



LONDON COUNCILS GRANTS COMMITTEE

STATEMENT OF ACCOUNTS

YEAR ENDED 31 MARCH 2017

LONDON COUNCILS – GRANTS COMMITTEE

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

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

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

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

London Councils Grants Committee

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

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

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

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

Financial Year 2016/17

The financial year 2016/17 saw several developments. First, the Chair of the Grants Committee, Cllr Paul McGlone was re-elected for a fifth term. He oversaw:

- The delivery of the final year of the 2013/17 four-year Programme
- The Review of the 2013/17 Grants Programme.

The 2013/17 Programme has 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

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

- 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:

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.

Review

The Review of the 2013/17 Grants Programme concluded that any successor programme should operate under the same principles (set out above). It considered substantial evidence gathered including two public consultations. The Leaders and Grants Committees decided that there would be a new, four-year 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).

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

It was agreed that funded projects would be more tightly focused on outcomes, that there should be more project visibility in and sharper accountability to boroughs, and better joint work between providers in different priorities.

In its work, the Grants Committee is supported by the Grants and Community Services division of officers in London Councils. They managed the performance of the organisations involved in the 2013/17 programme which are currently being brought to a close. They defined the specifications for services under the priorities of the new 2017/21 programme, seeking applications from interested organisations, evaluating the applications and advising the Committee on which organisations to award commissions.

The Grants Committee made the awards to selected organisations. Officers have worked with these organisations to ensure they start operation in early 2017/18 and have advised the Committee on the performance management framework for the 2017/21 programme.

In addition, the Committee funded London Councils to deliver a work plan for Leadership in the Third Sector for the 2017/21 programme. This involves working with the City Bridge Trust and, where available, other independent funders, to ensure that local needs identified by boroughs are reflected in their decision making. It also involves working with London Funders and other stakeholders to take forward work on voluntary sector infrastructure which is mapped out in the *Way Ahead* report.

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 operates an ESF programme. This 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. Six new projects were commissioned in the summer of 2016.

Looking forward to 2017/18

We look forward to continuing to tackle the priorities set by Leaders' and Grants Committees in the coming year. We will do this by investing in front-line projects on behalf of London boroughs, which are, in some relevant cases, also match funded by ESF. We will manage the performance of these commissions and report to the Committee on a regular basis. We will take forward work on Leadership in the Third Sector to ensure that boroughs' views on changes in voluntary sector infrastructure are clearly represented.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

Financial Review

The Committee's accounts for the 2016/17 financial year are set out over the following pages. They include:

- i) Statement of Responsibilities for the Statement of Accounts (page 6);
- ii) Expenditure and Funding Analysis (page 16);
- iii) Comprehensive Income and Expenditure Statement (page 17);
- iv) Movement in Reserves Statement (page 18);
- v) Balance Sheet (page 19);
- vi) Cash Flow Statement (page 20); and
- vii) Notes to the Accounts (page 21 - 41).

Revenue expenditure

The Leaders' Committee approved a gross expenditure budget for 2016/17 in December 2015 of £10.486 million, of which £9.385 million related to payments to commissioned services, with the residual budget of £615,000 relating to management and administration expenditure. The London boroughs gave agreement to the budget by the statutory two-thirds majority before the end of January 2016.

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

	Revised Budget £000	Actual £000	Variation £000
Expenditure	10,486	8,657	(1,829)
Income	(10,000)	(8,640)	1,360
Net cost of services	486	17	(469)
Interest Expense	-	29	29
Deficit for the year	486	46	(440)
Net Transfer from Reserves	(486)	(563)	(77)
Surplus for the year (including transfer from reserves)	-	(517)	(517)

The surplus of £517,000 is attributable to a break even result in relation to London Councils main grants programme and a surplus of £517,000 in the European Social Fund (ESF) match funded grants programme.

