>	<b>-</b>	<b>11,482</b>	<b>(25,557)</b>	<b>(14,075)</b>
Deficit on the provision of services	(332)	-	(332)	-	(332)
Other Comprehensive Income and Expenditure (note 9)	-	-	-	3,896	3,896
<b>Total Comprehensive Income and Expenditure</b>	<b>(332)</b>	<b>-</b>	<b>(332)</b>	<b>3,896</b>	<b>3,564</b>
Adjustments between accounting basis and funding basis under regulations (note 6)	1,491	-	1,491	(1,491)	-
<b>Net Decrease before Transfers to Earmarked Reserves</b>	<b>1,159</b>	<b>-</b>	<b>1,159</b>	<b>2,405</b>	<b>3,564</b>
Transfers to/(from) Earmarked Reserves (note 7)	(1,000)	1,000	-	-	-
<b>Increase/(Decrease) in 2015/16</b>	<b>159</b>	<b>1,000</b>	<b>1,159</b>	<b>2,405</b>	<b>3,564</b>
<b>Balance at 31 March 2016</b>	<b>11,641</b>	<b>1,000</b>	<b>12,641</b>	<b>(23,152)</b>	<b>(10,511)</b>

## CONSOLIDATED MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	General Reserve £000	Specific Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2014</b>	9,887	1,800	11,687	(16,334)	(4,647)
Deficit on the provision of services	(1,287)	-	(1,287)	-	(1,287)
Other Comprehensive Income and Expenditure (note 9)	-	-	-	(8,141)	(8,141)
<b>Total Comprehensive Income and Expenditure</b>	(1,287)	-	(1,287)	(8,141)	(9,428)
Adjustments between accounting basis and funding basis under regulations (note 6)	1,082	-	1,082	(1,082)	-
<b>Net Decrease before Transfers to Earmarked Reserves</b>	(205)	-	(205)	(9,223)	(9,428)
Transfers to/(from) Earmarked Reserves (note 7)	1,800	(1,800)	-	-	-
<b>Increase/(Decrease) in 2014/15</b>	1,595	(1,800)	(205)	(9,223)	(9,428)
<b>Balance at 31 March 2015</b>	11,482	-	11,482	(25,557)	(14,075)

# **CONSOLIDATED COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

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

	Notes	2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net £000	2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net £000
<b>Cost of Services</b>							
London Councils Grants Committee	Appx A	8,889	(9,509)	(620)	11,057	(10,388)	669
London Councils Transport and Environment Committee	Appx B	46,405	(46,945)	(540)	49,310	(49,005)	305
London Councils Joint Committee	Appx C	13,594	(12,860)	734	13,652	(13,926)	(274)
<b>Net Revenue Cost of Services</b>		<b>68,888</b>	<b>(69,314)</b>	<b>(426)</b>	<b>74,019</b>	<b>(73,319)</b>	<b>700</b>
Financing and investment income and expenditure	8			758			587
<b>Deficit on Provision of Services</b>				<b>332</b>			<b>1,287</b>
Actuarial (gain)/loss on pension assets/liabilities	9			(3,896)			8,141
<b>Other Comprehensive Income and Expenditure</b>				<b>(3,896)</b>			<b>8,141</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(3,564)</b>			<b>9,428</b>

**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2016**

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

	Note	31 March 2016	31 March 2015
		£000	£000
Property, Plant and Equipment	10	1,722	1,115
Intangible Assets	11	1	8
<b>Long Term Assets</b>		<b>1,723</b>	<b>1,123</b>
Short Term Debtors	12	4,868	5,299
Cash and Cash Equivalent	13	16,852	19,217
<b>Current Assets</b>		<b>21,720</b>	<b>24,516</b>
Short Term Creditors	15	(10,394)	(13,700)
Provisions	16	(180)	(338)
<b>Current Liabilities</b>		<b>(10,574)</b>	<b>(14,038)</b>
Provisions	16	(354)	(227)
Other Long Term Liabilities	9	(23,026)	(25,449)
<b>Long Term Liabilities</b>		<b>(23,380)</b>	<b>(25,676)</b>
<b>Net Liabilities</b>		<b>(10,511)</b>	<b>(14,075)</b>
Usable Reserves	17	12,641	11,482
Unusable Reserves	18	(23,152)	(25,557)
<b>Total Reserves</b>		<b>(10,511)</b>	<b>(14,075)</b>

The notes on pages 41 to 70 form part of the accounts.



F Smith CPFA  
Director of Corporate Resources

22 September 2016

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

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

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Net deficit on the provision of services	(332)	(1,287)
Adjustments to net deficit on the provision of services for non-cash movements	(1,213)	6,304
Adjustments for items included in the net deficit on the provision of services that are investing and financing activities.	(93)	(123)
<b>Net cash flows from Operating Activities (note 19)</b>	<b>(1,638)</b>	<b>4,894</b>
Investing Activities (note 20)	(727)	(163)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,365)</b>	<b>4,731</b>
<b>Cash and cash equivalents at 1 April</b>	<b>19,217</b>	<b>14,486</b>
<b>Cash and cash equivalents at 31 March</b>	<b>16,852</b>	<b>19,217</b>

**NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016****1. Accounting Policies****a General Principles**

The Statement of Accounts summarises the Committee's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Committee prepares its accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

The Statement of Accounts has been prepared with reference to:

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

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

The accounting policies have been consistently applied.

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**b Accruals of Income and Expenditure**

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

- Revenue from the sale of goods is recognised when the Committee transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Committee;
- Revenue from the provision of services is recognised when the Committee can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Committee;
- Expenses in relation to services received (including those services provided by employees) are recorded as expenditure when services are received, rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- Income and expenditure are credited and debited to the relevant category within the Comprehensive Income and Expenditure Statement, unless they represent capital receipts or capital expenditure; and
- Creditors for grants outstanding to voluntary organisations at the year-end are included where approved by Committee, the circumstances of the voluntary organisation have not changed since approval, and evidence shows that expenditure in respect of the grant has been incurred. Creditors for ESF grants are recognised where grant claims received from voluntary organisations exceed payments made to the claimant.

**c Allocation of Income**

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

**d Cash and Cash Equivalents**

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

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



## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 1. Accounting Policies (continued)

## e Contingent Liabilities

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

## f Employee Benefits

**Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Committee. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. flexi leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

**Termination Benefits**

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

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

**Post Employment Benefits**

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

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

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 1. Accounting Policies (continued)

- The liabilities of the pension fund attributable to the Committee are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, projected earnings of current employees etc.
- Liabilities are discounted to their value at current prices using, a discount rate of 3.8% (2014/15: 3.4%).
- The assets of the pension fund attributable to the Committee are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate;
  - Unutilised securities – current bid price; and
  - Property – market value.
- The change in the net pensions liability is analysed into six components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement;
  - Net interest on the net defined benefit liability (asset), ie net interest expense for the Committee – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;
  - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
  - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

**NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)****1. Accounting Policies (continued)**

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

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

**g Exceptional Items and Prior Period Adjustments**

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

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

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

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

**h Financial Instruments****Financial Liabilities**

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

Currently the Committee has no borrowings.

**Financial Assets**

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

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**1. Accounting Policies (continued)****i Government Grants and Contributions**

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

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

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

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

**j Intangible Assets**

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

**k Interest Income**

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

**l Interest in Companies and Other Entities**

London Councils Joint Committee operates one subsidiary, London Councils Limited, a company limited by guarantee. London Councils Limited activities are consolidated within the Joint Committee statement of accounts. The company exists to record all transactions relating to the holding of property leases and the employment of the political advisers. London Councils' member boroughs are the members of the company and London Councils' Elected Officers are its Directors. London Councils benefits directly from the accommodation paid for by London Councils Limited and the services provided by the political advisers to members in their roles at London Councils.

The activities of London Councils Grants Committee and London Councils Transport and Environment Committee, which are carried out by London Councils Joint Committee, are incorporated into these group accounts. The activities of these associated committees and the main Joint Committee are detailed in appendices A to C.

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

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 1. Accounting Policies (continued)

## m Leases

**Finance leases**

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

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

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

**Operating leases**

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

## n Overheads

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

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

## o Property, Plant and Equipment

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

Assets are initially measured at cost, comprising:

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

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**1. Accounting Policies (continued)**

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

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

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

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

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

**p Provisions**

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

Provisions are charged as an expense to the Comprehensive Income and Expenditure Statement in the year that the Committee becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year, where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provisions is reversed and credited back to the Comprehensive Income and Expenditure Statement. Provisions for dilapidations costs and works in connection with property leases are built up over the life of the lease on a straight line basis.

**q Reserves**

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

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

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 1. Accounting Policies (continued)

## r Value Added Tax

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

## 2. Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) has introduced changes in accounting policies which will be required from 1 April 2016. If these had been adopted for the financial year 2015/16 there would be no material changes to the Committee's accounts as detailed below.

**IAS19 Employee Benefits** – There has been a narrow scope amendment to this standard which applies to contributions from employees or third parties to defined benefit pension plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. It clarifies the requirements on the way contributions that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. This amendment will not have a material impact on the Committee's accounts.

**IFRS11 Joint Arrangements** – There have been an amendments to this standard to require an acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the business combinations accounting principles in IFRS3 (Business Combinations) and other relevant accounting standards, except for those principles that conflict with the guidance in IFRS11. The amendment also requires disclosure of the information required by IFRS3 and other relevant accounting standards. The amendments apply to both an initial acquisition and an additional acquisition of an interest in joint operations. These amendments will not have a material impact on the Committee's accounts.

**IAS16 Property, Plant and Equipment and IAS38 Intangible Assets** – There have been amendments to these standards to clarify that a depreciation or amortisation method based on revenue generated by an activity that includes the use of an asset is unacceptable under the standards. This amendment will not have an impact on the Committee's accounts as its assets are depreciated/amortised on a straight line basis over their economic life.

**Transport Infrastructure Assets** – A change to the Code for 2016/17 will require transport infrastructure assets to be disaggregated from infrastructure asset category within Property, Plant and Equipment. The introduction of this change will have no impact on the Committee's accounts as it does not own any infrastructure assets.

In addition to items above, there are some planned improvements to existing standards that are not expected to have a material impact on the accounts.

## 3. Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**3. Critical Judgements in Applying Accounting Policies (continued)****Government Funding**

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

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

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

The items in the Committee's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**Pensions**

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

The effect on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.312 million. However, the assumptions interact in complex ways. During 2015/16, Barnett Waddingham LLP advised that the net pensions liability had decreased by £5.623 million as a result of a change in financial assumptions.

**Property, Plant and Equipment**

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

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Leasehold Improvements would increase by £45,000 for every year that useful lives had to be reduced.

**Provisions**

The Committee has made a provision of £534,000 for its contractual obligations for dilapidations and periodic decoration included within its property leases. The provision is based on the most reasonable estimate of these future costs. An increase of 10% to the total value of these costs would have the effect of adding £17,000 to the annual contribution to the provision.



## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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

**Bad Debt Provision**

At 31 March 2016, the Committee had a balance of accounts receivable debtors of £1.78 million. This amount excludes debts registered at the County Court. A review of these balances resulted in a calculation of a bad debt provision, based on historic loss experiences, of £129,000. 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.

## 5. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 22 September 2016. Events taking place after this date are not reflected in the accounts or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the accounts and notes have been adjusted in all material respects to reflect the impact of this information.

## 6. 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 2016:

	General Reserve £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 18)	1,473	(1,473)
<b>Adjustments primarily involving the Accumulated Absences Reserve:</b>		
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)	18	(18)
<b>Total Adjustments</b>	<b>1,491</b>	<b>(1,491)</b>

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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

Adjustments for the year ended 31 March 2015:

	General Reserve £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 18)	1,111	(1,111)
<b>Adjustments primarily involving the Accumulated Absences Reserve:</b>		
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)	(29)	29
<b>Total Adjustments</b>	<b>1,082</b>	<b>(1,082)</b>

## 7. Transfers (from)/to Specific Reserves

Transfers to and from the Specific Reserves during the year ended 31 March 2016.

	Balance at 1 April 2015 £000	Transfer out £000	Transfer In £000	Balance at 31 March 2016 £000
2020 Freedom Pass Re-issue Reserve	-	-	1,000	1,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>1,000</b>

Transfers to and from the Specific Reserves during the year ended 31 March 2015.

	Balance at 1 April 2014 £000	Transfer out £000	Transfer In £000	Balance at 31 March 2015 £000
2015 Freedom Pass Re-issue Reserve	1,800	(2,200)	400	-
<b>Total</b>	<b>1,800</b>	<b>(2,200)</b>	<b>400</b>	<b>-</b>

The 2015 and 2020 Freedom Pass Re-issue Reserves were established by the Committee on 15 December 2011 and 11 December 2014 respectively, to accumulate funds to meet the cost of the Freedom Pass reissue exercises.

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 8. Financing and Investment Income and Expenditure

	2015/16	2014/15
	£000	£000
Interest Payable	11	10
Interest and Investment Income	(104)	(133)
Net Loss on Pension Scheme Assets/Liabilities (see note 9)	851	710
<b>Total</b>	<b>758</b>	<b>587</b>

## 9. Pensions

As part of their terms and conditions of employment, London Councils staff are eligible to participate in the Local Government Pension Scheme (LGPS) which is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013. The scheme is contracted out of the State Second Pension and currently provides benefits based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

The administering authority for the Fund is the London Pensions Fund Authority (LPFA). The LPFA Board oversees the management of the Fund whilst the day to day fund administration is undertaken by 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 2013, the employers' contribution towards the Future Service Rate was set at 12% of pensionable pay for the period 1 April 2014 to 31 March 2017. In addition, there were annual employers' contributions to past service adjustments set at:

Year	Employers Contribution £000
2014/15	214
2015/16	224
2016/17	234

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

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 9. Pensions (continued)

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

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

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

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

The LPFA, as administering authority, provided Barnett Waddingham LLP, an independent firm of qualified actuaries with scheme membership information as at 31 March 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 2016 attributable to London Councils, scheme liabilities have been assessed by Barnett Waddingham LLP on an actuarial basis using the projected unit method, and estimate of pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

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

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 9. Pensions (continued)

## Financial Assumptions

The financial assumptions as at 31 March 2016:

Assumptions as at:	31 March 2016 (% per annum)	31 March 2015 (% per annum)
RPI increases	3.4%	3.3%
CPI increases	2.5%	2.5%
Salary increases	4.3%	4.3%
Pension increases	2.5%	2.5%
Discount rate	3.8%	3.4%

These assumptions are set with reference to market conditions at 31 March 2016.

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.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.5% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salaries are then assumed to increase at 1.8% p.a. above CPI in addition to a promotional scale.

## 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 2016	31 March 2015
Retiring today:		
Males	22.4	22.3
Females	25.4	25.3
Retiring in 20 years:		
Males	24.8	24.7
Females	27.7	27.6

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 9. Pensions (continued)

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.

