



LONDON COUNCILS GRANTS COMMITTEE

STATEMENT OF ACCOUNTS

YEAR ENDED 31 MARCH 2021

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 awards funding to 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 approves the budget, annually.

The 2017-22 Grants Programme

In response to Covid-19, in July 2020, the Grants Committee agreed that the 2017 to 2021 programme be extended until March 2022 to allow time to develop a new programme that reflects a changed London.

Principles

The 2017-22 programme operates under the following principles agreed by the Leaders' Committee:

- services deliver effectively and can meet outcomes specified by London Councils
- services complement existing local provision and support those local organisations in delivery of services
- services are more economical and efficient to deliver on a London wide basis (or where mobility is key to delivery of a service to secure personal safety i.e. emergency refuge provision)
- services cannot reasonably be delivered locally (borough or sub-regional level)
- services work with statutory and non-statutory partners and contribute to meeting the objectives of the Equality Act 2010.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

The financial year 2020-21 was the fourth year of the extended five-year programme, which continued to cover two priority areas:

Priority 1 Combatting Homelessness - £12.4 million (over 5 years)

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

Five projects are funded under this priority.

Priority 2 Tackling Sexual and Domestic Violence - £18.5 million (over 5 years)

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

Eight projects are funded under this priority.

Other Grant Funded Activity

In May 2020, the Grants Committee approved an additional £945,000 investment into both priorities (underspend from an ESF/grants funded programme that completed in 2019) to increase advice services to people with no recourse to public funds.

In March 2021, the Grants Committee approved a £300,000 investment (from accumulated grants reserves), and matched funds with the Greater London Authority to set up emergency accommodation exclusively for under 25-year olds to help address the growing issue of young people sleeping rough during 2020.

London Councils works closely with London Funders to meet 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 (London Councils is represented on the London Funders Board of Trustees).

Progress to date

Progress on the current Grants programme is reported to Grants Committee regularly. The last performance update provided information for the first four years of the programme. In summary:

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

- Priority 1 overall was 9 per cent above profile. All five Priority 1 projects are rated as making good progress against all metrics.
- Priority 2 overall was 9 per cent below profile. Seven projects funded under Priority 2 are making good progress against all metrics, one is under performance improvement measures.

Looking forward to 2021-22

We will continue to tackle the priorities set by Leaders' and Grants Committees in the coming year, in the context of the extraordinary circumstances that London has faced over the past year, and will continue to face for some time due to the lasting effects of Covid-19 and the measures needed to lessen its spread. We will continue to be mindful of the need to complement and support London's recovery and renewal and will ensure the programme remains alive to a changing landscape, and the changing needs of some of our most vulnerable residents. We will manage the performance of the programme and report to the Grants Committee on a regular basis.

With the decision to extend the current Grants programme for a year to ensure the continuation of services to boroughs to March 2022, planning and design of a new grants programme for 2022 to 2026 begun afresh in 2020-21 and a new timetable of activity was agreed by the Grants Committee to enable a new programme to start in 2022.

We will continue to work on the implementation of the new 2022-2026 pan-London Grants Programme to further support London's recovery and renewal and complement the work of London's boroughs. An initial expression of interest phase opened in April, with grant applications being invited over the summer. Decisions on applications will be made in November 2021, with a view to services commencing on 1 April 2022.

During this time, the current 2017-2022 programme will deliver its final year of services. An evaluation of the programme has been commissioned by London Councils.

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

The Committee's accounts for the 2020/21 financial year are set out over the following pages. They include:

- i) Statement of Responsibilities for the Statement of Accounts (page 6);
- ii) Comprehensive Income and Expenditure Statement (page 20);
- iii) Movement in Reserves Statement (page 21);
- iv) Balance Sheet (page 22);
- v) Cash Flow Statement (page 23); and
- vi) Notes to the Accounts (page 24 - 46).

Revenue expenditure

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

	Budget	Actual	Variation
	£000	£000	£000
Expenditure	6,668	7,259	591
Income	(6,668)	(6,704)	(36)
Net cost of services	-	555	555
Interest Expense	-	(5)	(5)
Deficit for the year	-	550	550
Net Transfer from Reserves	-	(665)	(665)
Surplus for the year			
(including transfer from reserves)	-	(115)	(115)

The surplus of £115,000 is due to an underspend of £72,000 in respect of the payments to commissioned services and £43,000 in respect of the administration of the scheme.