The break even position on the main grants programme is attributable to:

- an underspend of £47,000 in relation to payments for commissioned services during 2016/17; and
- a net overspend of £47,000 in relation to grants administration expenditure attributable to overspends of £50,000 in respect of salary costs and £35,000 for general running costs and central recharges, offset by £17,000 from investment income received on Committee reserves, an underspend of £14,000 in respect of the London Funders Group subscription attributable to the ESF programme, plus an additional transfer from reserves of £6,000 to cover the cost of the post providing support to the Third Sector from the start of March 2017. The net overspend position is primarily attributable to work surrounding the reletting of the commissions in accordance with the priority themes agreed by the Leaders' Committee, with effect from 1 April 2017.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

For the ESF/borough funded commissions, the surplus of £517,000 is attributable to the new 2016-18 ESF programme, which started in November 2016. Payments of £846,000 have been made to providers; however, all of these payments are treated as payments in advance and therefore do not impact on the 2016/17 outturn figures. Similarly, 50% of this amount (£423,000) that is funded out of the £1 million boroughs contributions levied during 2016/17 is treated as deferred income and equally has no impact on the provisional results for the year. Administrative costs, estimated to be in the region of £123,000, including the contribution of £14,000 to the London Funders Group, have been incurred in respect of the new programme, for which grant of £63,000 is expected to accrue.

The Balance Sheet shows that the General Fund reserve balance has increased from £1.993 million at the beginning of the year to £2.018 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 2017 and of its income and expenditure for the year ending 31 March 2017.



Dr Peter Kane CPFA
The Chamberlain, City of London

21 September 2017

APPROVAL CERTIFICATE

At a meeting of London Councils' Audit Committee held at 59½ Southwark Street, London, SE1 0AL on 21 September 2017, the statement of accounts were approved on behalf of the Committee.

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

Cllr Roger Ramsey
Chair of London Councils' Audit Committee

21 September 2017

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 2017 and up to the date of approval of the statement of accounts.

The governance framework

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

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

ANNUAL GOVERNANCE STATEMENT (continued)

- **Measuring the performance of services** – The Committee produces an Annual Review at the end of each financial year which provides a summary of the key activities over the last year and highlights the key achievements. Data collected on the performance of activities and services during the year feeds into the production of a key achievements report at the year end. London Councils Corporate Management Board (CMB), the London Councils Executive and the Grants and Transport and Environment Committees receive regular financial management reports that monitor actual income and expenditure trends against approved budgets. London Councils operates a complaints procedure which provides an opportunity to put things right if an error is made and assists in the search to improve the quality of services to member authorities and to Londoners. There are also a number of internal management mechanisms, such as 1:1 review meetings and a fully embedded performance appraisal framework which monitor on-going progress against objectives.
- **Defining and documenting roles and responsibilities** – The London Councils Agreement sets out the main functions and obligations of London Councils and its member authorities. The Agreement includes the standing orders and financial regulations which provide details of the delegation arrangements in place. There is a scheme of delegations to officers in place which was last reviewed, updated and approved by the Leaders' Committee at its Annual General Meeting on 7 June 2016. 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 7 June 2016. 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 approved by the Audit Committee in September 2016. London Councils Corporate Risk Register is primarily compiled from the Risk Registers for each of London Councils three Directorates. The Corporate Risk Register is reviewed in accordance with London Councils Risk Management Framework which includes an annual review by the Audit Committee and was last reviewed in September 2016. The Directorate Risk Registers are reviewed by the Audit Committee on a rolling basis. London Councils' Corporate Management Board ensures that the risk registers, both Directorate and Corporate, continue to support London Councils' corporate priorities, which provides members with assurance on how the risks identified are being managed.

ANNUAL GOVERNANCE STATEMENT (continued)