The fair value of the pension scheme assets attributable to the London Councils Joint Committee at 31 March 2016:

	At 31 March 2016		At 31 March 2015	
	£000	%	£000	%
Equities	19,116	47%	17,865	43%
LDI/Cashflow matching	4,172	10%	3,091	8%
Target return portfolio	8,754	21%	11,904	29%
Infrastructure	2,255	5%	2,040	5%
Commodities	184	0%	383	1%
Property	1,469	4%	1,167	3%
Cash	5,203	13%	4,728	11%
	<b>41,153</b>	<b>100%</b>	<b>41,178</b>	<b>100%</b>

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

The analysis of the net value of the pension scheme assets and liabilities recognised in the Balance Sheet as at 31 March 2016 is as follows:

	At 31 March 2016	At 31 March 2015
	£000	£000
Fair value of employer assets	41,153	41,178
Present value of scheme liabilities	(64,107)	(66,551)
<b>Net Liability</b>	<b>(22,954)</b>	<b>(25,373)</b>
Present value of unfunded liabilities	(72)	(76)
<b>Net Liability in Balance Sheet</b>	<b>(23,026)</b>	<b>(25,449)</b>

The analysis of the amounts recognised in the Comprehensive Income and Expenditure Account for the year ended 31 March 2016 is as follows:

	At 31 March 2016	At 31 March 2015
	£000	£000
Service cost	1,464	1,168
Net interest on the defined liability	851	710
Administration expenses	62	58
<b>Total</b>	<b>2,377</b>	<b>1,936</b>

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 9. Pensions (continued)

The reconciliation of the Defined Benefit Obligation at 31 March 2016 is as follows:

	At 31 March 2016	At 31 March 2015
	£000	£000
<b>Opening Defined Benefit Obligation</b>	<b>(66,627)</b>	<b>(54,806)</b>
Current service cost	(1,464)	(1,168)
Interest cost	(2,257)	(2,448)
Change in financial assumptions	5,623	(9,000)
Change in demographic assumptions	-	-
Experience loss on Defined Benefit Obligation	(1)	(1)
Estimated benefits paid net of transfers	987	1,229
Contributions by scheme participants	(445)	(438)
Unfunded pension payments	5	5
<b>Closing Defined Benefit Obligation</b>	<b>(64,179)</b>	<b>(66,627)</b>

The reconciliation of the Fair Value of Employer's Assets at 31 March 2016 is as follows:

	At 31 March 2016	At 31 March 2015
	£000	£000
<b>Opening Fair Value of Employer's Assets</b>	<b>41,178</b>	<b>38,609</b>
Interest on assets	1,406	1,738
Return on assets less interest	(1,726)	860
Administration expenses	(62)	(58)
Contributions by employer	904	825
Contributions by scheme participants	445	438
Estimated benefits paid plus unfunded net of transfers in	(992)	(1,234)
<b>Closing Fair Value of Employer's Assets</b>	<b>41,153</b>	<b>41,178</b>

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

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 9. Pensions (continued)

Sensitivity analysis:

	£000	£000	£000
<b>Adjustment to Discount Rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	62,867	64,179	65,519
Projected service cost	1,268	1,298	1,328
<b>Adjustment to Long-term Salary Increases</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	64,327	64,179	64,031
Projected service cost	1,299	1,298	1,297
<b>Adjustment to Pension Increases and Deferred Revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	65,386	64,179	62,997
Projected service cost	1,328	1,298	1,269
<b>Adjustment to Mortality Age Rating Assumption</b>	<b>+1 year</b>	<b>None</b>	<b>-1 year</b>
Present value of total obligation	66,018	64,179	62,392
Projected service cost	1,331	1,298	1,266

The analysis of the re-measurements in Other Comprehensive Income and Expenditure for the year ended 31 March 2016 is as follows:

	At 31 March 2016	At 31 March 2015
	£000	£000
Return on plan assets in excess of interest	(1,726)	860
Change in financial assumptions	5,623	(9,000)
Experience (loss)/gain on defined benefit obligation	(1)	(1)
<b>Re-measurements</b>	<b>3,896</b>	<b>(8,141)</b>

The projections for the year to 31 March 2017 is as follows:

	31 March 2017
	£000
Service cost	1,298
Net interest on the defined liability	859
Administration expenses	62
<b>Total</b>	<b>2,219</b>
Employers contribution	876



## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 10. Property, Plant and Equipment

Movements in:

	<b>Furniture and Equipment £000</b>	<b>Leasehold Improvements £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 April 2015	1,141	1,853	2,994
Additions	18	802	820
Disposals	(121)	(728)	(849)
<b>At 31 March 2016</b>	<b>1,038</b>	<b>1,927</b>	<b>2,965</b>
<b>Accumulated Depreciation</b>			
At 1 April 2015	908	971	1,879
Charge for the year	77	136	213
Charge relating to Disposals	(121)	(728)	(849)
<b>At 31 March 2016</b>	<b>864</b>	<b>379</b>	<b>1,243</b>
<b>Net Book Value</b>			
<b>At 31 March 2016</b>	<b>174</b>	<b>1,548</b>	<b>1,722</b>
<b>At 31 March 2015</b>	<b>233</b>	<b>882</b>	<b>1,115</b>

Comparative movements in 2014/15:

	<b>Furniture and Equipment £000</b>	<b>Leasehold Improvements £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 April 2014	1,027	1,681	2,708
Additions	114	172	286
Disposals	-	-	-
<b>At 31 March 2015</b>	<b>1,141</b>	<b>1,853</b>	<b>2,994</b>
<b>Accumulated Depreciation</b>			
At 1 April 2014	857	732	1,589
Charge for the year	51	239	290
Charge relating to Disposals	-	-	-
<b>At 31 March 2015</b>	<b>908</b>	<b>971</b>	<b>1,879</b>
<b>Net Book Value</b>			
<b>At 31 March 2015</b>	<b>233</b>	<b>882</b>	<b>1,115</b>
<b>At 31 March 2014</b>	<b>170</b>	<b>949</b>	<b>1,119</b>

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

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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

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

## 11. Intangible Assets

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

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

	31 March 2016 £000	31 March 2015 £000
<b>Balance at start of year:</b>		
Gross carrying amount	22	22
Accumulated amortisation	(14)	(7)
<b>Net carrying amount at start of year</b>	<b>8</b>	<b>15</b>
Additions	-	-
Disposals	-	-
Amortisation for the period	(7)	(7)
<b>Net carrying amount at end of year</b>	<b>1</b>	<b>8</b>
Comprising:		
Gross carrying amount	22	22
Accumulated amortisation	(21)	(14)
	<b>1</b>	<b>8</b>

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

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

## 12. Short Term Debtors

	31 March 2016 £000	31 March 2015 £000
Central government bodies	687	817
Other local authorities	2,660	2,319
NHS bodies	87	1
Public corporations and trading funds	698	616
Other entities and individuals	736	1,546
<b>Total</b>	<b>4,868</b>	<b>5,299</b>

Included within the debtor balances above are amounts due from member boroughs (excluding payments in advance and bad debt provision) of £2.634 million (2014/15: £2.23 million), payments in advance of £298,000 (2014/15: £1.098 million), a bad debt provision of £238,000 (2014/15: £351,000) and other debtors of £2.174 million (2014/15: £2.322 million).

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 13. Cash and Cash Equivalents

	31 March 2016	31 March 2015
	£000	£000
Cash held by the Committee	66	1,701
Cash balances held by the City of London	16,786	17,516
<b>Total</b>	<b>16,852</b>	<b>19,217</b>

## 14 Leases

## Operating Leases

The Committee uses leased properties under the terms of operating leases. The amounts paid under these arrangements during the year amounted to £886,000 (2014/15: £852,000) 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 2016	31 March 2015
	£000	£000
Not later than one year	789	878
Later than one year and not later than five years	3,149	3,158
Later than five years	1,039	1,820
<b>Total</b>	<b>4,977</b>	<b>5,856</b>

## 15. Short Term Creditors

	31 March 2016	31 March 2015
	£000	£000
Central government bodies	(34)	(134)
Other local authorities	(7,113)	(9,622)
NHS bodies	(299)	(229)
Public corporations and trading funds	(531)	(730)
Other entities and individuals	(2,417)	(2,985)
<b>Total</b>	<b>(10,394)</b>	<b>(13,700)</b>

Included within the creditor balances above are amounts due to member boroughs (excluding receipts in advance) of £3.644 million (2014/15: £2.119 million), receipts in advance of £3.807 million (2014/15: £8.041 million), accruals of £2.935 million (2014/15: £3.513 million) and other creditors of £8,000 (2014/15: £27,000).

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 16. Provisions

	Property Lease Provisions £000
<b>Balance at 1 April 2015</b>	<b>(565)</b>
Additional Provisions made in 2015/16	(158)
Unwinding of discount	(11)
Amounts used in 2015/16	182
Unused amounts reversed in 2015/16	18
<b>Balance at 31 March 2016</b>	<b>(534)</b>

## Analysis of Total Provisions:

	£000
Current	(180)
Non-current	(354)
<b>Total Provision</b>	<b>(534)</b>

The Committee has established a provision for its contractual obligations included within its property leases. The lease for Southwark Street requires internal and external decoration works to be carried out in March 2016 and dilapidation works to be carried out in March 2021.

The lease for Chancery Exchange requires internal decoration work to be carried out every three years commencing from March 2018 and general dilapidation work to be carried out at the end of the lease in March 2025.

## 17. Usable Reserves

	31 March 2016 £000	31 March 2015 £000
General Reserve	11,641	11,482
Specific Reserve	1,000	-
<b>Total</b>	<b>12,641</b>	<b>11,482</b>

## 18. Unusable Reserves

	31 March 2016 £000	31 March 2015 £000
Pensions Reserve	(23,026)	(25,449)
Accumulated Absences Reserve	(126)	(108)
<b>Total</b>	<b>(23,152)</b>	<b>(25,557)</b>

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 18. Unusable Reserves (continued)

**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.

	2015/16		2014/15	
	£000	£000	£000	£000
<b>Balance at 1 April</b>		<b>(25,449)</b>		<b>(16,197)</b>
Actuarial gains/(losses) on pension assets and liabilities		3,896		(8,141)
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	(2,382)		(1,941)	
Employer's pensions contribution and direct payments to pensioners payable in the year	909	(1,473)	830	(1,111)
<b>Balance at 31 March</b>		<b>(23,026)</b>		<b>(25,449)</b>

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (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.

	2015/16 £000	£000 (108)	2014/15 £000	£000 (137)
<b>Balance at 1 April</b>				
Settlement or cancellation of accrual made at the end of the preceding year	108		137	
Amounts accrued at the end of the current year	(126)		(108)	
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		(18)		29
<b>Balance at 31 March</b>		(126)		(108)

## 19. Cash Flow Statement – Operating Activities

	2015/16 £000	£000 (332)	2014/15 £000	£000 (1,287)
<b>Deficit on Provision of Services</b>				
Adjusted for:				
Current Service Cost Adjustment	622		401	
Depreciation	213		290	
Amortisation of Intangible Assets	7		7	
Net loss on Pension Scheme				
Assets/Liabilities	851		710	
Provision for liabilities and charges	(31)		127	
Decrease in Debtors	431		2,797	
(Decrease)/Increase in Creditors	(3,306)		1,972	
<b>Adjustments for non-cash movements</b>		(1,213)		6,304
Interest Payable	11		10	
Interest and Investment Income	(104)		(133)	
<b>Adjustments for investing and financing activities</b>		(93)		(123)
<b>Net cash flows from Operating Activities</b>		(1,638)		4,894

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**20. Cash Flow Statement – Investing Activities**

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Interest Payable	(11)	(10)
Interest and Investment Income	104	133
Payment to Acquire Property, Plant and Equipment and Intangible Assets	(820)	(286)
<b>Total</b>	<b>(727)</b>	<b>(163)</b>

**21. Intragroup Transactions**

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

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
London Councils Limited recharge of Angel Square and Chancery Exchange costs to TEC:		
Expenditure	611	600
Income	(611)	(600)

**22. Members' Allowances**

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

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Members' Allowances	201	192

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**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	
	2015/16	2014/15 Restated
	£000	£000
£50,000 - £54,999	2	5
£55,000 - £59,999	9	4
£60,000 - £64,999	1	2
£65,000 - £69,999	3	4
£70,000 - £74,999	1	3
£75,000 - £79,999	2	2
£80,000 - £84,999	2	2
£85,000 - £89,999	2	-
£90,000 - £94,999	-	2
£95,000 - £99,999	4	4
£100,00 - £104,999	1	-
£105,000 - £109,999	1	1
£120,000 - £124,999	2	2
£150,000 - £154,999	1	1

These amounts include payments made to Parking Adjudicators.

Prior year comparative restated to incorporate Chief Executive's bonus for 2014/15.



## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 23. Officers' Remuneration (continued)

The remuneration paid to the Committee's senior employees in 2015/16 is as follows:

Post Holder	Salary £	Bonus £	Total Remuneration excluding Pension Contribution £	Employer's Pension Contribution £	Total Remuneration including Pension Contribution £
John O'Brien (Chief Executive)	147,000	5,880	152,880	18,346	171,226
Corporate Director, Policy and Public Affairs	122,940	-	122,940	14,753	137,693
Corporate Director, Services	122,940	-	122,940	14,753	137,693
Director, Corporate Governance	99,379	-	99,379	11,925	111,304
Director, Corporate Resources	99,379	-	99,379	11,925	111,304
<b>Total</b>	<b>591,638</b>	<b>5,880</b>	<b>597,518</b>	<b>71,702</b>	<b>669,220</b>

The remuneration paid to the Committee's senior employees in 2014/15 is as follows:

Post Holder	Salary £	Bonus (Restated) £	Total Remuneration excluding Pension Contribution (Restated) £	Employer's Pension Contribution (Restated) £	Total Remuneration including Pension Contribution (Restated) £
John O'Brien (Chief Executive)	147,000	5,880	152,880	18,346	171,226
Corporate Director, Policy and Public Affairs	122,940	-	122,940	14,753	137,693
Corporate Director, Services	122,940	-	122,940	14,753	137,693
Director, Corporate Governance	97,917	-	97,917	11,711	109,628
Director, Corporate Resources	97,917	-	97,917	11,711	109,628
<b>Total</b>	<b>588,714</b>	<b>5,880</b>	<b>594,594</b>	<b>71,274</b>	<b>665,868</b>

\* The prior year comparative has been restated to incorporate the Chief Executive's bonus for 2013/14 that was paid in 2014/15.

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 23. Officers' Remuneration (continued)

	2015/16	2014/15 Restated
	£	£
Remuneration of highest paid Director	152,880	152,880
Remuneration of median member of staff	35,371	34,379
Multiple between the median member of staff and the highest paid director	4.32	4.45

## 24. Termination Benefits

In 2015/16 the Committee terminated the contracts of two employees incurring a total cost of £66,000 (2014/15: £Nil). This amount consists of compensation for the loss of office.

Termination Benefit Bands	Number of Employees							
	2015/16				2014/15			
	Compulsory Redundancy	Other Departures	Compulsory Redundancy	Other Departures	Compulsory Redundancy	Other Departures	Compulsory Redundancy	Other Departures
	Number	£000	Number	£000	Number	£000	Number	£000
£0 - £19,999	1	14	-	-	-	-	-	-
£40,000 - £59,999	-	-	1	52	-	-	-	-
<b>Total</b>	<b>1</b>	<b>14</b>	<b>1</b>	<b>52</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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:

	2015/16 £000	2014/15 £000
Fees payable in respect of the audit of the Statement of Accounts:		
• Fees payable to PricewaterhouseCoopers LLP	-	54
• Rebate received from Audit Commission	-	(6)
• Fees payable to KPMG LLP	36	-
Fees payable in respect of other services provided by PricewaterhouseCoopers LLP during the year	23	51
	<b>59</b>	<b>99</b>

## 26. Related Parties

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

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**26. Related Parties (continued)****Member Boroughs**

Member boroughs have direct control over the Committees activities through their membership of London Councils Leaders' Committee. The total value of income from subscriptions, contributions and other charges paid to London Councils by its member boroughs during 2015/16 was £52.494 million (2014/15: £48,184 million). The total value of expenditure on secondment fees, rent, rates, professional fees and the distribution of grants paid to member boroughs during 2015/16 was £3.821 million (2014/15: £4.007 million). On 31 March 2016, the value of debtor balances owed by member boroughs (including payments in advance) amounted to £2.642 million (2014/15: £2.289 million) and the value of creditor balances (including receipts in advance) owed to member boroughs amounted to £7.113 million (2014/15: £9.621 million).

**Transport for London**

A representative of Transport for London (TfL) sits on London Councils Transport and Environment Committee and therefore has influence over the activities of the Committee. The total value of income received from TfL in respect of subscriptions, contributions and charges during 2015/16 was £10.078 million (2014/15: £10.063 million). The total value of expenditure on charges during 2015/16 was £21,000 (2014/15: £19,000). On 31 March 2016, the value of debtor balances owed by TfL amounted to £141,000 (2014/15: £Nil) and the value of creditor balances owed to TfL (including receipts in advance) amounted to £390,000 (2014/15: £366,000).

**Central Government**

Central Government has effective control over the general operations of member boroughs as it is responsible for providing the statutory framework within which the boroughs operate, provides the majority of their funding in the form of grants and prescribes the terms of many of the transactions that the boroughs have with other parties. The total value of expenditure on the registration of debts to HM Courts and Tribunal Services and other charges during 2015/16 amounted to £2.681 million (2014/15: £2.452 million). The total value of funding received from Central Government in 2015/16 amounted to £408,000 (2014/15: £486,000). On 31 March 2016, the value of debtor balances owed by central government bodies amounted to £687,000 (2014/15: £817,000) and the value of creditor balances owed to central government bodies (including receipts in advance) amounted to £34,000 (2014/15: £134,000).

**British Parking Association**

London Councils had 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 was a Director of the British Parking Association. The Director of Corporate Services received 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 2015/16 was £501,000 (2014/15: £922,000). The total value of expenditure paid to the BPA for subscriptions and other charges during was £860 (2014/15: £840). On 31 March 2016, the value of debtor balances owed by the BPA amounted to £317,000 (2014/15: £367,000).

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**26. Related Parties (continued)****London Pensions Fund Authority (LPFA)**

London Councils' pension scheme is administered by the LPFA and a member of London Councils Leaders Committee sits on the LPFA board. The total value of expenditure paid to the LPFA for pension payments and other charges during 2015/16 was £853,000 (2014/15: £849,000). On 31 March 2016, the value of creditor balances owed to the LPFA (including receipts in advance) amounted to £1,000 (2014/15: £18,000).

**Greater London Authority**

A member of London Councils' Transport and Environment Committee was also a member of the Greater London Assembly. The total value of income received from the GLA for the operation of the Road User Charging Appeals service and other charges during 2015/16 was £921,000 (2014/15: £754,000). The total value of expenditure on contributions and other charges during 2015/16 was £102,000 (2014/15: £5,000). On 31 March 2016, the value of debtor balances owed by the GLA amounted to £413,000 (2014/15: £Nil) and the value of creditor balances owed to the GLA (including receipts in advance) amounted to £89,000 (2014/15: £100,000).

**27. Grant Commitments**

The value of commitments in 2016/17 is £9.385 million. Included within these amounts is £1.88 million in respect of the European Social Fund (ESF) Co-Financing Programme. The Committee will receive a contribution of £940,000 from ESF which represents 50% of the total grant expenditure under the co-financing programme.