The surplus on commissioned services is mainly due to accumulated underspends of less than £10k against anticipated budgets for six grant funded organisations. These underspends were due to lower costs associated with pivoting work due to Covid-19 (staff travel, recruitment, venue hirer and catering, volunteer costs, delayed set up of special initiatives etc.). The Grants Team is working with these organisations to look at reinvesting these sums into the final year of the programme to support Covid-19 recovery work. In addition, the Tender Education and Arts charity underspent against its anticipated staffing budget as it received a portion of funding through the government furlough scheme.

The underspend on the administration costs is attributable to:

- an underspend of £17,000 in respect of employee costs due to vacancies within the team, an underspend on the maternity provision and other indirect employee underspends such as training;
- an underspend of £35,000 for general running costs including central recharges;
- an additional sum of £20,000 from investment income has been received on Committee reserves, not previously budgeted for;
- £8,000 other income in relation to recognition of a project management fee; and

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

- net costs of £37,000 associated with the completion of the ESF programme.

The ESF programme concluded on 30 June 2019 with some residual costs incurred in 2020/21. Members agreed in March 2020 to utilise the remaining balances held in reserves to increase Priority 1 and 2 grants for the sole purpose of increasing immigration advice for service users with no recourse to public funds. Of the £945,000 set aside for this programme, payments of £618,000 have been made during 2020/21. It is estimated that the remaining payments of £327,000 will be made during 2021/22.

The Balance Sheet shows that the General Fund reserve balance has decreased from £1.866 million at the beginning of the year to £1.363 million at the year-end.

Budget for 2021/22

On 8 December 2020, the Leaders' Committee approved a gross expenditure budget for 2021/22 of £6.668 million. An amount of £6.233 million related to payments to commissioned services and the contribution to the London Funders Group, with the residual budget of £435,000 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 2021.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Committee's Responsibilities

The Committee is required to:

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

The Chamberlain of the City of London's Responsibilities

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

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Committee at 31 March 2021 and of its income and expenditure for the year then ended.



Caroline Al-Beyerty, CPFA
The Chamberlain, City of London

24 November 2021

APPROVAL CERTIFICATE

At a meeting of London Councils' Audit Committee held on 16 September 2021, the statement of accounts were approved on behalf of the Committee.

Following disclosure changes, I hereby approve this final version of the statement of accounts on behalf of the Audit Committee.

R E Ramsey

Cllr Roger Ramsey
Chair of London Councils' Audit Committee

24 November 2021

ANNUAL GOVERNANCE STATEMENT**Introduction****Covid-19**

The Covid-19 pandemic has continued to have an impact on London Councils' services during the 2020/21 financial year. The pandemic has led to a reduction in income from enforcement activities, replacement of Freedom Passes, tenant licences and meeting room hire. In addition to the income lost from the reduction of these services, there has been expenditure incurred to ensure that London Councils continues its operations and provides support to member boroughs and their constituents. Contractors were asked to put in place contingency measures to maintain services during the period. London Councils has taken measures to make sure that staff remain safe during this period by providing home working arrangements, signposting useful sources of information and holding webinars for all staff and coaching sessions for managers to promote mental wellbeing. Building risk assessments in accordance with government guidance on Covid-19 secure workplaces were undertaken at both London Councils sites in May 2020. Appropriate safety measures were introduced to allow a limited number of staff to work safely in the buildings, where necessary, in accordance with social distancing requirements.

London Councils has continued to support its member authorities in the critical role they play in the response to the Covid-19 Pandemic. A detailed description of the support provided by London Councils is set out in the *Narrative Statement* on page 1 to 5 of the statement of accounts. The assistance provided to member boroughs included:

- supporting political leadership and engagement through regular meetings of borough Leaders, the London local authority co-ordinating chief executive and other senior advisers and partners, including the Minister for London and the Director of Public Health for London;
- supporting the coordination of borough communications efforts throughout the pandemic enabling boroughs to communicate in a clear and co-ordinated way;
- London Councils' Chief Executive has been a point of co-ordination with boroughs; the group of nine regional chief executives who work with MHCLG officials; and wider resilience structures;
- supporting boroughs in the preparation of assessments of the financial implications of managing the pandemic, and to analyse and understand the overall impact for London; and
- continuing to carry out policy work and harness London local government's collective capacity in areas such as business, the economy, community safety, housing, transport and environmental matters.