- **Anti-fraud and anti-corruption arrangements** – London Councils is committed to having an effective Anti-Fraud and Anti-Corruption strategy designed to promote standards of honest and fair conduct, prevent fraud and corruption, detect and investigate fraud and corruption, prosecute offenders, recover losses and maintain strong systems of internal control. There are two separate policies in place London Councils Whistle Blowing Policy which was last updated in July 2016 and London Councils Policy to Combat Fraud, Bribery and Corruption, which was agreed by London Councils Audit Committee in March 2014 and reviewed in February 2016. Both documents are available on London Councils' intranet and website.
- **Effective management of change and transformation** – London Councils has a framework for managing organisational change which is available to all staff on the intranet. The framework provides guidance on the statutory elements of managing change and issues that should be considered when implementing changes.
- **Financial management arrangements** – London Councils' financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.
- **Assurance arrangements** – London Councils' internal audit function is carried out by the City of London's internal audit team under a service level agreement for financial support services. These arrangements conform with the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit in public service organisations and Public Sector Internal Audit Standards.
- **Discharge of the monitoring officer function** – • This is a statutory post under Section 5 of the Local Government and Housing Act 1989 and as such is not applicable to London Councils which is a joint committee¹. However, legal advice is provided to London Councils by the City of London Corporation including governance advice and support which in a local authority would generally be provided by the borough solicitor and monitoring officer .
- **Discharge of the head of paid service function** – London Councils' Chief Executive is the head of paid service. As with all officers, the Chief Executive is issued with a job description which confirms his duties within the organisation. He is subject to appraisal arrangements with Group Leaders who assess his performance against agreed objectives.
- **Audit Committee** – 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.
- **Response to audit recommendations** – The Committee responds to information requests and queries received from its external auditor on a timely basis. External and internal audit findings and recommendations are considered by officers and appropriate responses which include implementation timescales are provided to the auditors. Audit reports, which include management responses, are presented to the Audit Committee to consider and are published along with the Committee papers on the website. The implementation of audit recommendations are monitored on a regular basis.

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

ANNUAL GOVERNANCE STATEMENT (continued)

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

ANNUAL GOVERNANCE STATEMENT (continued)**Review of effectiveness**

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

- The work of Internal Audit, undertaken by the City of London under a service level agreement, and the annual opinion of the Head of Audit & 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 2016/17.
- 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 2017/18

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2017/18:

Information Governance and Security

A new legal framework on data protection will apply in the UK from 25 May 2018. The framework takes the form of a regulation called the General Data Protection Regulation (GDPR) and replaces current legislation on data protection. Whilst the regulation has similarities with the existing Data Protection Act, it also places new obligations on organisations that hold personal and sensitive data. During 2017/18, London Councils will continue to improve its internal controls and procedures in relation to the governance and security of personal and sensitive data to ensure they are robust and comply with the new regulation. An internal audit review on information governance and security will be completed in 2016/17.

London Councils will take adequate steps over the coming year to address the above matter 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.

ANNUAL GOVERNANCE STATEMENT (continued)

Significant governance issues

There are no significant governance issues.



John O'Brien
Chief Executive

21 September 2017



Cllr Claire Kober OBE
Chair of London Councils

21 September 2017

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 2017 on pages 16 to 41. 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 2016/17.

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 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 2017 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 2016/17.

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

Matters on which we are required to report by exception

We report to you if:

- the Annual Governance Statement set out on pages 8 to 13 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or
- the information given in the Narrative Statement 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.



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

25 September 2017

EXPENDITURE AND FUNDING ANALYSIS FOR THE YEAR ENDED 31 MARCH 2017

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

	2016/17	2016/17	2016/17	2015/16	2015/16	2015/16
	Net Expenditure Chargeable to Usable Reserves £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Net Expenditure Chargeable to Usable Reserves £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Cost of Services						
Borough commissioned services	(47)	-	(47)	(261)	-	(261)
ESF commissioned services	(517)	-	(517)	(464)	-	(464)
One off Payment to Boroughs	486	-	486	-	-	-
Net Cost of Services	(78)	-	(78)	(725)	-	(725)
Other Operating Expenditure	70	25	95	70	35	105
Financing and investment income and expenditure	(17)	46	29	(14)	46	32
(Surplus)/Deficit on Provision of Services	(25)	71	46	(669)	81	(588)
Opening Usable Reserve Balance	(1,993)			(1,324)		
Surplus	(25)			(669)		
Closing Usable Reserve Balance	(2,018)			(1,993)		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

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

	Notes	2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net £000	2015/16 Gross Expenditure £000 (Restated)	2015/16 Gross Income £000 (Restated)	2015/16 Net £000 (Restated)
Cost of Services							
Borough commissioned services		7,458	(7,505)	(47)	7,304	(7,565)	(261)
ESF commissioned services		-	(517)	(517)	952	(1,416)	(464)
One off Payment to Boroughs		486	-	486	-	-	-
Cost of Services		7,944	(8,022)	(78)	8,256	(8,981)	(725)
Other Operating Expenditure	8	713	(618)	95	633	(528)	105
Financing and investment income and expenditure	9	46	(17)	29	46	(14)	32
Deficit/(Surplus) on Provision of Services		8,703	(8,657)	46	8,935	(9,523)	(588)
Re-measurement of the net defined liability	10			283			(397)
Other Comprehensive Income and Expenditure				283			(397)
Total Comprehensive Income and Expenditure				329			(985)

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

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.