**28. Concessionary fares**

These accounts do not include the amount of £327.922 million (2014/15: £321.596 million) paid directly by member boroughs to Transport for London in respect of the Concessionary Fares scheme.

**29. Segmental Reporting**

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

**Appendix A – London Councils Grants Committee Comprehensive Income and Expenditure Statement 2015/16**

	2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net £000	2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net £000
<b>Cost of Services</b>						
<b>Direct Revenue Expenditure:</b>						
Grants to Voluntary Organisations	8,256	(8,979)	(723)	9,608	(9,786)	(178)
				9,608	(9,786)	(178)
<b>Other Operating Expenditure:</b>						
Staff costs	464	(367)	97	455	(407)	48
Premises	45	(41)	4	47	(46)	1
Central Support Services	124	(122)	2	147	(137)	10
Consultancy	-	-	-	-	(12)	(12)
One-off Payment to Boroughs	-	-	-	800	-	800
	633	(530)	103	1,449	(602)	847
<b>Net Revenue Cost of Services</b>	8,889	(9,509)	(620)	11,057	(10,388)	669
Financing and investment income and expenditure			32			26
<b>(Surplus)/Deficit on Provision of Services</b>			(588)			695
Actuarial (gains)/loss on pension assets/liabilities			(397)			579
<b>Other Comprehensive Income and Expenditure</b>			(397)			579
<b>Total Comprehensive Income and Expenditure</b>			(985)			1,274

# Appendix B – London Councils Transport and Environment Committee Comprehensive Income and Expenditure Statement 2015/16

	2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net £000	2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net £000
<b>Cost of Services</b>						
<b>Direct Revenue Expenditure:</b>						
Payments to operators	33,837	(35,910)	(2,073)	33,826	(35,355)	(1,529)
Managed service contract	2,206	(2,206)	-	3,144	(3,144)	-
Parking adjudication	1,306	(1,306)	-	1,400	(1,524)	(124)
Payments to Northampton County Court	2,680	(2,680)	-	2,451	(2,451)	-
Reimbursement of parking penalty notices to boroughs	3	(3)	-	14	(14)	-
Concessionary fares reissue	1,614	(1,226)	388	2,475	(1,942)	533
One off Payment to Boroughs	-	-	-	170	-	170
	<b>41,646</b>	<b>(43,331)</b>	<b>(1,685)</b>	<b>43,480</b>	<b>(44,430)</b>	<b>(950)</b>
<b>Other Operating Expenditure</b>						
Staff costs	2,964	(2,251)	713	2,946	(2,312)	634
Premises	836	(635)	201	833	(654)	179
Central Support Services	882	(670)	212	1,999	(1,568)	431
Consultancy	77	(58)	19	52	(41)	11
	<b>4,759</b>	<b>(3,614)</b>	<b>1,145</b>	<b>5,830</b>	<b>(4,575)</b>	<b>1,255</b>
<b>Net Revenue Cost of Services</b>	<b>46,405</b>	<b>(46,945)</b>	<b>(540)</b>	<b>49,310</b>	<b>(49,005)</b>	<b>305</b>
Financing and investment income and expenditure			241			179
<b>(Surplus)/Deficit on Provision of Services</b>			<b>(299)</b>			<b>484</b>
Actuarial (gain)/loss on pension assets and liabilities			(1,406)			2,739
<b>Other Comprehensive Income and Expenditure</b>			<b>(1,406)</b>			<b>2,739</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(1,705)</b>			<b>3,223</b>

# Appendix C – London Councils Joint Committee Comprehensive Income and Expenditure Statement 2015/16

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

	2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net £000	2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net £000
<b>Cost of Services</b>						
<b>Direct Revenue Expenditure:</b>						
Externally Funded Projects	6,250	(6,250)	-	6,744	(6,617)	127
European Service	66	(66)	-	89	(89)	-
Pension CIV Joint Committee	4	(4)	-	2	(2)	-
Young Peoples Education and Skills	489	(341)	148	636	(591)	45
One-off Payment to Boroughs	825	-	825	339	-	339
	<b>7,634</b>	<b>(6,661)</b>	<b>973</b>	<b>7,810</b>	<b>(7,299)</b>	<b>511</b>
<b>Other Operating Expenditure</b>						
Staff costs	3,675	(3,809)	(134)	3,666	(4,113)	(447)
Premises	1,504	(1,559)	(55)	1,474	(1,654)	(180)
Central Support Services	1,060	(1,098)	(38)	1,042	(1,168)	(126)
Consultancy	332	(344)	(12)	260	(292)	(32)
	<b>6,571</b>	<b>(6,810)</b>	<b>(239)</b>	<b>6,442</b>	<b>(7,227)</b>	<b>(785)</b>
<b>Net Revenue Cost of Services</b>	<b>14,205</b>	<b>(13,471)</b>	<b>734</b>	<b>14,252</b>	<b>(14,526)</b>	<b>(274)</b>
Financing and investment income			485			382
<b>Deficit/(Surplus) on Provision of Services</b>			<b>1,219</b>			<b>108</b>
Actuarial losses/(gains) on pension assets/liabilities			(2,093)			4,823
<b>Other Comprehensive Income and Expenditure</b>			<b>(2,093)</b>			<b>4,823</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(874)</b>			<b>4,931</b>

# Appendix C – London Councils Joint Committee Comprehensive Income and Expenditure Statement 2014/15 (continued)

## a. Consolidation Adjustments

Included within the Net Revenue Cost of Services is expenditure of £611,000 (2014/15: £600,000) and income of £611,000 (2014/15: £600,000) in respect of the premises costs of Angel Square and Chancery Exchange which are incurred by London Councils Limited and recharged to the Transport and Environment Committee. These amounts are removed on consolidation as follows:

	Gross Expenditure £000	Gross Income £000	Net £000	2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net £000
Net Revenue Cost of Services	14,205	(13,471)	734	14,252	(14,526)	(274)
Angel Square and Chancery Exchange consolidation adjustment	(611)	611	-	(600)	600	-
<b>Amount included in Consolidated Income and Expenditure Statement</b>	<b>13,594</b>	<b>(12,860)</b>		<b>13,652</b>	<b>(13,926)</b>	<b>(274)</b>



**GLOSSARY****Accounting Policies**

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

**Accruals**

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

**Actuarial Gains and Losses**

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

**Actuary**

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

**Balance Sheet**

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

**Budget**

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

**Capital Charges**

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

**Capital Expenditure**

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

**Carrying amount**

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

**Change in Accounting Estimate**

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

**Consistency**

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

**Contingent**

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

**Creditors**

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

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

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

**Current Expenditure**

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

**Current Liability**

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

**Current Service Cost**

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

**Curtailments**

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

**Debtors**

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

**Depreciation**

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

**Employee benefits**

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

**Events after the reporting period**

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

**Fair Value**

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

**Fixed Assets**

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

**Historical Cost**

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

**Impairment**

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

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

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

**Inventories**

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

**Levies**

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

**Material**

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

**Net Realisable Value**

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

**Operational Assets**

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

**Past Service Cost**

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

**Pensions Interest Cost**

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

**Post Balance Sheet Events**

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

**Post-Employment Benefits**

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

**Present Value of a Defined Benefit Obligation**

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

**Provision**

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

**GLOSSARY (continued)****Prudence**

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

**Recharges**

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

**Recoverable Amount**

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

**Related Parties**

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

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

**Related Party Transaction**

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

**Remuneration**

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

**Reserves**

Sums set aside to finance future spending for purposes falling outside the definition of a provision.

Reserves set aside for stated purposes are known as earmarked reserves. The remainder are unallocated reserves, often described as balances.

**Residual Value**

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

**Short-Term Employee Benefits**

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

**Specific Grants**

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

**Specific Reserves**

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

**GLOSSARY (continued)**

**Tangible Fixed Assets**

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

**Useful Life**

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

**VAT**

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



**LONDON COUNCILS GRANTS COMMITTEE**

**STATEMENT OF ACCOUNTS**

**YEAR ENDED 31 MARCH 2016**

## **LONDON COUNCILS – GRANTS COMMITTEE**

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**REVIEW OF THE YEAR****Introduction**

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

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

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

**London Councils Grants Committee**

The London Councils Grants Programme provides grants to voluntary organisations to provide specified services in London under commissioning arrangements. It was set up under Section 48 of the Local Government Act 1985. Each London Borough and the City of London contribute to the costs of the Scheme on a per capita basis, and each has an member representative on the Grants Committee. The thirty-three members meet regularly to make decisions on grant policies and distribution and the oversight of the Programme to secure full value for money.

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

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

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

**Financial Year 2015/16**

The financial year 2015/16 saw several developments. First, the Chair of the Grants Committee, Cllr Paul McGlone was re-elected for a fourth term. He oversaw the delivery of the third year of the current four-year cycle. This operated under the following principles and priorities set by the Leaders' Committee:

**Principles**

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

Services which satisfied the principles outlined above had to operate within at least one of the following priority areas were they to be eligible for funding from the scheme:

**REVIEW OF THE YEAR (continued)****Priorities**

1. Tackling homelessness among individuals and households through direct services and/or developing new ways of working with partners to generate housing and accommodation and access services:
  - early intervention and prevention of homelessness
  - emergency accommodation and advice services
  - support services that promote new ways to prevent homelessness and access to accommodation
2. Preventing sexual; and domestic violence:
  - prevention
  - emergency accommodation and advice and support for people and organisations
  - services that support women and communities affected by forced marriage and harmful practice.
3. Tackling poverty by promoting access to employment and training drawing on opportunities for match funding provided by boroughs working with London Councils and the European Social Fund:
  - preparatory training and support to improve access to employment and further training opportunities for people not eligible for the Work Programme affected by long term conditions.
4. Providing support to London's voluntary organisations enabling those organisations gain access to funds, skills and resources to provide effective services to communities:
  - services that support voluntary organisations deliver effectively and including opportunities for front-line services to gain from funding opportunities
  - services that achieve efficiencies and improve stability through delivering services jointly through partnerships or mergers.

The third main area of the Grants Committee's work in this year was to conduct a review of the Grants Programme. This operated under the same principles set by the Leaders' Committee. It involved substantial evidence gathering including two public consultation. The Leaders and Grants Committees decided that there would be a new, four-year cycle of the Grants Programme from April 2017. This would have three priorities:

- Tackling homelessness
- Preventing and stopping sexual and domestic violence
- Tackling poverty through employment (jointly funded by the European Social Fund).

In its work, the Grants Committee is supported by the Grants and Community Services team of officers in London Councils. In 2015/16, the officer team managed the performance of the organisations to which the Grants Committee had awarded and, in particular, carried out a review of all projects' performance. The review drew on the red, amber, green risk (RAG) performance rating system that the Committee had introduced.

**RAG ratings**

The RAG risk rating system was designed to give the Grants Committee confidence that it had proper oversight of the grants awarded. It brings together a number of different measures of performance:

**REVIEW OF THE YEAR (continued)**

- performance (delivery against target outcomes – 60% of total score);
- quality (provider self-assessment and beneficiary satisfaction – 20% of total score);
- compliance (timeliness and accuracy of reporting, responsiveness and the proactive management of risk – 20% of total score).

The RAG ratings are applied in the following way:

- Green – greater than 75 points
- Amber – between 50 and 74 points
- Red – less than 50 points.

**Programme performance**

In the performance report to the Committee at its meeting in March 2016, performance was as follows:

- Priority 1 (homelessness): 28% ahead of target
- Priority 2 (sexual and domestic violence): 9% above target
- Priority 3 (poverty): 1% above target at completion
- Priority 4 (capacity building): 3% ahead of target.

The officer team also worked to ensure Committee members get better access to the programme. Working closely with Cllr McGlone, a programme of Chair's visits was arranged, which gave members an opportunity to see at first hand the work being done by providers. A provider was also invited to speak at each meeting of the Committee.

**London Funders**

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

**European Social Fund**

The European Social Fund (ESF) was set up to improve employment opportunities in the European Union and so help raise standards of living. It aims to help people fulfil their potential by giving them better skills and better job prospects. London Councils is a recognised commissioner and distributor of ESF. Since 2007, London Councils has been a part of the London ESF programme, which is under the strategic direction of the Mayor of London. London Councils' ESF programme contains activities, outputs and results that contribute to the employment and skills priorities in the Regional ESF Framework.

Priority 3 of the Grants Committee's programme – tackling poverty through employment – is half funded by ESF. The 10 projects closed at the end of 2015, along with that cycle of the national ESF programme.

**REVIEW OF THE YEAR (continued)**

**Looking forward to 2016/17**

We look forward to continuing to tackle the four priorities in the coming year. We will do this by investing in front-line projects funded by London boroughs and, in some cases, match funded by the ESF. A new ESF programme will come on stream and is expected to fund six ESF projects which address priority 3 (poverty) of the Grants Programme, joining the existing 5 projects which address priorities 1, 2 and 4 (homelessness, sexual and domestic violence and capacity building) that are overseen by the Committee.

The review of the Grants Programme will focus on turning the decisions on strategy that members made in 2015/16 into detailed service specifications. These will then be commissioned from voluntary organisations in good time before services start in April 2017.

## NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS

## Financial Information

The Committee's accounts for the 2015/16 financial year are set out over the following pages. They include:

- i) Statement of Responsibilities for the Statement of Accounts (page 7);
- ii) Movement in Reserves Statement (page 17);
- ii) Comprehensive Income and Expenditure Statement (page 18);
- iii) Balance Sheet (page 19);
- iv) Cash Flow Statement (page 20); and
- v) Notes to the Accounts (page 21 - 44).

## Revenue expenditure

The Leaders' Committee approved a gross expenditure budget for 2015/16 in December 2014 of £10.5 million, of which £9.885 million related to payments to voluntary organisations, with the residual budget of £615,000 relating to non-grant expenditure. The London boroughs gave agreement to the budget by the statutory two-thirds majority before the end of January 2015.

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

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Expenditure	10,500	8,889	(1,611)
Income	(10,250)	(9,509)	741
<b>Net cost of services</b>	<b>250</b>	<b>(620)</b>	<b>(870)</b>
Interest Expense	-	32	32
<b>Deficit/(Surplus) for the year</b>	<b>250</b>	<b>(588)</b>	<b>(838)</b>
Net Transfer from Reserves	(250)	(579)	(329)
<b>Surplus for the year</b>			
<b>(Including transfer from reserves)</b>	<b>-</b>	<b>(1,167)</b>	<b>(1,167)</b>

The surplus of £1.167 million is attributable to a surplus of £179,000 in relation to London Councils main grants programme and a surplus of £988,000 in the European Social Fund (ESF) match funded grants programme.

The surplus of £179,000 on the main grants programme is attributable to:

- an underspend of £201,000 in relation to payments for commissioned services relating to 2015/16; and
- a net overspend of £22,000 in relation to grants administration expenditure attributable to overspends of £13,000 in respect of salary costs and £23,000 for general running costs and central recharges, offset by £14,000 from investment income received on Committee reserves.

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

For the ESF/borough funded commissions, the provisional surplus of £988,000 is split between:

- a projected breakeven position relating to payments in respect of the expired 2013-15 borough/DWP ESF programme, where total residual payments to providers of £952,000 and administration costs of £56,000 have been funded by ESF grant of £494,000, a transfer from accumulated ESF reserves of £499,000 and borough contributions received in advance in 2014/15 of £15,000; and
- a projected net underspend of £988,000 in respect of the new 2016+ ESF programme, the start of which has slipped into the 2016/17 financial year. Administrative costs, estimated to be in the region of £12,000, have been incurred in respect of preparatory bid work and may be subject to a retrospective grant claim once the new programme has commenced. However, at this stage, as no substantive spend was incurred in 2015/16 on the new programme, no ESF grant will be receivable. The underspend, therefore, effectively relates to the £1 million borough contributions made during 2015/16 in respect of the funding of the new programme.

The Balance Sheet shows that the General Fund reserve balance has increased from £1.324 million at the beginning of the year to £1.993 million at the year-end. A balance is held in the General Fund reserve for cash flow purposes.

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

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

**The Committee's Responsibilities**

The Committee is required to:

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

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

The Chamberlain of the City of London is responsible for the preparation of the 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 Chamberlain of the City of London has:

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

The Chamberlain of the City of London 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 2016 and of its income and expenditure for the year ending 31 March 2016.



Dr Peter Kane CPFA  
The Chamberlain, City of London

22 September 2016

**APPROVAL CERTIFICATE**

At a meeting of London Councils' Audit Committee held at 59½ Southwark Street, London, SE1 0AL on 22 September 2016, the statement of accounts were approved on behalf of the Committee.

A handwritten signature in black ink, appearing to read 'Roger Ramsey', written in a cursive style.

Cllr Roger Ramsey  
Chair of London Councils' Audit Committee

22 September 2016



## 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.

### 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 2016 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 2 June 2015. 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 2 June 2015. The financial regulations were also reviewed and the changes approved by the Leaders Committee on 2 June 2015. 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 2015. The Directorate Risk Registers are reviewed by the Audit Committee on a rolling basis. London Councils' Corporate Management Board ensures that the risk registers, both Directorate and Corporate, continue to support London Councils' corporate priorities, which provides members with assurance on how the risks identified are being managed. An internal audit review of London Councils risk management arrangements was carried out during 2015/16. The review established that an effective risk management framework is in place and recommended that a formal review of the framework should be carried out every three years.

## 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 were reviewed in February 2016 and are available on London Councils' intranet and website.
- **Effective management of change and transformation** – London Councils has a framework for managing organisational change which is available to all staff on the intranet. The framework provides guidance on the statutory elements of managing change and issues that should be considered when implementing changes.
- **Financial management arrangements** – London Councils' financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.
- **Assurance arrangements** – London Councils' internal audit function is carried out by the City of London's internal audit team under a service level agreement for financial support services. These arrangements conform with the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit in public service organisations and Public Sector Internal Audit Standards.
- **Discharge of the monitoring officer function** – • This is a statutory post under Section 5 of the Local Government and Housing Act 1989 and as such is not applicable to London Councils which is a joint committee<sup>1</sup>. However, legal advice is provided to London Councils by the City of London Corporation including governance advice and support which in a local authority would generally be provided by the borough.
- **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. On 19 March 2015, the Audit Committee considered a revision to its Terms of Reference to include the responsibility to make a recommendation to Leaders' Committee on the appointment, reappointment and removal of the external auditor. 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.

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

**ANNUAL GOVERNANCE STATEMENT (continued)**

- **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](http://www.londoncouncils.gov.uk). London Councils consults with Chief Officer groupings across boroughs in the development of its work.
- **Enhancing the accountability for service delivery and effectiveness of public service providers** - All working arrangements with public service providers are subject to signed agreements/contracts which set out the terms of the service provided. All agreements/contracts are reviewed to ensure that the roles and responsibilities of the parties involved are clearly defined and the terms are beneficial to London Councils and its member authorities. Key performance indicators are incorporated into agreements where appropriate and monitored regularly. Nominated officers are responsible for managing the outcomes of the service and establishing clear lines of communication with providers.
- **Partnership arrangements** – London Councils has a set protocol for staff to follow when working in partnership with outside bodies. A checklist is to be completed for each new partnership or project. Partnership arrangements are also subject to signed agreements which include objectives, roles and responsibilities. The performance of partnerships are monitored in the same manner as other service providers. London Councils does not currently have any material partnership arrangements.

**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 2015/16.
- London Councils Corporate Management Board considers an annual report on Corporate Governance, which includes work completed during the current year and highlights work planned for the following year.

**Areas for development during 2016/17**

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2016/17:

**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 improved controls. Management has already taking action to address a number of the issues that were raised but there are still improvements to be made in areas such as system security and infrastructure during 2016/17.

A separate review to establish and evaluate the adequacy of the updated ICT strategy was undertaken in 2015/16. It identified areas for improvement in respect of disaster recovery testing, documentation of disk storage thresholds and verification of third party compliance. These improvements will be carried out during 2016/17.

**Inventory**

A review of the Committee's key finance controls was carried out during 2015/16. The objective of the review was to ascertain and evaluate the adequacy of controls in relation to income and expenditure. The review revealed that there was a sound control environment in place with risks to system objectives reasonably managed. However, it also revealed that the information held on the inventory list for furniture and equipment was not fully compliant with the requirements of London Councils' financial regulations. An exercise to update the inventory list will be completed during 2016/17.

**Risk Management and Business Continuity**

An internal audit review of risk management and business continuity was undertaken in 2015/16. The review revealed that there was an adequate control framework in place but there were areas of improvement in relation to the frequency of reviews of the risk management framework, the reporting of the results of business continuity tests and the contents of the Business Continuity Plan. These improvements will be carried out during 2016/17.

**ANNUAL GOVERNANCE STATEMENT (continued)**

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

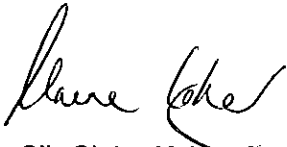
**Significant governance issues**

There are no significant governance issues.



John O'Brien  
Chief Executive

22 September 2016



Cllr Claire Kober OBE  
Chair of London Councils

22 September 2016

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

We have audited the financial statements of London Councils Grants Committee (The Committee) for the year ended 31 March 2016 on pages 17 to 44. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

**Respective responsibilities of the Chamberlain of the City of London and auditor**

As explained more fully in the Statement of Responsibilities for the statement of accounts, the Chamberlain of the City of London is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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 Chamberlain of the City of London; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement and the Review of the Year 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 financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Committee as at 31 March 2016 and of the Committee's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 .

**Matters on which we are required to report by exception**

We to report to you if:

- the Annual Governance Statement set out on pages 9 to 14 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or and

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

- the information given in the Narrative Statement and the Review of the Year for the financial year for which the financial statements are prepared is not consistent with the financial statements.

We have nothing to report in respect of these matters.



Philip Johnstone

**For and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
15 Canada Square  
London  
E14 5GL

**23** September 2016



**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

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.

	2015/16			2014/15		
	General Reserve	Unusable Reserves	Total Committee Reserves	General Reserve	Unusable Reserves	Total Committee Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April</b>	1,324	(1,568)	(244)	1,950	(920)	1,030
Surplus/(Deficit) on the provision of services	588	-	588	(695)	-	(695)
Other Comprehensive Income and Expenditure (note 9)	-	397	397	-	(579)	(579)
<b>Total Comprehensive Income and Expenditure</b>	<b>588</b>	<b>397</b>	<b>985</b>	<b>(695)</b>	<b>(579)</b>	<b>(1,274)</b>
Adjustments between accounting basis and funding basis under regulations (note 6)	81	(81)	-	69	(69)	-
<b>Increase/(Decrease)</b>	<b>669</b>	<b>316</b>	<b>985</b>	<b>(626)</b>	<b>(648)</b>	<b>(1,274)</b>
<b>Balance at 31 March</b>	<b>1,993</b>	<b>(1,252)</b>	<b>741</b>	<b>1,324</b>	<b>(1,568)</b>	<b>(244)</b>

# **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

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

		2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net £000	2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net £000
<b>Cost of Services</b>	<b>Note</b>						
<b>Direct Revenue Expenditure:</b>							
Grants to Voluntary Organisations	7	8,256	(8,979)	(723)	9,608	(9,786)	(178)
					<b>9,608</b>	<b>(9,786)</b>	<b>(178)</b>
<b>Other Operating Expenditure:</b>							
Staff costs		464	(367)	97	455	(407)	48
Premises		45	(41)	4	47	(46)	1
Central Support Services		124	(122)	2	147	(137)	10
Consultancy		-	-	-	-	(12)	(12)
One-off Payment to Boroughs		-	-	-	800	-	800
		<b>633</b>	<b>(530)</b>	<b>103</b>	<b>1,449</b>	<b>(602)</b>	<b>847</b>
<b>Net Revenue Cost of Services</b>		<b>8,889</b>	<b>(9,509)</b>	<b>(620)</b>	<b>11,057</b>	<b>(10,388)</b>	<b>669</b>
Financing and investment income and expenditure	8			32			26
<b>(Surplus)/Deficit on Provision of Services</b>				<b>(588)</b>			<b>695</b>
Actuarial (gains)/loss on pension assets/liabilities	9			(397)			579
<b>Other Comprehensive Income and Expenditure</b>				<b>(397)</b>			<b>579</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(985)</b>			<b>1,274</b>

**BALANCE SHEET AS AT 31 MARCH 2016**

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

	Note	31 March 2016 £000	31 March 2015 £000
Intangible Assets	11	-	1
<b>Long Term Assets</b>		-	1
Short Term Debtors	12	-	433
Cash and Cash Equivalents	13	2,303	1,218
<b>Current Assets</b>		<b>2,303</b>	<b>1,651</b>
Short Term Creditors	14	(319)	(336)
<b>Current Liabilities</b>		<b>(319)</b>	<b>(336)</b>
Other Long Term Liabilities	9	(1,243)	(1,560)
<b>Long Term Liabilities</b>		<b>(1,243)</b>	<b>(1,560)</b>
<b>Net Assets/(Liabilities)</b>		<b>741</b>	<b>(244)</b>
Usable Reserves		1,993	1,324
Unusable Reserves	15	(1,252)	(1,568)
<b>Total Reserves</b>		<b>741</b>	<b>(244)</b>

The notes on pages 21 to 44 form part of the accounts.



Dr Peter Kane CPFA  
The Chamberlain, City of London

22 September 2016

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

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

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Net surplus/(deficit) on the provision of services	588	(695)
Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	497	332
Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	(14)	(17)
<b>Net cash flows from Operating Activities (note 16)</b>	<b>1,071</b>	<b>(380)</b>
Investing Activities (note 17)	14	17
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,085</b>	<b>(363)</b>
<b>Cash and cash equivalents at 1 April</b>	<b>1,218</b>	<b>1,581</b>
<b>Cash and cash equivalents at 31 March</b>	<b>2,303</b>	<b>1,218</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

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

The Statement of Accounts summarises the Committee's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Committee prepares its accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

The Statement of Accounts has been prepared with reference to:

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

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

The accounting policies have been consistently applied.

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)****1. Accounting Policies (continued)****b Accruals of Income and Expenditure**

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

- Revenue from the sale of goods is recognised when the Committee transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Committee;
- Revenue from the provision of services is recognised when the Committee can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Committee;
- Expenses in relation to services received (including those services provided by employees) are recorded as expenditure when services are received, rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- Income and expenditure are credited and debited to the relevant category within the Comprehensive Income and Expenditure Statement, unless they represent capital receipts or capital expenditure; and
- Creditors for grants outstanding to voluntary organisations at the year-end are included where approved by Committee, the circumstances of the voluntary organisation have not changed since approval, and evidence shows that expenditure in respect of the grant has been incurred. Creditors for ESF grants are recognised where grant claims received from voluntary organisations exceed payments made to the claimant.

**c Allocation of Income**

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

**d Cash and Cash Equivalents**

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

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

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)****1. Accounting Policies (continued)****e Contingent Liabilities**

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

**f Employee Benefits****Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Committee. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. flexi leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

**Termination Benefits**

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

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

**Post Employment Benefits**

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

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

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 1. Accounting Policies (continued)

- The liabilities of the pension fund attributable to the Committee are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, projected earnings of current employees etc.
- Liabilities are discounted to their value at current prices using, a discount rate of 3.8% (2014/15: 3.4%).
- The assets of the pension fund attributable to the Committee are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate;
  - Unutilised securities – current bid price; and
  - Property – market value.
- The change in the net pensions liability is analysed into the following components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement;
  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Committee – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;
  - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
  - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.



**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)****1. Accounting Policies (continued)**

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

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

**g Exceptional Items and Prior Period Adjustments**

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

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

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

**h Financial Instruments****Financial Liabilities**

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

Currently the Committee has no borrowings.

**Financial Assets**

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

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**1. Accounting Policies (continued)****i Government Grants and Contributions**

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

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

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

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

**j Intangible Assets**

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

**k Interest Income**

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

**l Overheads**

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

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

**m Property, Plant and Equipment**

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

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (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.

**m Property, Plant and Equipment (continued)**

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

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

**n Reserves**

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

**o Value Added Tax**

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) has introduced changes in accounting policies which will be required from 1 April 2016. If these had been adopted for the financial year 2015/16 there would be no material changes to the Committee's accounts as detailed below.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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

**IAS19 Employee Benefits** – There has been a narrow scope amendment to this standard which applies to contributions from employees or third parties to defined benefit pension plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. It clarifies the requirements on the way contributions that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. This amendment will not have a material impact on the Committee's accounts.

**IFRS11 Joint Arrangements** – There have been an amendments to this standard to require an acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the business combinations accounting principles in IFRS3 (Business Combinations) and other relevant accounting standards, except for those principles that conflict with the guidance in IFRS11. The amendment also requires disclosure of the information required by IFRS3 and other relevant accounting standards. The amendments apply to both an initial acquisition and an additional acquisition of an interest in joint operations. These amendments will not have a material impact on the Committee's accounts.

**IAS16 Property, Plant and Equipment and IAS38 Intangible Assets** – There have been amendments to these standards to clarify that a depreciation or amortisation method based on revenue generated by an activity that includes the use of an asset is unacceptable under the standards. This amendment will not have an impact on the Committee's accounts as its assets are depreciated/amortised on a straight line basis over their economic life.

**Transport Infrastructure Assets** – A change to the Code for 2016/17 will require transport infrastructure assets to be disaggregated from infrastructure asset category within Property, Plant and Equipment. The introduction of this change will have no impact on the Committee's accounts as it does not own any infrastructure assets.

In addition to items above, there are some planned improvements to existing standards that are not expected to have a material impact on the accounts.

**3. Critical Judgements in Applying Accounting Policies**

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

The only critical judgement made in the Statement of Accounts is:

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

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)****4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**

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

The items in the Committee's Balance Sheet at 31 March 2016 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 £70,000. However, the assumptions interact in complex ways. During 2015/16, Barnett Waddingham LLP advised that the net pensions liability had decreased by £304,000 as a result of a change in financial assumptions.

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

The Statement of Accounts will be authorised for issue by the Director of Corporate Resources on 22 September 2016. Events taking place after this date are not reflected in the accounts or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the accounts and notes have been adjusted in all material respects to reflect the impact of this information.

**6. 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 available to the Committee to meet future capital and revenue expenditure.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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

Adjustments for the year ended 31 March 2016:

	General Reserve £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 15)	80	(80)
<b>Adjustments primarily involving the Accumulated Absences Reserve:</b>		
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 15)	1	(1)
<b>Total Adjustments</b>	<b>81</b>	<b>(81)</b>

Adjustments for the year ended 31 March 2015:

	General Reserve £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 15)	69	(69)
<b>Adjustments primarily involving the Accumulated Absences Reserve:</b>		
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 15)	-	-
<b>Total Adjustments</b>	<b>69</b>	<b>(69)</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**7. Grants to Voluntary Organisations**

The analysis of grant expenditure for the year:

	2015/16	2014/15
	£000	£000
Main Grants Programme	7,304	7,404
ESF Match Funded Programme	952	2,204
<b>Total</b>	<b>8,256</b>	<b>9,608</b>

**8. Financing and Investment Income and Expenditure**

	2015/16	2014/15
	£000	£000
Interest and Investment Income	(14)	(17)
Net loss on Pension Scheme Assets/Liabilities (see note 9)	46	43
<b>Total</b>	<b>32</b>	<b>26</b>

**9. Pensions**

As part of their terms and conditions of employment, London Councils staff are eligible to participate in the Local Government Pension Scheme (LGPS) which is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013. The scheme is contracted out of the State Second Pension and currently provides benefits based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

The administering authority for the Fund is the London Pensions Fund Authority (LPFA). The LPFA Board oversees the management of the Fund whilst the day to day fund administration is undertaken by 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.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 9. Pensions (continued)

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 2013, the employers' contribution towards the Future Service Rate was set at 12% of pensionable pay for the period 1 April 2014 to 31 March 2017. In addition, there were annual employers' contributions to past service adjustments set at:

Year	Employers Contribution £000
2014/15	13
2015/16	14
2016/17	14

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

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

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

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

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



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 9. Pensions (continued)

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' IAS 19 valuations. In order to assess the actuarial value of the LPFA Pension Fund's liabilities as at 31 March 2016 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 2016:

<b>Assumptions as at:</b>	<b>31 March 2016 (% per annum)</b>	<b>31 March 2015 (% per annum)</b>
RPI increases	3.4%	3.3%
CPI increases	2.5%	2.5%
Salary increases	4.3%	4.3%
Pension increases	2.5%	2.5%
Discount rate	3.8%	3.4%

These assumptions are set with reference to market conditions at 31 March 2016.

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 IAS 19 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.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.5% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 9. Pensions (continued)

Salaries are then assumed to increase at 1.8% p.a. above CPI in addition to a promotional scale.

**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 2016	31 March 2015
Retiring today:		
Males	22.4	22.3
Females	25.4	25.3
Retiring in 20 years:		
Males	24.8	24.7
Females	27.7	27.6

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.