	2016/17		2015/16		Total Committee Reserves
	Usable Reserves	Unusable Reserves	Usable Reserves	Unusable Reserves	Total Committee Reserves
	£000	£000	£000 (Restated)	£000 (Restated)	£000 (Restated)
Balance at 1 April	1,993	(1,252)	1,324	(1,568)	(244)
Total Comprehensive Income and Expenditure	(46)	(283)	588	397	985
Adjustments between accounting basis and funding basis under regulations (note 7)	71	(71)	81	(81)	-
Increase/(Decrease)	25	(354)	669	316	985
Balance at 31 March	2,018	(1,606)	1,993	(1,252)	741

BALANCE SHEET AS AT 31 MARCH 2017

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 2017 £000	31 March 2016 £000
Short Term Debtors	12	909	-
Cash and Cash Equivalents	13	2,288	2,303
Current Assets		3,197	2,303
Short Term Creditors	14	(1,187)	(319)
Current Liabilities		(1,187)	(319)
Other Long Term Liabilities	10	(1,598)	(1,243)
Long Term Liabilities		(1,598)	(1,243)
Net Assets		412	741
Usable Reserves		2,018	1,993
Unusable Reserves	15	(1,606)	(1,252)
Total Reserves		412	741

The notes on pages 21 to 41 form part of the accounts.



Dr Peter Kane CPFA
The Chamberlain, City of London

21 September 2017

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

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.

	2016/17	2015/16
	£000	£000
Net (deficit)/surplus on the provision of services	(46)	588
Adjustments to net (deficit)/surplus on the provision of services for non-cash movements	31	497
Adjustments for items included in the net (deficit)/surplus on the provision of services that are investing and financing activities	(17)	(14)
Net cash flows from Operating Activities (note 16)	(32)	1,071
Investing Activities (note 17)	17	14
Net increase/(decrease) in cash and cash equivalents	(15)	1,085
Cash and cash equivalents at 1 April	2,303	1,218
Cash and cash equivalents at 31 March	2,288	2,303

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**1. Accounting Policies****a General Principles**

The Statement of Accounts summarises the Committee's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Committee prepares its accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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 2017 (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 2017 (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 2017 (continued)

1. Accounting Policies (continued)

- The liabilities of the pension fund attributable to the Committee are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, projected earnings of current employees etc.
- Liabilities are discounted to their value at current prices using, a discount rate of 2.8% (2015/16: 3.8%).
- The assets of the pension fund attributable to the Committee are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;
 - Unutilised securities – current bid price; and
 - Property – market value.
- The change in the net pensions liability is analysed into the following components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement;
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Committee – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;
 - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
 - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (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 2017 (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 2017 (continued)**1. Accounting Policies (continued)**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

n Reserves

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

o Value Added Tax

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

2. Restatement of Comparatives

The comparatives of the Comprehensive income and Expenditure Statement have been restated to reflect the new requirement to include a segmental analysis that reports performance on the same basis that the Committee operates, monitors and manages its financial performance. The changes to the Code also require the inclusion of a new Expenditure and Funding Analysis as well as some minor changes to the format of the Movement in Reserves Statement. The changes do not have a financial impact on the Total Comprehensive Income and Expenditure or the Net Assets for the year.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) has introduced changes in accounting policies which will be required from 1 April 2017. If these had been adopted for the financial year 2016/17 there would be no material changes to the Committee's accounts as detailed below.

IAS17 Statement of Cash Flows – There has been a narrow scope amendment to this standard which require entities to provide a reconciliation of the amounts in the opening and closing Balance Sheet for each item for which cash flows have been, or would be, classified as financing activities and disclose matters that are relevant to understanding the entity's liquidity, such as restrictions that affect the decisions of an entity to use cash and cash equivalent balances. This amendment will not have a material impact on the Committee's accounts.