The fair value of the pension scheme assets attributable to the Grants Committee at 31 March 2016:

	At 31 March 2016		At 31 March 2015	
	£000	%	£000	%
Equities	1,032	47%	1,095	43%
LDI/Cashflow matching	225	10%	189	8%
Target return portfolio	473	21%	730	29%
Infrastructure	122	5%	125	5%
Commodities	10	0%	23	1%
Property	79	4%	72	3%
Cash	281	13%	290	11%
	<b>2,222</b>	<b>100%</b>	<b>2,524</b>	<b>100%</b>

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

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 9. Pensions (continued)

The analysis of the net value of the pension scheme assets and liabilities recognised in the Balance Sheet as at 31 March 2016 is as follows:

	At 31 March 2016	At 31 March 2015
	£000	£000
Fair value of employer assets	2,222	2,524
Present value of scheme liabilities	(3,462)	(4,080)
<b>Net Liability</b>	<b>(1,240)</b>	<b>(1,556)</b>
Present value of unfunded liabilities	(3)	(4)
<b>Net Liability in Balance Sheet</b>	<b>(1,243)</b>	<b>(1,560)</b>

The analysis of the amounts recognised in the Comprehensive Income and Expenditure Account for the year ended 31 March 2016 is as follows:

	At 31 March 2016	At 31 March 2015
	£000	£000
Service cost	79	72
Net interest on the defined liability	46	43
Administration expenses	3	4
<b>Total</b>	<b>128</b>	<b>119</b>

The reconciliation of the Defined Benefit Obligation at 31 March 2016 is as follows:

	At 31 March 2016	At 31 March 2015
	£000	£000
<b>Opening Defined Benefit Obligation</b>	<b>(4,084)</b>	<b>(3,086)</b>
Current service cost	(79)	(72)
Interest cost	(122)	(150)
Change in financial assumptions	304	(552)
Estimated benefits paid net of transfers	53	75
Contributions by scheme participants	(24)	(27)
Adjustment arising from apportionment of pension liability	487	(272)
<b>Closing Defined Benefit Obligation</b>	<b>(3,465)</b>	<b>(4,084)</b>

The reconciliation of the Fair Value of Employer's Assets at 31 March 2016 is as follows:

	At 31 March 2016	At 31 March 2015
	£000	£000
<b>Opening Fair Value of Employer's Assets</b>	<b>2,524</b>	<b>2,174</b>
Interest on assets	76	107
Return on assets less interest	(93)	53
Administration expenses	(3)	(4)
Contributions by employer	49	51
Contributions by scheme participants	24	27
Estimated benefits paid plus unfunded net of transfers in	(54)	(76)
Adjustment arising from apportionment of pension liability	(301)	192
<b>Closing Fair Value of Employer's Assets</b>	<b>2,222</b>	<b>2,524</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 9. Pensions (continued)

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

Sensitivity analysis:

	£000	£000	£000
<b>Adjustment to Discount Rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	3,395	3,495	3,538
Projected service cost	68	70	72
<b>Adjustment to Long-term Salary Increases</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	3,474	3,465	3,458
Projected service cost	70	70	70
<b>Adjustment to Pension Increases and Deferred Revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	3,531	3,465	3,402
Projected service cost	72	70	69
<b>Adjustment to Mortality Age Rating Assumption</b>	<b>+1 year</b>	<b>None</b>	<b>-1 year</b>
Present value of total obligation	3,565	3,465	3,369
Projected service cost	72	70	68

The analysis of the re-measurements in Other Comprehensive Income and Expenditure for the year ended 31 March 2016 is as follows:

	At 31 March 2016	At 31 March 2015
	£000	£000
Return on plan assets less interest	(93)	53
Change in financial assumptions	304	(552)
Adjustment arising from apportionment of pension liability	186	(80)
<b>Re-measurements</b>	<b>397</b>	<b>(579)</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 9. Pensions (continued)

The projections for the year to 31 March 2017 is as follows:

	2016/17 £000
Service cost	70
Net interest on the defined liability	46
Administration expenses	3
<b>Total</b>	<b>119</b>
Employers contribution	47

## 10. Property, Plant and Equipment

	Furniture and Equipment £000	Total £000
<b>Cost</b>		
At 1 April 2015	6	6
Additions	-	-
Disposals	-	-
<b>At 31 March 2016</b>	<b>6</b>	<b>6</b>
<b>Accumulated Depreciation</b>		
At 1 April 2015	6	6
Charge for the year	-	-
Charge relating to Disposals	-	-
<b>At 31 March 2016</b>	<b>6</b>	<b>6</b>
<b>Net Book Value</b>		
<b>At 31 March 2016</b>	<b>-</b>	<b>-</b>
<b>At 31 March 2015</b>	<b>-</b>	<b>-</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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

Comparative movements in 2014/15:

	Furniture and Equipment £000	Total £000
<b>Cost</b>		
At 1 April 2014	6	6
Additions	-	-
Disposals	-	-
<b>At 31 March 2015</b>	<b>6</b>	<b>6</b>
<b>Accumulated Depreciation</b>		
At 1 April 2014	6	6
Charge for the year	-	-
Charge relating to Disposals	-	-
<b>At 31 March 2015</b>	<b>6</b>	<b>6</b>
<b>Net Book Value</b>		
<b>At 31 March 2015</b>	<b>-</b>	<b>-</b>
<b>At 31 March 2014</b>	<b>-</b>	<b>-</b>

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

## 11. Intangible Assets

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

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

	31 March 2016 £000	31 March 2015 £000
<b>Balance at start of year:</b>		
Gross carrying amount	4	4
Accumulated amortisation	(3)	(2)
<b>Net carrying amount for the year</b>	<b>1</b>	<b>2</b>
Additions	-	-
Disposals	-	-
Amortisation for the year	(1)	(1)
<b>Net carrying amount at end of year</b>	<b>1</b>	<b>1</b>
Comprising:		
Gross carrying amount	4	4
Accumulated amortisation	(4)	(3)
	-	1

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**11. Intangible Assets (continued)**

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

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

**12. Short Term Debtors**

	<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>£000</b>	<b>£000</b>
Other local authorities	-	184
Public corporations and trading funds	-	87
Other entities and individuals	-	162
<b>Total</b>	<b>-</b>	<b>433</b>

The debtor balances at 31 March 2015 consisted of amounts due from member boroughs of £184,000 (excluding payments in advance and bad debt provision) for their quarterly subscriptions, payments in advance of £158,000, a bad debt provision of £57,000 and other debtors of £148,000.

**13. Cash and Cash Equivalents**

	<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>£000</b>	<b>£000</b>
Cash balances held by the City of London	2,303	1,218
<b>Total</b>	<b>2,303</b>	<b>1,218</b>

**14. Short Term Creditors**

	<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>£000</b>	<b>£000</b>
Other local authorities	-	(15)
Public corporations and trading funds	-	(15)
Other entities and individuals	(319)	(306)
<b>Total</b>	<b>(319)</b>	<b>(336)</b>

Included within the creditor balances above are accruals of £319,000 (2013/14: £306,000) and receipts in advance of Nil (2013/14: £30,000).

**15. Unusable Reserves**

	<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>£000</b>	<b>£000</b>
Pensions Reserve	(1,243)	(1,560)
Accumulated Absences Reserve	(9)	(8)
<b>Total</b>	<b>(1,252)</b>	<b>(1,568)</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 15. Unusable Reserves (continued)

**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.

	2015/16		2014/15	
	£000	£000	£000	£000
<b>Balance at 1 April</b>		<b>(1,560)</b>		<b>(912)</b>
Actuarial (loss)/gain on pension assets and liabilities		397		(579)
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	(129)		(120)	
Employer's pensions contribution and direct payments to pensioners payable in the year	49	(80)	51	(69)
<b>Balance at 31 March</b>		<b>(1,243)</b>		<b>(1,560)</b>



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 15. 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.

	2015/16 £000	£000	2014/15 £000	£000
		(8)		(8)
Balance at 1 April				
Settlement or cancellation of accrual made at the end of the preceding year	8		8	
Amounts accrued at the end of the current year	(9)		(8)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1)		-
<b>Balance at 31 March</b>		<b>(9)</b>		<b>(8)</b>

## 16. Cash Flow Statement – Operating Activities

	2015/16 £000	£000	2014/15 £000	£000
<b>Surplus/(Deficit) on Provision of Services</b>		<b>588</b>		<b>(695)</b>
Adjusted for:				
Current service cost adjustment	34		26	
Amortisation of intangible assets	1		1	
Net loss on pension scheme assets/liabilities	46		43	
Increase/(Decrease) in debtors	433		602	
Decrease in creditors	(17)		(340)	
<b>Adjustments for non-cash movements</b>		<b>497</b>		<b>332</b>
Interest and Investment Income	(14)		(17)	
<b>Adjustments for investing and financing activities</b>		<b>(14)</b>		<b>(17)</b>
<b>Net cash flows from Operating Activities</b>		<b>1,071</b>		<b>(380)</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**17. Cash Flow Statement – Investing Activities**

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Interest and Investment Income	14	17
<b>Total</b>	<b>14</b>	<b>17</b>

**18. Members' Allowances**

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

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Members Allowances	19	18

**19. Officers' Remuneration**

There are no employees whose remuneration (including termination payments but excluding employer's pension contributions) was £50,000 or more (2014/15: Nil).

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 19. Officers' Remuneration (continued)

London Councils' Senior Officers whose salaries are between £50,000 and £150,000.

Post Holder	2015/16			2014/15		
	Salary	Pension	Total Remuneration	Salary	Pension	Total Remuneration
Corporate Director – Services	£ 30,735	£ 3,688	£ 34,423	£ 30,735	£ 3,688	£ 34,423
Director – Corporate Governance	4,969	596	5,565	4,896	586	5,482
<b>Total</b>	<b>35,704</b>	<b>4,284</b>	<b>39,988</b>	<b>35,631</b>	<b>4,274</b>	<b>39,905</b>

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 Grants Committee are as follows:

- Corporate Director - Services – 25% (2014/15: 25%)
- Director – Corporate Governance – 5% (2014/15: 5%)

	2015/16	2014/15
Remuneration of highest paid Director	£ 122,940	£ 122,940
Remuneration of median member of staff	32,964	33,051
Multiple between the median member of staff and the highest paid director	3.73	3.72

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**20. Termination Benefits**

There were termination payments of £3,000 included in the Comprehensive Income and Expenditure Statement for 2015/16 (2014/15: NIL).

**21. External Audit Costs**

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

	2015/16 £000	2014/15 £000
Fees payable in respect of the audit of the Statement of Accounts:		
Fees payable to PricewaterhouseCoopers LLP	-	7
Rebate received from Audit Commission	-	(1)
Fees payable to KPMG LLP	3	-
	<b>3</b>	<b>6</b>

**22. Related Parties**

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

**Member Boroughs**

Member boroughs have direct control over the Committees activities through their membership of London Councils Leaders' and Grants Committees. The total value of income from subscriptions recognised in the Comprehensive Income and Expenditure Statement from member boroughs during 2015/16 was £9.014 million (2014/15: £9.261 million). There were no one-off payments made to member boroughs during 2015/16 (2014/15: £800,000). On 31 March 2016, there were no debtor balances owed by member boroughs (2014/15: £184,000) and there were no credit balances owed to member boroughs (2014/15: £15,000).

**23. Grant Commitments**

The value of commitments in 2016/17 is £9.385 million. Included within these amounts is £1.88 million in respect of the European Social Fund (ESF) Co-Financing Programme. The Committee will receive a contribution of £940,000 from ESF which represents 50% of the total grant expenditure under the co-financing programme.

**24. Consolidated Accounts**

These accounts form part of the consolidated accounts for London Councils. A copy of the consolidated accounts for 2015/16 can be obtained from the Director of Corporate Resources, 59½ Southwark Street, London, SE1 0AL.

**25. Segmental Reporting**

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

**GLOSSARY****Accounting Policies**

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

**Accruals**

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

**Actuarial Gains and Losses**

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

**Actuary**

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

**Balance Sheet**

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

**Budget**

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

**Capital Charges**

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

**Capital Expenditure**

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

**Carrying amount**

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

**Change in Accounting Estimate**

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

**Consistency**

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

**Contingent**

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

**GLOSSARY (continued)****Creditors**

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

**Current Asset**

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

**Current Expenditure**

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

**Current Liability**

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

**Current Service Cost**

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

**Curtailments**

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

**Debtors**

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

**Depreciation**

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

**Employee benefits**

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

**Events after the reporting period**

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

**Fair Value**

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

**Fixed Assets**

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

**Historical Cost**

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

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

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

**Intangible Assets**

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

**Inventories**

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

**Levies**

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

**Material**

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

**Net Realisable Value**

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

**Operational Assets**

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

**Past Service Cost**

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

**Pensions Interest Cost**

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

**Post Balance Sheet Events**

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

**Post-Employment Benefits**

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

**Present Value of a Defined Benefit Obligation**

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

**Provision**

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

**GLOSSARY (continued)****Prudence**

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

**Recharges**

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

**Recoverable Amount**

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

**Related Parties**

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

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

**Related Party Transaction**

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

**Remuneration**

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

**Reserves**

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

**Residual Value**

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

**Short-Term Employee Benefits**

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

**Specific Grants**

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

**Specific Reserves**

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



**GLOSSARY (continued)**

**Tangible Fixed Assets**

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

**Useful Life**

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

**VAT**

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

**LONDON COUNCILS  
TRANSPORT AND ENVIRONMENT COMMITTEE**

**STATEMENT OF ACCOUNTS**

**YEAR ENDED 31 MARCH 2016**

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

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## REVIEW OF THE YEAR

### Introduction

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

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

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

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

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

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

## REVIEW OF THE YEAR (continued)

## THE YEAR IN REVIEW

## Mobility

The Freedom Pass provides free transport on almost all public transport in the capital to over 1.2 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 2015/16 boroughs collectively contributed over £350 million for the Freedom Pass.

Following successful negotiations, TEC agreed:

- the Freedom Pass settlement for the 2016/17 with Transport for London (TfL) and the Association of Train Operating Companies (ATOC);
- the apportionment of 2016/17 Freedom Pass costs to boroughs; and
- the publication of the 2016/17 London Service Permit (LSP) Concessionary Scheme for Freedom Pass with local bus operators (non-TfL buses).

On behalf of TEC during 2015/16, London Councils:

- successfully completed the renewal of 805,000 Freedom Passes which expired in March 2015, achieving an 87% renewal rate and far exceeding expectations with 74% renewing via the newly developed online portal;
- completed research into the 2015 renewal project, examining the effectiveness of different and new approaches used and noting lessons learnt to be applied to future renewal projects;
- developed and introduced an online and postal application process for first time Freedom Pass applicants and managed the Post Office's withdrawal from the scheme; and
- planned and managed the renewal of 174,000 Freedom Passes expiring in March 2016, achieving an even higher online renewal rate than last year.

The Taxicard scheme continued to provide subsidised journeys in licensed taxis and private hire vehicles to its 66,000 members. 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.

On behalf of TEC during 2015/16, London Councils:

- continued work with boroughs to streamline Taxicard application procedures, to make assessments consistent by moving away from GP endorsement and standardising processes for new Taxicard applicants;
- completed consultations on a proposal to charge £10 for lost and damaged Taxicards and following TEC approval, introduced the charge from November 2015;
- reviewed the Taxicard membership database, cancelling over 12,000 Taxicards that have not been used for over two years and 3,000 cards for deceased members;
- completed research into the declining use of the Taxicard scheme; and
- worked with TfL on their Social Needs Transport Review to explore more joint working between TfL and boroughs, particularly in relation to Dial-a-Ride and Taxicard.

**REVIEW OF THE YEAR (continued)****Parking and Traffic**

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

The ever increasing level of cycling and the tragic number of cyclist fatalities and injuries in London heightened concerns about cycle safety, particularly the risk of conflict with larger vehicles. London Councils continued working closely with Transport for London to reduce risks to cyclists' safety. Following the individual agreement of every single London highway authority, TEC agreed the introduction of the London Safer Lorry Scheme from September 2015, which requires the fitting of special safety equipment to all vehicles over 3.5 tonnes, at all times and on all streets in London. London Councils continues to work closely with TfL on developing a more strategic approach to managing freight in London. To help support this work, TEC agree the establishment of a new Freight Borough Officer Liaison Group in October 2015.

The TRACE service provided information on the whereabouts of towed vehicles to thousands of motorists across London. A new online facility was launched, providing instant access to those whose cars have been towed away and also to the Police who also regularly use the service before confirming cars have been stolen.

London Councils also continue to manage the issue of approximately 3,500 Health Emergency Badges, helping health practitioners find a convenient place to park when attending medical emergencies.

Further work included the publication of a Code of Practice for the erection of signs and lighting on buildings, so boroughs can adopt new legislative powers that will help reduce street clutter and costs.

London Councils also continued to lead the Sharing Skilled Transport Staff initiative, helping to ensure better use of limited skilled resources across London.

In December 2015, TEC agreed the annual apportionment of traffic signal and control equipment maintenance costs to boroughs.

**London Tribunals**

London Tribunals continued to provide administrative support to the Environment and Traffic Adjudicators (ETA) who are appointed by TEC to deal with appeals against parking, moving traffic, bus lanes, littering, waste receptacles and lorry control enforcement and the Road User Charging Adjudicators (RUCA) who consider Congestion Charging and Low Emission Zone appeals. The service administered around 60,000 appeals during the year.

It has been an extremely busy year for the tribunal services. As a result of the lease for the former premises at Angel Square in Islington coming to an end, the appeals services moved to Chancery Exchange, Funnival Street, near Chancery Lane. The move took place in the first week of July 2015 and coincided with the contract transition from CAPITA to Northgate Public Services for the provision of back office and IT services. The transition included the introduction of entirely new IT systems, the facility to make on-line appeals for the first time and on-line case management for boroughs. The opportunity was also taken to rebrand from the Parking and Traffic Appeals Service to London Tribunals.

**REVIEW OF THE YEAR (continued)****Parking on Private Land Appeals (POPLA) Service**

In October 2015 the contract with the British Parking Association for the POPLA service ended, following a competitive tender exercise which resulted in the contract being awarded to the Ombudsman Service based in Warrington. London Councils had provided the POPLA service since its launch in October 2012, offering an independent appeals service in respect of parking charge notices issued to vehicles parked on private land in England and Wales.

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

The London European Partnership for Transport (LEPT) helps boroughs access European funding for transport projects. In 2015/16 the London Councils' LEPT team completed the final stages of two three-year European projects, STARS and PTP Cycle. These projects aim to increase the amount of cycling by school children and in residential areas. PTP-Cycle has helped introduce 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 saw Hackney take even greater steps towards increasing sustainable school travel in the borough; one example is the Cycle Challenge, where 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 EU funding programmes, through workshops, one to ones and presentations at sub regional partnership meetings. LEPT led on one bid and was a partner for another for the latest round of the Horizon 2020 funding programme. Despite achieving good scores, both bids were unfortunately unsuccessful.

**Transport and Environment Policy**

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

- supporting extension, expansion and improvements to rail, tube and tram services in London, including planning for the introduction of the 24 hour tube and the impacts on the night bus service this entails;
- continuing to support proposals for Crossrail 2;
- supporting the devolution of London's commuter rail routes to TfL for operation;
- encouraging walking and cycling, including support for the Quietways network of cycle routes, which are predominantly on boroughs roads;
- promoting road safety, especially for vulnerable road users;
- continuing TEC's representation on the Thames Regional Flood and Coastal Committee (Thames RFCC) and supporting the Thames RFCC's plans for its six year programme of investment;
- working in partnership with the Thames RFCC and Environment Agency to deliver additional officer capacity for boroughs to access capital funding for flood defence work in their role as Lead Local Flood Authorities;
- working with LWARB and Resource London on ways to improve waste collections from flats, tackle fly tipping and exploring Circular Economy principles and their applications;
- participating in the Mayor's Green Infrastructure Taskforce which has sought to create a more strategic approach to parks and green spaces in the capital, and promote the uptake of green infrastructure such as green walls and roofs;

**REVIEW OF THE YEAR (continued)**

- improving energy efficiency through the RE:NEW programme;
- secured £13 million capital funding together with TfL and the GLA to promote the uptake of low emission vehicles through investment in electric charging infrastructure and Neighbourhoods of the Future schemes;
- continue to work with TfL on a possible extension of the Ultra Low Emission Zone or Low Emission Zone to improve air quality in London;
- worked with GLA colleagues on the proposals for the Mayor's London Local Air Quality Management system;
- consulted and set FPN levels for urinating in public, noise in public, feeding birds in public spaces;
- consulted and set PCN levels for Builders Skips;
- published a comprehensive table on FPN and PCN levels in London on London Councils Website;
- produced the report 'Living on the Edge', highlighting the problems caused by continuing rises in travel costs on conjunction with and on top of rising living costs in London; and
- Established an officer working group with TfL colleagues to work through the LIP funding arrangements in the coming years.

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

**Air quality**

- Defra's draft Air Quality Plan.
- The Mayor of London's proposals for Local Air Quality Management.
- The House of Commons Environment, Food and Rural Affairs Committee Inquiry on responsibilities for air quality.
- Updated ULEZ proposals for taxis and PHVs

**Buses**

- TfL consultation on night bus services, following the introduction of the night tube.

**Crossrail 2**

- Crossrail 2 Growth Commission consultation.
- TfL consultation on Crossrail 2.

**Cycling**

- Department for Transport consultation on its draft Cycling and Walking Investment Strategy.

**Energy and climate change**

- The House of Commons' Environment and Climate Change Committee call for evidence on priorities.
- London Assembly Environment Committee investigation on solar power.

**Local environmental quality**

- Defra consultation on waste crime enforcement powers.



**REVIEW OF THE YEAR (continued)**

**Rail transport**

- London Assembly Transport Committee investigation into rail devolution.
- Department for Transport and Mayor of London consultation on the Rail Prospectus for devolution of rail franchising.

**River transport**

- Port of London consultation on the Thames Vision 2035: goals and priority actions.

**Transport**

- London Assembly Transport Committee call for views on scrutiny priorities for the 2016-2020 Mayoral administration.

**Road transport**

- House of Commons Transport Select Committee Inquiry into road traffic law enforcement.
- TfL consultation on review of private hire vehicles regulations.

**Waste**

- House of Commons Environmental Audit Committee call for evidence on Treasury policy and recycling targets.

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 and Environment Committees;
- TfL throughout the year on key issues for London local government, including through regular scheduled meetings between the TfL Commissioner and TEC leads;
- Thames RFCC and the Environment Agency on the six year programme of flood defences and alleviation schemes benefitting London; and
- Government departments throughout the year including DfT, Defra, DECC and DCLG. including the chair attending a high level round table with Lord Ahmad, Parliamentary Under Secretary of State for Transport, about strategic transport infrastructure in London

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

**Looking forward to 2016/17**

Next year will see a number of significant challenges.

The 2016 Freedom Pass renewal will be completed and the programme of service improvements will continue, including the ability for pass holders to create online accounts and renew lost, damaged and stolen passes online for the first time.

The Freedom Pass annual settlements with TfL and other bus operators will be negotiated and a new settlement arrangement with ATOC will need to be agreed as the current one ends in March 2017.

**REVIEW OF THE YEAR (continued)**

A retender process will be started for the Freedom Pass contracted support for call centre, data management, application processing and card production services.

A new contract for the provision of electronic data management and data transfer services for the London Lorry Control Scheme will also start later this year.

An updated parking code of practice and a revised Civil Enforcement Officer Handbook will be published.

Work will continue with TfL on their Social Needs Transport Review to develop and consult on more joint working between TfL and boroughs, particularly in relation to Dial-a-Ride and Taxicard.

London Councils will continue to provide the administrative support and infrastructure to the Environment and Traffic Adjudicators (ETA) and Road User Charging Adjudicators (RUCA), including the implementation of new systems and processes to enable fully electronic transfer of appeals evidence and correspondence with enforcement authorities.

Officers will also prepare and submit a tender for the retention of the RUCA contract with the GLA, as the current contract comes to an end in December this year.

The Transport and Environment Policy team is working on two main projects that have been agreed by the Leaders' Committee as part of the 2016/17 business plan:

- Strengthening local leadership for infrastructure investment; and
- Collaborating to enable boroughs to provide transport and environmental services at current or improved levels.

In addition to the policy projects, we will be working closely with TfL and GLA on the new Environment and Transport strategies as well as the London Plan. We will continue to deliver the projects and schemes associated with the Go Ultra Low City Scheme funding we have secured and air quality will remain a priority. We will respond to the new Mayor's proposals in this policy area and highlight the work boroughs are doing to tackle this locally. We will continue to work in partnership with the Thames RFCC and Environment Agency to strengthen borough capacity in flood risk management and we will support TfL with its plans for Crossrail 2 and lobby for devolution of funding mechanisms that could be used to fund this as well as other infrastructure schemes in London.

## NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS

## Financial Information

The Director of Corporate Resources has pleasure in presenting the accounts for 2015/16. The accounts consist of the following:

- Statement of Responsibilities for the Statement of Accounts (page 11)
- Movement in Reserves Statement (page 21 - 22);
- Comprehensive Income and Expenditure Statement (page 23);
- Balance Sheet (page 24);
- Cash Flow Statement (page 25); and
- Notes to the Accounts (page 26 - 52).

## Revenue expenditure

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

	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variation £000</b>
Expenditure	49,010	46,405	(2,605)
Income	(48,946)	(46,945)	2,001
Interest income and expenditure	-	241	241
Deficit/(Surplus) for the year	<b>64</b>	<b>(299)</b>	<b>(363)</b>
Transfer from/to Reserves	(64)	(731)	(667)
Surplus for the year including transfer from reserves	-	<b>(1,030)</b>	<b>(1,030)</b>

A surplus on revenue activities of £299,000 has been posted for 2015/16 which, after a net transfer of £731,000 from reserves has led to an overall surplus after net transfers from reserves of £1.03 million. The surplus is due to:

- **Freedom Pass non-TfL bus services (-£698,000)** - In December 2014, TEC approved a budgetary provision of £2.2 million for 2015/16 to cover the cost of payments to non-TfL bus operators under the national concessionary fares scheme, the overall cost of which is demand led by eligible bus users. Claims from operators amounting to £1.502 million have been received and accepted for 2015/16, which has led to an underspend of £698,000. The underspend is attributable to a number of factors:
  - a fall of 2% in the past 12 months on bus journeys across London and on most LSPs, partly due to the age eligibility increase;
  - one of the LSP operators ceased to operate in January 2015, after the 2015/16 budget had been set;
  - TGM, which used to run two routes in London, is now operating under Arriva Kent management and one of the transferred routes was withdrawn in May 2015;

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

- Arriva the Shires lost one the most expensive routes (797) to Unibus, which now runs the route a shorter distance and the average fare is lower than it used to be with Arriva; and
  - A review of the postcodes of the stops in London determined that for three operators (Arriva the Shires, Abellio and Metrobus), a few stops on routes fell outside of the London area and as result, the length of journeys included in claims reduced significantly;
- **Lorry Control Administration/PCN income (-£416,000)** - The administration of the London Lorry Control Scheme overspent the budget of £542,000 by £59,000. This is attributable to bailiff fees of £37,000, registering debt at the County Court of £10,000, additional contract payments of £5,000, plus additional central recharges of £7,000 following the cessation of the POPLA contract. However, there was a significant overachievement in the collection of PCN income of £475,000 above the budgetary provision of £550,000, due to continued effective performance of the outsourced enforcement function meaning that transaction volumes continue to increase, leading to higher levels of debt actually being raised and collected. In addition, the continued functionality of the Adaptis computer management system allows outstanding debt to be registered at the Court more quickly. Of the £1.025 million income due for the year, £136,000 has yet to be collected and has been registered with the County Court. A bad debt provision of £108,000 has been established in respect of this outstanding amount, in accordance with usual accounting practice. This is a reduction of £180,000 on the bad debt provision of £288,000 as at 31 March 2015, so the net surplus income increases to £596,000 for the year.;
- **Net Freedom Pass survey and issue costs (-£257,000)** - The budget for the pass survey and issue processes for the year was £1.518 million. This budget covers the issuing of Freedom Passes to new applicants and for the replacement of passes which are lost, stolen or faulty. Provisional total expenditure for 2015/16 is £1,623,773, which includes £193,000 expenditure of residual 2015 pass issue work. Excluding the 2015 issue work, total spend is £87,227 less than the budgetary provision of £1.518 million. In addition, a sum of £670,473 was collected during 2015/16 in respect of replacement Freedom Passes, £170,473 in excess of the £500,000 budgetary provision. In net terms, therefore, there was a surplus of £257,700;
- **Net position on parking appeals (+£225,000)** - The number of appeals and statutory declarations heard during the year was 42,846 against a budget of 69,434, generating income of £1.341 million, £978,000 less than the budget estimate of £2.319 million. However, this is offset by a significant reduction in adjudicator, contractor and administration costs of £753,000. The throughput of appeals was 2.43 appeals per hour, compared to a budget figure of 3.03 and an actual figure of 3.28 appeals per hour for 2014/15. This trend is attributable to the fact that services were interrupted during the year by the move of the appeals hearing centre from Angel Square to Chancery Exchange and the change of parking managed services provider from Capita to Northgate, which involved the introduction of an entirely new IT system;
- **London Tribunals Administration (+£165,000)** - After excluding the unit administration cost of the appeals, the hearing centre overspent its budget of £2.653 million by £165,000. The sum includes a one-off payment of £52,000 in relation to change management costs, leaving an underlying overspend of £113,000, primarily attributable to ETA operations. Salaries overspent by £75,000, premises costs overspent by £118,000, primarily due to having to take on the lease for Chancery Exchange for the whole of 2015/16, instead of for 10 months, as originally budgeted for. Additional central recharges of £96,000 were incurred, following the cessation of the POPLA contract. These additional costs have been offset by savings on the fixed costs associated with the new Northgate contract of £65,000 and £112,000 on general office running costs; and
- Residual variances of -£49,000.

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

**Budget for 2016/17**

On 10 December 2015, the full TEC Committee approved a total expenditure budget for 2016/17 of £44.846 million, exclusive of the borough payment of £333.94 million to Transport for London (TfL) in respect of Concessionary Fares. Total income sources were estimated to be £44.846 million.

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

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

**The Committee's Responsibilities**

The Committee is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has 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:

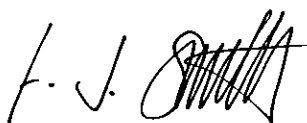
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

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 2016 and of its income and expenditure for the year ending 31 March 2016.



F Smith CPFA  
Director of Corporate Resources

22 September 2016

**APPROVAL CERTIFICATE**

At a meeting of London Councils' Audit Committee held at 59½ Southwark Street, London, SE1 0AL on 22 September 2016, the statement of accounts were approved on behalf of the Committee.

A handwritten signature in black ink, appearing to read 'Roger Ramsey'.

Cllr Roger Ramsey  
Chair of London Councils' Audit Committee

22 September 2016

## 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.

### 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 2016 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 2 June 2015. 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 2 June 2015. The financial regulations were also reviewed and the changes approved by the Leaders Committee on 2 June 2015. 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 2015. The Directorate Risk Registers are reviewed by the Audit Committee on a rolling basis. London Councils' Corporate Management Board ensures that the risk registers, both Directorate and Corporate, continue to support London Councils' corporate priorities, which provides members with assurance on how the risks identified are being managed. An internal audit review of London Councils risk management arrangements was carried out during 2015/16. The review established that an effective risk management framework is in place and recommended that a formal review of the framework should be carried out every three years.

## 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 were reviewed in February 2016 and are available on London Councils' intranet and website.
- **Effective management of change and transformation** – London Councils has a framework for managing organisational change which is available to all staff on the intranet. The framework provides guidance on the statutory elements of managing change and issues that should be considered when implementing changes.
- **Financial management arrangements** – London Councils' financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.
- **Assurance arrangements** – London Councils' internal audit function is carried out by the City of London's internal audit team under a service level agreement for financial support services. These arrangements conform with the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit in public service organisations and Public Sector Internal Audit Standards.
- **Discharge of the monitoring officer function** – • This is a statutory post under Section 5 of the Local Government and Housing Act 1989 and as such is not applicable to London Councils which is a joint committee<sup>1</sup>. However, legal advice is provided to London Councils by the City of London Corporation including governance advice and support which in a local authority would generally be provided by the borough.
- **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. On 19 March 2015, the Audit Committee considered a revision to its Terms of Reference to include the responsibility to make a recommendation to Leaders' Committee on the appointment, reappointment and removal of the external auditor. 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.

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

**ANNUAL GOVERNANCE STATEMENT (continued)**

- **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](http://www.londoncouncils.gov.uk). London Councils consults with Chief Officer groupings across boroughs in the development of its work.
- **Enhancing the accountability for service delivery and effectiveness of public service providers** - All working arrangements with public service providers are subject to signed agreements/contracts which set out the terms of the service provided. All agreements/contracts are reviewed to ensure that the roles and responsibilities of the parties involved are clearly defined and the terms are beneficial to London Councils and its member authorities. Key performance indicators are incorporated into agreements where appropriate and monitored regularly. Nominated officers are responsible for managing the outcomes of the service and establishing clear lines of communication with providers.
- **Partnership arrangements** – London Councils has a set protocol for staff to follow when working in partnership with outside bodies. A checklist is to be completed for each new partnership or project. Partnership arrangements are also subject to signed agreements which include objectives, roles and responsibilities. The performance of partnerships are monitored in the same manner as other service providers. London Councils does not currently have any material partnership arrangements.

**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 2015/16.
- London Councils Corporate Management Board considers an annual report on Corporate Governance, which includes work completed during the current year and highlights work planned for the following year.

**Areas for development during 2016/17**

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2016/17:

**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 improved controls. Management has already taking action to address a number of the issues that were raised but there are still improvements to be made in areas such as system security and infrastructure during 2016/17.

A separate review to establish and evaluate the adequacy of the updated ICT strategy was undertaken in 2015/16. It identified areas for improvement in respect of disaster recovery testing, documentation of disk storage thresholds and verification of third party compliance. These improvements will be carried out during 2016/17.

**Inventory**

A review of the Committee's key finance controls was carried out during 2015/16. The objective of the review was to ascertain and evaluate the adequacy of controls in relation to income and expenditure. The review revealed that there was a sound control environment in place with risks to system objectives reasonably managed. However, it also revealed that the information held on the inventory list for furniture and equipment was not fully compliant with the requirements of London Councils' financial regulations. An exercise to update the inventory list will be completed during 2016/17.

**Risk Management and Business Continuity**

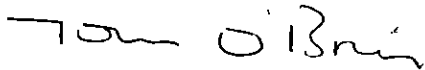
An internal audit review of risk management and business continuity was undertaken in 2015/16. The review revealed that there was an adequate control framework in place but there were areas of improvement in relation to the frequency of reviews of the risk management framework, the reporting of the results of business continuity tests and the contents of the Business Continuity Plan. These improvements will be carried out during 2016/17.

**ANNUAL GOVERNANCE STATEMENT (continued)**

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

**Significant governance issues**

There are no significant governance issues.



John O'Brien  
Chief Executive

22 September 2016



Cllr Claire Kober OBE  
Chair of London Councils

22 September 2016

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON COUNCILS TRANSPORT AND ENVIRONMENT COMMITTEE**

We have audited the financial statements of London Councils Transport and Environment Committee (The Committee) for the year ended 31 March 2016 on pages 21 to 52. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

**Respective responsibilities of the Director of Corporate Resources and auditor**

As explained more fully in the Statement of Responsibilities for the statement of accounts, the Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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 Narrative Statement and the Review of the Year 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 financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Committee as at 31 March 2016 and of the Committee's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 .