Amendments to IFRS10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates and Joint Ventures – The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. These amendments do not apply to the Committee as it is not an investment entity.

4. Critical Judgements in Applying Accounting Policies

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

The 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.

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

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

The items in the Committee's Balance Sheet at 31 March 2017 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.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

The effect on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £89,000. However, the assumptions interact in complex ways. During 2016/17, Barnett Waddingham LLP advised that the net pensions liability had increased by £892,000 as a result of changes in the financial assumptions.

6. Events After the Balance Sheet Date

The Statement of Accounts will be authorised for issue by the Director of Corporate Resources on 21 September 2017. 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 2017, the figures in the accounts and notes have been adjusted in all material respects to reflect the impact of this information.

7. Note to the Expenditure and Funding Analysis

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

Adjustments between funding and accounting basis during 2016/17:

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

7. Note to the Expenditure and Funding Analysis (continued)

Adjustments between funding and accounting basis during 2015/16:

Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure	Pension Adjustments £000	Accumulated Absence Adjustments £000	Total Adjustments £000
Borough commissioned services	-	-	-
ESF commissioned services	-	-	-
One off Payment to Boroughs	-	-	-
Net Cost of Services	-	-	-
Other Operating Expenditure	34	1	35
Financing and investment income and expenditure	46	-	46
Difference between General Reserve and Comprehensive Income and Expenditure Statements (Surplus)/Deficit on Provision of Services	80	1	81

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

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

Accumulated Absence adjustments – This adjustment relates to the amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.

8. Other Operating Expenditure

	2016/17 £000	2015/16 £000
Staff costs	519	474
Premises costs	69	45
Other running costs	125	114
Total	713	633

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

9. Financing and Investment Income and Expenditure

	2016/17 £000	2015/16 £000
Interest and Investment Income	(17)	(14)
Net loss on Pension Scheme Assets/Liabilities (see note 10)	46	46
Total	29	32

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 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. Based on the triennial valuation as at 31 March 2016, the employers' contribution towards the Future Service Rate was set at 12% of pensionable pay for the period 1 April 2017 to 31 March 2020.

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;

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

10. Pensions (continued)

- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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

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

The LPFA, as administering authority, provided Barnett Waddingham LLP, an independent firm of qualified actuaries with scheme membership information as at 31 March 2016 for all employees within London Councils as part of the triennial valuation. Assets were allocated within the LPFA Pension Fund based on these calculated liabilities. The triennial valuation as at 31 March 2016 was the starting point for the 'roll forward' IAS 19 valuations. In order to assess the actuarial value of the LPFA Pension Fund's liabilities as at 31 March 2017 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 2017:

Assumptions as at:	31 March 2016 (% per annum)	31 March 2016 (% per annum)
RPI increases	3.6%	3.4%
CPI increases	2.7%	2.5%
Salary increases	4.2%	4.3%
Pension increases	2.7%	2.5%
Discount rate	2.8%	3.8%

These assumptions are set with reference to market conditions at 31 March 2017.

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

10. Pensions (continued)

The discount rate is the annualised yield at the 22 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 22 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. 2.7% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is consistent with the approach used at the last accounting date.

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

Demographic and Statistical Assumptions

A set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2016 have been adopted. The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are then projected using the CMI 2015 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are:

	31 March 2017	31 March 2016
Retiring today:		
Males	21.9	22.4
Females	24.5	25.4
Retiring in 20 years:		
Males	24.2	24.8
Females	26.8	27.7

The following assumptions have also been made:

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

10. Pensions (continued)

The fair value of the pension scheme assets attributable to the Grants Committee at 31 March 2017:

	At 31 March 2017		At 31 March 2016	
	£000	%	£000	%
Equities	1,594	59%	1,032	47%
LDI/Cashflow matching	-	-	225	10%
Target return portfolio	568	21%	473	21%
Infrastructure	142	5%	122	5%
Commodities	-	-	10	0%
Property	137	5%	79	4%
Cash	249	9%	281	13%
	2,690	100%	2,222	100%

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

Previously, synthetic equities, swaps and other Liability Driven Investment were included in the LDI/Cashflow matching category with any cash collateral included in the Cash category. This year, to reflect the way that the Local Pensions Partnership show this in their asset allocation, the synthetic equities have been grouped with traditional equities and the swaps and other Liability Driven Investment are grouped as Cash. In addition, the commodities and infrastructure asset classes have been combined as infrastructure this year.