**Matters on which we are required to report by exception**

We to report to you if:

- the Annual Governance Statement set out on pages 13 to 18 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or and

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

- the information given in the Narrative Statement and the Review of the Year for the financial year for which the financial statements are prepared is not consistent with the financial statements.

We have nothing to report in respect of these matters.



Philip Johnstone

**For and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
15 Canada Square  
London  
E14 5GL

**23** September 2016

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

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 Reserves £000
<b>Balance at 31 March 2015</b>	3,535	-	3,535	(7,826)	(4,291)
Surplus on the provision of services	299	-	299	-	299
Other Comprehensive Income and Expenditure (note 10)	-	-	-	1,406	1,406
<b>Total Comprehensive Income and Expenditure</b>	299	-	299	1,406	1,705
Adjustments between accounting basis and funding basis under regulations (note 6)	435	-	435	(435)	-
<b>Net Decrease before Transfers to Earmarked Reserves</b>	734	-	734	971	1,705
Transfers from/to earmarked reserves (note 7)	(1,000)	1,000	-	-	-
<b>(Decrease)/Increase in 2015/16</b>	(266)	1,000	734	971	1,705
<b>Balance at 31 March 2016</b>	3,269	1,000	4,269	(6,855)	(2,586)



## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	General Reserve £000	Specific Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2014</b>	<b>1,886</b>	<b>1,800</b>	<b>3,686</b>	<b>(4,754)</b>	<b>(1,068)</b>
Deficit on the provision of services	(484)	-	(484)	-	(484)
Other Comprehensive Income and Expenditure (note 10)	-	-	-	(2,739)	(2,739)
<b>Total Comprehensive Income and Expenditure</b>	<b>(484)</b>	<b>-</b>	<b>(484)</b>	<b>(2,739)</b>	<b>(3,223)</b>
Adjustments between accounting basis and funding basis under regulations (note 6)	333	-	333	(333)	-
<b>Net Decrease before Transfers to Earmarked Reserves</b>	<b>(151)</b>	<b>-</b>	<b>(151)</b>	<b>(3,072)</b>	<b>(3,223)</b>
Transfers from/to earmarked reserves (note 7)	1,800	(1,800)	-	-	-
<b>Increase/Decrease in 2014/15</b>	<b>1,649</b>	<b>(1,800)</b>	<b>(151)</b>	<b>(3,072)</b>	<b>(3,223)</b>
<b>Balance at 31 March 2015</b>	<b>3,535</b>	<b>-</b>	<b>3,535</b>	<b>(7,826)</b>	<b>(4,291)</b>

# **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

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

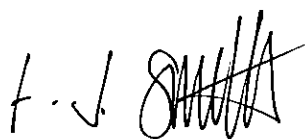
		2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net £000	2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net £000
	Note						
<b>Cost of Services</b>							
<b>Direct Revenue Expenditure:</b>							
Payments to operators	8a	33,837	(35,910)	(2,073)	33,826	(35,355)	(1,529)
Managed service contract	8b	2,206	(2,206)	-	3,144	(3,144)	-
Parking adjudication	8c	1,306	(1,306)	-	1,400	(1,524)	(124)
Payments to Northampton County Court	8d	2,680	(2,680)	-	2,451	(2,451)	-
Reimbursement of parking penalty notices to boroughs	8e	3	(3)	-	14	(14)	-
Concessionary fares reissue	8f	1,614	(1,226)	388	2,475	(1,942)	533
One off Payment to Boroughs		-	-	-	170	-	170
		<b>41,646</b>	<b>(43,331)</b>	<b>(1,685)</b>	<b>43,480</b>	<b>(44,430)</b>	<b>(950)</b>
<b>Other Operating Expenditure</b>							
Staff costs		2,964	(2,251)	713	2,946	(2,312)	634
Premises		836	(635)	201	833	(654)	179
Central Support Services		882	(670)	212	1,999	(1,568)	431
Consultancy		77	(58)	19	52	(41)	11
		<b>4,759</b>	<b>(3,614)</b>	<b>1,145</b>	<b>5,830</b>	<b>(4,575)</b>	<b>1,255</b>
<b>Net Revenue Cost of Services</b>		<b>46,405</b>	<b>(46,945)</b>	<b>(540)</b>	<b>49,310</b>	<b>(49,005)</b>	<b>305</b>
Financing and investment income and expenditure	9			241			179
<b>(Surplus)/Deficit on Provision of Services</b>				<b>(299)</b>			<b>484</b>
Actuarial (gain)/loss on pension assets and liabilities	10			(1,406)			2,739
<b>Other Comprehensive Income and Expenditure</b>				<b>(1,406)</b>			<b>2,739</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(1,705)</b>			<b>3,223</b>

**BALANCE SHEET AS AT 31 MARCH 2016**

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.

		<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>Notes</b>	<b>£000</b>	<b>£000</b>
Property, Plant and Equipment	11	927	172
<b>Long Term Assets</b>		<b>927</b>	<b>172</b>
Short Term Debtors	12	3,774	3,285
Cash and Cash Equivalents	13	3,542	4,730
<b>Current Assets</b>		<b>7,316</b>	<b>8,015</b>
Short Term Creditors	15	(4,006)	(4,686)
<b>Current liabilities</b>		<b>(4,006)</b>	<b>(4,686)</b>
Other Long Term Liabilities	10	(6,823)	(7,792)
<b>Long Term Liabilities</b>		<b>(6,823)</b>	<b>(7,792)</b>
<b>Net Liabilities</b>		<b>(2,586)</b>	<b>(4,291)</b>
Usable Reserves	16	4,269	3,535
Unusable Reserves	17	(6,855)	(7,826)
<b>Total Reserves</b>		<b>(2,586)</b>	<b>(4,291)</b>

The notes on pages 26 to 52 form part of the accounts.



F Smith CPFA  
Director of Corporate Resources

22 September 2016

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

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

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Net (deficit)/surplus on the provision of services	299	(484)
Adjustments to net (deficit)/surplus on the provision of services for non-cash movements	(715)	(546)
Adjustments for items included in the net (deficit)/surplus on the provision of services that are investing and financing activities	(11)	(39)
<b>Net cash flows from Operating Activities (note 18)</b>	<b>(427)</b>	<b>(1,069)</b>
Investing Activities (note 19)	(761)	(133)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,188)</b>	<b>(1,202)</b>
<b>Cash and cash equivalents at 1 April</b>	<b>4,730</b>	<b>5,932</b>
<b>Cash and cash equivalents at 31 March</b>	<b>3,542</b>	<b>4,730</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

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

The Statement of Accounts summarises the Committee's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Committee prepares its accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

The Statement of Accounts has been prepared with reference to:

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

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

The accounting policies have been consistently applied.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**1. Accounting Policies (continued)****b Accruals of Income and Expenditure**

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

- Revenue from the sale of goods is recognised when the Committee transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Committee;
- Revenue from the provision of services is recognised when the Committee can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Committee;
- Expenses in relation to services received (including those services provided by employees) are recorded as expenditure when services are received, rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- Income and expenditure are credited and debited to the relevant category within the Comprehensive Income and Expenditure Statement, unless they represent capital receipts or capital expenditure; and
- Creditors for grants outstanding to voluntary organisations at the year-end are included where approved by Committee, the circumstances of the voluntary organisation have not changed since approval, and evidence shows that expenditure in respect of the grant has been incurred. Creditors for ESF grants are recognised where grant claims received from voluntary organisations exceed payments made to the claimant.

**c Allocation of Income**

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

**d Cash and Cash Equivalents**

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

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

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)****1. Accounting Policies (continued)****e Contingent Liabilities**

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

**f Employee Benefits****Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Committee. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. flexi leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

**Termination Benefits**

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

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

**Post Employment Benefits**

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

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 1. Accounting Policies (continued)

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

- The liabilities of the pension fund attributable to the Committee are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, projected earnings of current employees etc.
- Liabilities are discounted to their value at current prices using, a discount rate of 3.8% (2014/15: 3.4%).
- The assets of the pension fund attributable to the Committee are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate;
  - Unutilised securities – current bid price; and
  - Property – market value.
- The change in the net pensions liability is analysed into six components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement;
  - Net interest on the net defined benefit liability (asset), ie net interest expense for the Committee – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;
  - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
  - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.



**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)****1. Accounting Policies (continued)**

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

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

**g Exceptional Items and Prior Period Adjustments**

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

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

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

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

**h Financial Instruments****Financial Liabilities**

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

Currently the Committee has no borrowings.

**Financial Assets**

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

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)****1. Accounting Policies (continued)****i Government Grants and Contributions**

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

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

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

**j Intangible Assets**

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

**k Interest Income**

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

**l 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.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 1. Accounting Policies (continued)

## m Overheads

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

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

## n Property, Plant and Equipment

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

Assets are initially measured at cost, comprising:

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

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.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 1. Accounting Policies (continued)

## o Reserves

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

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

## p Value Added Tax

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

## 2. Accounting Standards that have been Issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) has introduced changes in accounting policies which will be required from 1 April 2016. If these had been adopted for the financial year 2015/16 there would be no material changes to the Committee's accounts as detailed below.

**IAS19 Employee Benefits** – There has been a narrow scope amendment to this standard which applies to contributions from employees or third parties to defined benefit pension plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. It clarifies the requirements on the way contributions that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. This amendment will not have a material impact on the Committee's accounts.

**IFRS11 Joint Arrangements** – There have been an amendments to this standard to require an acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the business combinations accounting principles in IFRS3 (Business Combinations) and other relevant accounting standards, except for those principles that conflict with the guidance in IFRS11. The amendment also requires disclosure of the information required by IFRS3 and other relevant accounting standards. The amendments apply to both an initial acquisition and an additional acquisition of an interest in joint operations. These amendments will not have a material impact on the Committee's accounts.

**IAS16 Property, Plant and Equipment and IAS38 Intangible Assets** – There have been amendments to these standards to clarify that a depreciation or amortisation method based on revenue generated by an activity that includes the use of an asset is unacceptable under the standards. This amendment will not have an impact on the Committee's accounts as its assets are depreciated/amortised on a straight line basis over their economic life.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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

**Transport Infrastructure Assets** – A change to the Code for 2016/17 will require transport infrastructure assets to be disaggregated from infrastructure asset category within Property, Plant and Equipment. The introduction of this change will have no impact on the Committee's accounts as it does not own any infrastructure assets.

In addition to items above, there are some planned improvements to existing standards that are not expected to have a material impact on the accounts.

**3. Critical Judgements in Applying Accounting Policies**

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

The critical judgement made in the Statement of Accounts are:

**Government Funding**

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

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

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

The items in the Committee's Balance Sheet at 31 March 2016 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 £390,000. However, the assumptions interact in complex ways. During 2015/16, Barnett Waddingham LLP advised that the net pensions liability had decreased by £1.666 million as a result of a change in financial assumptions.

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)****4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty (continued)****Property, Plant and Equipment**

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

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Leasehold Improvements would increase by £13,000 for every year that useful lives had to be reduced.

**Bad Debt Provision**

At 31 March 2016, the Committee had a balance of accounts receivable debtors of £1.421 million. This amount excludes debts registered at the County Court. A review of these balances resulted in a calculation of a bad debt provision, based on the age and nature of the debts, of £101,000. 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.

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

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 22 September 2016. Events taking place after this date are not reflected in the accounts or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the accounts and notes have been adjusted in all material respects to reflect the impact of this information.

**6. Adjustments between Accounting Basis and Funding Basis Under Regulations**

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

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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

Adjustments for the year ended 31 March 2016:

	General Reserve £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 17)	437	(437)
<b>Adjustments primarily involving the Accumulated Absences Reserve:</b>		
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 17)	(2)	2
<b>Total Adjustments</b>	<b>435</b>	<b>(435)</b>

Adjustments for the year ended 31 March 2015:

	General Reserve £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 17)	341	(341)
<b>Adjustments primarily involving the Accumulated Absences Reserve:</b>		
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 17)	(8)	8
<b>Total Adjustments</b>	<b>333</b>	<b>(333)</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 7. Transfers (from)/to Specific Reserves

Transfers to and from the Specific Reserves during the year ended 31 March 2016.

	Balance at 1 April 2015 £000	Transfer out £000	Transfer In £000	Balance at 31 March 2016 £000
2020 Freedom Pass Re-issue Reserve	-	-	1,000	1,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>1,000</b>

Transfers to and from the Specific Reserves during the year ended 31 March 2015.

	Balance at 1 April 2014 £000	Transfer out £000	Transfer In £000	Balance at 31 March 2015 £000
2015 Freedom Pass Re-issue Reserve	1,800	(2,200)	400	-
<b>Total</b>	<b>1,800</b>	<b>(2,200)</b>	<b>400</b>	<b>-</b>

The 2015 and 2020 Freedom Pass Re-issue Reserves were established by the Committee on 15 December 2011 and 11 December 2014 respectively, to accumulate funds to meet the cost of the Freedom Pass reissue exercises.

## 8. 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:

- Payments to Operators - amounts paid to transport operators under the Concessionary Fare and Taxicard agreements.
- Managed Service Contract - payments to Capita Secure Information Systems for the provision of the parking facilities management services in 2015/16.
- 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.
- 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.
- Reimbursement of parking penalty notices to boroughs - reimbursements to boroughs in respect of parking penalties.
- Concessionary fares reissue - income and expenditure in connection with the Concessionary Fare re-issue.

## 9. Financing and Investment Income and Expenditure

	2015/16 £000	2014/15 £000
Interest and Investment Income	(11)	(39)
Net Loss on Pension Scheme Assets/Liabilities (see note 10)	252	218
<b>Total</b>	<b>241</b>	<b>179</b>



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 10. Pensions

As part of their terms and conditions of employment, London Councils staff are eligible to participate in the Local Government Pension Scheme (LGPS) which is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013. The scheme is contracted out of the State Second Pension and currently provides benefits based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

The administering authority for the Fund is the London Pensions Fund Authority (LPFA). The LPFA Board oversees the management of the Fund whilst the day to day fund administration is undertaken by 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 2013, the employers' contribution towards the Future Service Rate was set at 12% of pensionable pay for the period 1 April 2014 to 31 March 2017. In addition, there were annual employers' contributions to past service adjustments set at:

Year	Employers Contribution £000
2014/15	66
2015/16	69
2016/17	72

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

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

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 10. Pensions (continued)

- 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 2016 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 2016:

<b>Assumptions as at:</b>	<b>31 March 2016 (% per annum)</b>	<b>31 March 2015 (% per annum)</b>
RPI increases	3.4%	3.3%
CPI increases	2.5%	2.5%
Salary increases	4.3%	4.3%
Pension increases	2.5%	2.5%
Discount rate	3.8%	3.4%

These assumptions are set with reference to market conditions at 31 March 2016.

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.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 10. Pensions (continued)

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.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.5% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salaries are then assumed to increase at 1.8% p.a. above CPI in addition to a promotional scale.

**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 2016	31 March 2015
Retiring today:		
Males	22.4	22.3
Females	25.4	25.3
Retiring in 20 years:		
Males	24.8	24.7
Females	27.7	27.6

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.

The fair value of the pension scheme assets attributable to the Transport and Environment Committee at 31 March 2016:

	At 31 March 2016		At 31 March 2015	
	£000	%	£000	%
Equities	5,664	47%	5,471	43%
LDI/Cashflow matching	1,236	10%	946	8%
Target return portfolio	2,594	21%	3,645	29%
Infrastructure	668	5%	625	5%
Commodities	55	0%	117	1%
Property	435	4%	357	3%
Cash	1,542	13%	1,448	11%
	12,194	100%	12,609	100%

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 10. Pensions (continued)

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

The analysis of the net value of the pension scheme assets and liabilities recognised in the Balance Sheet as at 31 March 2016 is as follows:

	At 31 March 2016	At 31 March 2015
	£000	£000
Fair value of employer assets	12,194	12,609
Present value of scheme liabilities	(18,995)	(20,378)
<b>fNet Liability</b>	<b>(6,801)</b>	<b>(7,769)</b>
Present value of unfunded liabilities	(22)	(23)
<b>Net Liability in Balance Sheet</b>	<b>(6,823)</b>	<b>(7,792)</b>

The analysis of the amounts recognised in the Comprehensive Income and Expenditure Account for the year ended 31 March 2016 is as follows:

	At 31 March 2016	At 31 March 2015
	£000	£000
Service cost	434	358
Net interest on the defined liability	252	218
Administration expenses	18	18
<b>Total</b>	<b>704</b>	<b>594</b>

The reconciliation of the Defined Benefit Obligation at 31 March 2016 is as follows:

	At 31 March 2016	At 31 March 2015
	£000	£000
<b>Opening Defined Benefit Obligation</b>	<b>(20,401)</b>	<b>(15,943)</b>
Current service cost	(434)	(358)
Interest cost	(669)	(750)
Change in financial assumptions	1,666	(2,756)
Estimated benefits paid net of transfers	292	376
Contributions by scheme participants	(132)	(134)
Unfunded pension payments	1	2
Adjustment arising from apportionment of pension liability	660	(838)
<b>Closing Defined Benefit Obligation</b>	<b>(19,017)</b>	<b>(20,401)</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 10. Pensions (continued)

The reconciliation of the Fair Value of Employer's Assets at 31 March 2016 is as follows:

	At 31 March 2016	At 31 March 2015
	£000	£000
<b>Opening Fair Value of Employer's Assets</b>	<b>12,609</b>	<b>11,231</b>
Interest on assets	417	532
Return on assets less interest	(511)	263
Administration expenses	(18)	(18)
Contributions by employer	268	253
Contributions by scheme participants	132	134
Estimated benefits paid plus unfunded net of transfers in	(294)	(378)
Adjustment arising from apportionment of pension liability	(409)	592
<b>Closing Fair Value of Employer's Assets</b>	<b>12,194</b>	<b>12,609</b>

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity analysis:

	£000	£000	£000
<b>Adjustment to Discount Rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	18,627	19,017	19,413
Projected service cost	376	385	393
<b>Adjustment to Long-term Salary Increases</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	19,060	19,017	18,972
Projected service cost	385	385	384
<b>Adjustment to Pension Increases and Deferred Revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	19,374	19,017	18,666
Projected service cost	393	385	376
<b>Adjustment to Mortality Age Rating Assumption</b>	<b>+1 year</b>	<b>None</b>	<b>-1 year</b>
Present value of total obligation	19,561	19,017	18,487
Projected service cost	394	385	375

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 10. Pensions (continued)

The analysis of the re-measurements in Other Comprehensive Income and Expenditure for the year ended 31 March 2016 is as follows:

	At 31 March 2016	At 31 March 2015
	£000	£000
Return on plan assets in excess of interest	(511)	263
Change in financial assumptions	1,666	(2,756)
Adjustment arising from apportionment of pension liability	251	(246)
<b>Re-measurements</b>	<b>1,406</b>	<b>(2,739)</b>

The projections for the year to 31 March 2017 is as follows:

	31 March 2017
	£000
Service cost	385
Net interest on the defined liability	255
Administration expenses	18
<b>Total</b>	<b>658</b>
Employers contribution	260

## 11. Property, Plant and Equipment

	Furniture and Equipment £000	Leasehold Improvements £000	Total £000
<b>Cost</b>			
At 1 April 2015	122	901	1,023
Additions	17	755	772
Disposals	(122)	(729)	(851)
<b>At 31 March 2016</b>	<b>17</b>	<b>927</b>	<b>944</b>
<b>Accumulated Depreciation</b>			
At 1 April 2015	122	729	851
Charge for the year	-	17	17
Charge relating to Disposals	(122)	(729)	(851)
<b>At 31 March 2016</b>	<b>-</b>	<b>17</b>	<b>17</b>
<b>Net Book Value</b>			
<b>At 31 March 2016</b>	<b>17</b>	<b>910</b>	<b>927</b>
<b>At 31 March 2015</b>	<b>-</b>	<b>172</b>	<b>172</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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

Comparative movements in 2014/15:

	Furniture and Equipment £000	Leasehold Improvements £000	Total £000
<b>Cost</b>			
At 1 April 2014	122	729	851
Additions	-	172	172
Disposals	-	-	-
<b>At 31 March 2015</b>	<b>122</b>	<b>901</b>	<b>1,023</b>
<b>Accumulated Depreciation</b>			
At 1 April 2014	122	608	730
Charge for the year	-	121	121
Charge relating to Disposals	-	-	-
<b>At 31 March 2015</b>	<b>122</b>	<b>729</b>	<b>851</b>
<b>Net Book Value</b>			
<b>At 31 March 2015</b>	<b>-</b>	<b>172</b>	<b>172</b>
<b>At 31 March 2014</b>	<b>-</b>	<b>121</b>	<b>121</b>

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

## 12. Short Term Debtors

	31 March 2015 £000	31 March 2015 £000
Central government bodies	548	670
Other local authorities	2,244	2,014
Public corporations and trading funds	642	-
Other entities and individuals	340	601
<b>Total</b>	<b>3,774</b>	<b>3,285</b>

Included within the debtor balances above are amounts due from member boroughs (excluding payments in advance and bad debt provision) of £2.244 million (2014/15: £2.014 million), payments in advance of £192,000 (2014/15: £40,000), a bad debt provision of £210,000 (2014/15: £289,000) and other debtors of £1.548 million (2014/15: £1.52 million).

## 13. Cash and Cash Equivalents

	31 March 2016 £000	31 March 2015 £000
Cash held by the Committee	65	3,063
Cash balances held by the City of London	3,477	1,667
<b>Total</b>	<b>3,542</b>	<b>4,730</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**14. Leases****Operating Leases**

The Committee uses leased properties under the terms of operating leases. The amounts paid under these arrangements during the year amounted to £357,000 (2014/15: £323,000) 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 2016	31 March 2015
	£000	£000
Not later than one year	260	349
Later than one year and not later than five years	1,041	1,041
Later than five years	1,039	1,299
<b>Total</b>	<b>2,340</b>	<b>2,689</b>

**15. Short Term Creditors**

	31 March 2016	31 March 2015
	£000	£000
Central government bodies	(1)	-
Other local authorities	(1,820)	(2,257)
Public corporations and trading funds	(479)	(466)
Other entities and individuals	(1,706)	(1,963)
<b>Total</b>	<b>(4,006)</b>	<b>(4,686)</b>

Included within the creditor balances above are amounts due to member boroughs (excluding receipts in advance) of £1.14 million (2014/15: £1.56 million), receipts in advance of £115,000 (2014/15: £131,000), accruals of £2.748 million (2014/15: £2.991 million) and other creditors of £3,000 (2014/15: £4,000).

**16. Usable Reserves**

	31 March 2016	31 March 2015
	£000	£000
General Reserve	3,269	3,535
2020 Freedom Pass Re-issue Reserve	1,000	-
<b>Total</b>	<b>4,269</b>	<b>3,535</b>

**17. Unusable Reserves**

	31 March 2016	31 March 2015
	£000	£000
Pensions Reserve	(6,823)	(7,792)
Accumulated Absences Reserve	(32)	(34)
<b>Total</b>	<b>(6,855)</b>	<b>(7,826)</b>



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 17. Unusable Reserves (continued)

**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.

	2015/16		2014/15	
	£000	£000	£000	£000
<b>Balance at 1 April</b>		<b>(7,792)</b>		<b>(4,712)</b>
Actuarial gains or losses on pension assets and liabilities		1,406		(2,739)
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	(706)		(596)	
Employer's pensions contribution and direct payments to pensioners payable in the year	269	(437)	255	(341)
<b>Balance at 31 March</b>		<b>(6,823)</b>		<b>(7,792)</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 17. 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.

	2015/16 £000	£000	2014/15 £000	£000
Balance at 1 April		(34)		(42)
Settlement or cancellation of accrual made at the end of the preceding year	34		42	
Amounts accrued at the end of the current year	(32)		(34)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		2		8
<b>Balance at 31 March</b>		<b>(32)</b>		<b>(34)</b>

## 18. Cash Flow Statement – Operating Activities

	2015/16 £000	£000	2014/15 £000	£000
<b>(Deficit)/Surplus on Provision of Services</b>		<b>299</b>		<b>(484)</b>
Adjusted for:				
Current Service Cost Adjustment	185		123	
Depreciation	17		121	
Net return on Pension Scheme				
Assets/Liabilities	252		218	
(Increase)/Decrease in Debtors	(489)		409	
Decrease in Creditors	(680)		(1,417)	
<b>Adjustments for non-cash movements</b>		<b>(715)</b>		<b>(546)</b>
Interest and Investment Income	(11)		(39)	
<b>Adjustments for investing and financing activities</b>		<b>(11)</b>		<b>(39)</b>
<b>Net cash flows from Operating Activities</b>		<b>(427)</b>		<b>(1,069)</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 19. Cash Flow Statement – Investing Activities

	2015/16	2014/15
	£000	£000
Interest and Investment Income	11	39
Payment to Acquire Property, Plant and Equipment and Intangible Assets	(772)	(172)
<b>Total</b>	<b>(761)</b>	<b>(133)</b>

## 20. Members' Allowances

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

	2015/16	2014/15
	£000	£000
Members' Allowances	18	14

## 21. Officers' Remuneration

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

Remuneration Bands	Number of Employees	
	2015/16	2014/15
	£000	£000
£50,000 - £54,999	1	4
£55,000 - £59,999	3	-
£60,000 - £64,999	2	2
£65,000 - £69,999	1	3
£70,000 - £74,999	-	2
£75,000 - £79,999	1	-
£80,000 - £84,999	2	2
£85,000 - £89,999	2	-
£90,000 - £94,999	-	1
£95,000 - £99,999	1	1
£100,000 - £104,999	1	-
£105,000 - £109,999	1	1

These amounts include payments made to Parking Adjudicators.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 21. Officers' Remuneration (continued)

Post Holder	2015/16			2014/15		
	Salary £	Pension £	Total Remuneration £	Salary £	Pension £	Total Remuneration £
Corporate Director – Policy and Public Affairs	30,735	3,688	34,423	30,735	3,688	34,423
Corporate Director – Services	61,470	7,376	68,846	61,470	7,376	68,846
Director – Corporate Governance	4,969	596	5,565	4,896	586	5,482
<b>Total</b>	<b>97,174</b>	<b>11,660</b>	<b>108,834</b>	<b>97,101</b>	<b>11,650</b>	<b>108,751</b>

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% (2013/14: 25%)
- Corporate Director – Services – 50% (2013/14: 50%)
- Director – Corporate Governance – 5% (2013/14: 5%)

	2015/16 £	2014/15 £
Remuneration of highest paid Director	122,940	122,940
Remuneration of median member of staff	33,051	33,051
Multiple between the median member of staff and the highest paid director	3.72	3.72

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**22. Termination Benefits**

There were termination payments of £52,000 included in the Comprehensive Income and Expenditure Statement for 2015/16 (2014/15: NIL).

**23. External Audit Costs**

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

	2015/16 £000	2014/15 £000
Fees payable in respect of the audit of the Statement of Accounts:		
• Fees payable to PricewaterhouseCoopers LLP	-	31
• Rebate received from Audit Commission	-	(3)
• Fees payable to KPMG LLP	25	-
Fees payable in respect of other services provided by PricewaterhouseCoopers LLP during the year	23	49
	<b>48</b>	<b>77</b>

**24. Related Parties**

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

**Member Boroughs**

Member boroughs have direct control over the Committees activities through their membership of London Councils Transport and Environment Committee. The total value of income from subscriptions, contributions and other charges paid to London Councils by its member boroughs during 2015/16 was £33.612 million (2014/15: £33.624 million). The total value of expenditure paid to member boroughs during 2015/16, including the one-off payment from reserves, was £5,000 (2014/15: £177,000). On 31 March 2016, the value of debtor balances owed by member boroughs amounted to £2.244 million (2014/15: £2.014 million) and the value of creditor balances owed to member boroughs (including receipts in advance) amounted to £1.209 million (2014/15: £1.657 million).

**Transport for London**

A representative of Transport for London (TfL) sits on London Councils Transport and Environment Committee and therefore has influence over the activities of the Committee. The total value of income received from TfL in respect of subscriptions, contributions and charges during 2015/16 was £10.076 million (2014/15: £10.061 million). The total value of expenditure on charges and reimbursement of Penalty Charge Notices during 2015/16 was £21,000 (2014/15: £19,000). On 31 March 2016, the value of debtor balances owed by TfL amounted to £140,000 (2014/15: NIL) and the value of creditor balances owed to TfL (including receipts in advance) amounted to £390,000 (2014/15: £366,000).

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**24. Related Parties (continued)****Central Government**

Central Government has effective control over the general operations of member boroughs as it is responsible for providing the statutory framework within which the boroughs operate, provides the majority of their funding in the form of grants and prescribes the terms of many of the transactions that the boroughs have with other parties. The total value of expenditure on the registration of debts to HM Courts and Tribunal Services and other charges during 2015/16 amounted to £2.681 million (2014/15: £2.452 million). On 31 March 2016, the value of debtor balances owed by central government bodies amounted to £548,000 million (2014/15: £670,000) and the value of creditor balances owed to central government bodies (including receipts in advance) amounted to £34,000 (2014/15: Nil).

**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 was a Director of the British Parking Association. The Director of Corporate Services received no remuneration for his appointment with the BPA. The appointment ceased in July 2014. The total value of income received from the BPA for running the POPLA service and room hire charges during 2015/16 was £499,000 (2014/15: £918,000). The total value of expenditure paid to the BPA for subscriptions and other charges during 2015/16 was £860 (2014/15: £840). On 31 March 2016, the value of debtor balances owed by the BPA amounted to £317,000 (2014/15: £367,000).

**Greater London Authority**

A member of London Councils' Transport and Environment Committee was also a member of the Greater London Assembly. The total value of income received from the GLA for the operation of the Road User Charging Appeals service and other charges during 2015/16 was £783,000 (2014/15: £741,000). On 31 March 2015, the value of debtor balances owed by the GLA amounted to £413,000 (2014/15: £Nil) and the value of creditor balances owed to the GLA (including receipts in advance) amounted to £89,000 (2014/15: £100,000).

**London Councils Limited**

London Councils Limited is a wholly controlled subsidiary of London Councils. The Committee was recharged an amount of £611,000 (2014/15: £600,000) in respect of the premises cost of London Tribunals' hearing centres. On 31 March 2016, the value of creditor balances owed to the group company was £611,000 (2014/15: £600,000).

**25. Concessionary Fares**

These accounts do not include the amount of £327.922 million (2014/15: £321.596 million) paid directly by member boroughs to Transport for London in respect of the Concessionary Fares scheme.

**26. Consolidated Accounts**

These accounts form part of the consolidated accounts for London Councils from 1 April 2000. A copy of the consolidated accounts for 2015/16 can be obtained from the Director of Corporate Resources, 59½ Southwark Street, London, SE1 0AL.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

**27. Segmental Reporting**

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

**GLOSSARY****Accounting Policies**

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

**Accruals**

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

**Actuarial Gains and Losses**

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

**Actuary**

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

**Balance Sheet**

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

**Budget**

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

**Capital Charges**

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

**Capital Expenditure**

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

**Carrying amount**

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

**Change in Accounting Estimate**

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

**Consistency**

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

**Contingent**

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

**Creditors**

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



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

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

**Current Expenditure**

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

**Current Liability**

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

**Current Service Cost**

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

**Curtailments**

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

**Debtors**

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

**Depreciation**

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

**Employee benefits**

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

**Events after the reporting period**

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

**Fair Value**

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

**Fixed Assets**

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

**Historical Cost**

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

**Impairment**

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

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

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

**Inventories**

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

**Levies**

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

**Material**

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

**Net Realisable Value**

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

**Operational Assets**

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

**Past Service Cost**

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

**Pensions Interest Cost**

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

**Post Balance Sheet Events**

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

**Post-Employment Benefits**

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

**Present Value of a Defined Benefit Obligation**

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

**Provision**

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

**GLOSSARY (continued)****Prudence**

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

**Recharges**

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

**Recoverable Amount**

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

**Related Parties**

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

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

**Related Party Transaction**

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

**Remuneration**

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

**Reserves**

Sums set aside to finance future spending for purposes falling outside the definition of a provision.

Reserves set aside for stated purposes are known as earmarked reserves. The remainder are unallocated reserves, often described as balances.

**Residual Value**

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

**Short-Term Employee Benefits**

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

**Specific Grants**

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

**Specific Reserves**

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

**GLOSSARY (continued)**

**Tangible Fixed Assets**

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

**Useful Life**

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

**VAT**

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



# Executive

## Report of decision taken under Urgency Procedure

Item no: 11

<b>Report by:</b>	Derek Gadd	<b>Job title:</b>	Head of Governance
<b>Date:</b>	17 January 2017		
<b>Contact Officer:</b>	Derek Gadd		
<b>Telephone:</b>	020 7934 9505	<b>Email:</b>	Derek.gadd@londoncouncils.gov.uk

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<b>Summary</b>	London Councils' urgency procedure was used to secure a decision on: RSA Growth Commission
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<b>Recommendations</b>	The Executive is asked to note the decision taken under the urgency procedure.
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# London CIV resources and budget

## Background

The [RSA Inclusive Growth](#) Commission follows on from the Cities Growth Commission, which concluded in 2015.

The 12 month independent inquiry aims to 'understand and identify practical ways to make local economies across the UK more economically inclusive and prosperous', and is chaired by former BBC economics editor Stephanie Flanders. The commission will seek to 'devise new models for place-based growth, which enable the widest range of people to participate fully in, and benefit from, the growth of their local area'.

The interim report can be found [here](#). It set out a series of recommendations focused on:

- Integrating economic and social policy
- Devolution that is social as well as economic
- More funding to support inclusive growth at a local level
- Prioritising prevention and early intervention.

## Summary

London Councils is one of the sponsors for the Commission, and has been involved in the ongoing research and engagement process of the Commission, including facilitating a 'deep dive' event in Barking and Dagenham

As part of their wider research the RSA are carrying out a call for evidence to feed in to their final report on what makes inclusive growth.

## Recommendations

- Elected Officers of Leaders' Committee were asked to agree the London Councils submission by close of business on Wednesday 21<sup>st</sup> December 2016. The Urgency was approved.