The analysis of the net value of the pension scheme assets and liabilities recognised in the Balance Sheet as at 31 March 2017 is as follows:

	At 31 March 2017	At 31 March 2016
	£000	£000
Fair value of employer assets	2,690	2,222
Present value of scheme liabilities	(4,284)	(3,462)
Net Liability	(1,594)	(1,240)
Present value of unfunded liabilities	(4)	(3)
Net Liability in Balance Sheet	(1,598)	(1,243)

The analysis of the amounts recognised in the Comprehensive Income and Expenditure Account for the year ended 31 March 2017 is as follows:

	At 31 March 2017	At 31 March 2016
	£000	£000
Service cost	67	79
Net interest on the defined liability	46	46
Administration expenses	3	3
Total	116	128

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

10. Pensions (continued)

The reconciliation of the Defined Benefit Obligation at 31 March 2017 is as follows:

	At 31 March 2017	At 31 March 2016
	£000	£000
Opening Defined Benefit Obligation	(3,465)	(4,084)
Current service cost	(67)	(79)
Interest cost	(129)	(122)
Change in financial assumptions	(892)	304
Change in demographic assumptions	27	-
Experience gain on defined benefit obligation	151	-
Estimated benefits paid net of transfers	65	53
Contributions by scheme participants	(23)	(24)
Adjustment arising from apportionment of pension liability	45	487
Closing Defined Benefit Obligation	(4,288)	(3,465)

The reconciliation of the Fair Value of Employer's Assets at 31 March 2017 is as follows:

	At 31 March 2017	At 31 March 2016
	£000	£000
Opening Fair Value of Employer's Assets	2,222	2,524
Interest on assets	83	76
Return on assets less interest	368	(93)
Other actuarial gains	46	-
Administration expenses	(3)	(3)
Contributions by employer	45	49
Contributions by scheme participants	23	24
Estimated benefits paid plus unfunded net of transfers in	(66)	(54)
Adjustment arising from apportionment of pension liability	(28)	(301)
Closing Fair Value of Employer's Assets	2,690	2,222

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

10. Pensions (continued)

Sensitivity analysis:

	£000	£000	£000
Adjustment to Discount Rate	+0.1%	0.0%	-0.1%
Present value of total obligation	4,199	4,288	4,380
Projected service cost	96	98	101
Adjustment to Long-term Salary Increases	+0.1%	0.0%	-0.1%
Present value of total obligation	4,299	4,288	4,278
Projected service cost	98	98	98
Adjustment to Pension Increases and Deferred Revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	4,369	4,288	4,209
Projected service cost	101	98	96
Adjustment to Mortality Age Rating Assumption	+1 year	None	-1 year
Present value of total obligation	4,422	4,288	4,140
Projected service cost	101	98	95

The analysis of the re-measurements in Other Comprehensive Income and Expenditure for the year ended 31 March 2017 is as follows:

	At 31 March 2017	At 31 March 2016
	£000	£000
Return on plan assets less interest	368	(93)
Other actuarial gains on assets	46	-
Change in financial assumptions	(892)	304
Change in demographic assumptions	27	-
Experience gain on defined benefit obligation	151	-
Adjustment arising from apportionment of pension liability	17	186
Re-measurements	(283)	397

The projections for the year to 31 March 2018 is as follows:

	2017/18
	£000
Service cost	98
Net interest on the defined liability	44
Administration expenses	4
Total	146
Employers contribution	33

11. Capital Commitments

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

12. Short Term Debtors

	31 March 2017	31 March 2016
	£000	£000
Public corporations and trading funds	63	-
Other entities and individuals	846	-
Total	909	-

Included within the debtor balances above are payments in advance of £846,000 (2015/16: Nil) and other debtors of £63,000 (2015/16: Nil).

13. Cash and Cash Equivalents

	31 March 2017	31 March 2016
	£000	£000
Cash balances held by the City of London	2,288	2,303
Total	2,288	2,303

14. Short Term Creditors

	31 March 2017	31 March 2016
	£000	£000
Other local authorities	(423)	-
Public corporations and trading funds	-	-
Other entities and individuals	(764)	(319)
Total	(1,187)	(319)

Included within the creditor balances above are accruals of £764,000 (2015/16: £319,000) and receipts in advance of 423,000 (2015/16: Nil).

15. Unusable Reserves

	31 March 2017	31 March 2016
	£000	£000
Pensions Reserve	(1,598)	(1,243)
Accumulated Absences Reserve	(8)	(9)
Total	(1,606)	(1,252)

Pensions Reserve

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

15. Unusable Reserves (continued)

	2016/17		2015/16	
	£000	£000	£000	£000
Balance at 1 April		(1,243)		(1,560)
Actuarial (loss)/gain on pension assets and liabilities		(283)		397
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	(117)		(129)	
Employer's pensions contribution and direct payments to pensioners payable in the year	45	(72)	49	(80)
Balance at 31 March		(1,598)		(1,243)

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.

	2016/17		2015/16	
	£000	£000	£000	£000
Balance at 1 April		(9)		(8)
Settlement or cancellation of accrual made at the end of the preceding year	9		8	
Amounts accrued at the end of the current year	(8)		(9)	
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		(1)
Balance at 31 March		(8)		(9)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

16. Cash Flow Statement – Operating Activities

	2016/17 £000	£000	2015/16 £000	£000
Surplus/(Deficit) on Provision of Services		(46)		588
Adjusted for:				
Current service cost adjustment	26		34	
Amortisation of intangible assets	-		1	
Net loss on pension scheme assets/liabilities	46		46	
Increase/(Decrease) in debtors	(909)		433	
Decrease in creditors	868		(17)	
Adjustments for non-cash movements		31		497
Interest and Investment Income	(17)		(14)	
Adjustments for investing and financing activities		(17)		(14)
Net cash flows from Operating Activities		(32)		1,071

17. Cash Flow Statement – Investing Activities

	2016/17 £000	2015/16 £000
Interest and Investment Income	17	14
Total	17	14

18. Members' Allowances

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

	2016/17 £000	2015/16 £000
Members Allowances	19	19

19. Officers' Remuneration

There are no employees whose remuneration (including termination payments but excluding employer's pension contributions) was £50,000 or more (2015/16: Nil).

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

19. Officers' Remuneration (continued)

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 – 14% (2015/16: 25%)
- Director, Corporate Governance – 5% (2015/16: 5%)
- Strategic Director, Young People Education and Skills, Community Services and Grants – 16% (2015/16: Nil) from 5 December 2016

Senior officers remuneration during 2016/17

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

Senior officers remuneration during 2015/16

Post Holder	Salary £	Compensation for Loss of Office £	Pension Contributions £	Total Remuneration £
Corporate Director – Services	30,735	-	3,688	34,423
Director – Corporate Governance	4,969	-	596	5,565
Total	35,704	-	4,284	39,988

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

20. Termination Benefits

There were termination payments of £10,000 (2015/16 £3,000) included in the Comprehensive Income and Expenditure Statement for 2016/17.

21. External Audit Costs

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

	2016/17 £000	2015/16 £000
Fees payable in respect of the audit of the Statement of Accounts:		
Fees payable to KPMG LLP	2	3
	2	3

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 2016/17 was £8.578 million (2015/16: £9.014 million). The total value of the one-off payment to boroughs during 2016/17 was £486,000 (2015/16: Nil). On 31 March 2017, there were no debtor balances owed by member boroughs (2015/16: Nil) and the value of creditor balances owed to member boroughs (including receipts in advance) amounted to £423,000 (2015/16: Nil).

23. Grant Commitments

The value of commitments in 2017/18 is £8.053 million. Included within these amounts is £1.88 million in respect of the European Social Fund (ESF) Co-Financing Programme. The Committee will receive a contribution of £940,000 from ESF which represents 50% of the total grant expenditure under the co-financing programme.

24. Consolidated Accounts

These accounts form part of the consolidated accounts for London Councils. A copy of the consolidated accounts for 2016/17 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.