London Councils Group Leaders have played an important role in a number of sub-regional and pan-London co-ordination arrangements that have been established to provide additional support and broker mutual aid and learning across the Capital. These arrangements include London Councils' Pandemic Steering Committee, the London Transition Board and the London Recovery Board.

The restrictions introduced to reduce the spread of the pandemic meant that in person meetings could no longer be held. Virtual meetings were established following the introduction of temporary, emergency, measures (the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020) which enabled formal decision-making meetings to be held virtually until 6 May 2021. The ability to operate in this manner, with live streaming of public meetings, ensured that decisions continued to be taken in a transparent manner and improved member attendance. Following the expiry of the emergency legislation and given that social distancing restrictions are still in operation, London Councils' Pandemic Steering Committee agreed that the committee meeting schedule should continue virtually with those decisions required to be ratified being agreed through London Councils' urgency procedures.

ANNUAL GOVERNANCE STATEMENT (continued)

London Councils corporate and directorate risk registers were reviewed and updated where relevant to incorporate the impact of the Covid-19 pandemic. The risk registers were reviewed during the year in accordance with London Councils' risk management framework.

The impact of the pandemic affected the delivery of the 2020/21 internal audit plan with two reviews deferred to 2021/22. The approach of internal audit reviews that were undertaken during the year were revised to take into account changes to procedures introduced in response to the pandemic.

London Councils' business continuity arrangements operated effectively during the lockdown period. The IT transformation programme which began in December 2018 and involved the roll-out of laptops to all staff and migration to cloud based data and business services facilitated effective remote working. In June 2020, a new cloud-based VoIP telephony system was introduced that allows staff to stay connected while working away from the office and enhances business continuity arrangements. A review of the Business Continuity Plan will be carried out during 2021/22 in order to incorporate operational experiences learned during the lockdown.

Scope of responsibility

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

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

London Councils has approved and adopted a code of corporate governance in the form of a framework, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016. A copy of London Councils Corporate Governance Framework can be obtained from the Director of Corporate Governance at 59½ Southwark Street, London SE1 0AL. This statement explains how London Councils has applied this code.

The purpose of the governance framework

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

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

The governance framework has been in place at London Councils for the year ended 31 March 2021 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:

ANNUAL GOVERNANCE STATEMENT (continued)

- **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. In addition, the Leaders' Committee has agreed a series of pledges of which it has agreed to work together through to 2022 to try and improve the lives of Londoners. 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.
- **Commitment to openness and acting in the public interest** – The Committee has adopted the Information Commissioner's model publication scheme and follows the provision 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 agendas, reports, background papers and minutes of meetings are published under this scheme.
- **Measuring the performance of services** – The Committee collects data on the performance of activities and services during the year which feeds into the production of the Annual Review that highlights key achievements. 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 13 October 2020. There is an established protocol which provides guidance on the working relationships between elected members and officers and a series of working conventions for the operation of the organisation had been approved at the Leaders Committee' Annual General Meeting in June 2019. 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. In addition to the Executive, the Leaders' Committee appoints members to four other sub-committees/forums which are the Pandemic Steering Committee, Audit Committee, Young People's Education and Skills Board (YPES) and Fire Safety Members Group. All London Councils officers are issued with a job description which confirms their duties within the organisation. Executive portfolio holders and shadow members have agreed priorities that codify expectations of these roles.
- **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.

ANNUAL GOVERNANCE STATEMENT (continued)

- **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 by Leaders' Committee on 13 October 2020. The financial regulations were also reviewed and the changes approved by the Leaders Committee on 13 October 2020. 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 March 2019. 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 2020. 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.
- **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 and London Councils Policy to Combat Fraud, Bribery and Corruption, which were updated and approved by London Councils Audit Committee in June 2019. 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. The City of London Corporation is the designated council for the purpose of awarding grants under Section 48(2)(a) of the Local Government Act 1985. The Chamberlain of the City of London (Chief Financial Officer) is the responsible finance officer for the Grants Committee and signs the Statement of Responsibilities.
- **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 or her duties within the organisation. The Chief Executive is subject to appraisal arrangements with Group Leaders who assess his or her performance against agreed objectives.

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)

- **Audit Committee** – The Audit Committee is a sub-committee of London Councils Leaders' Committee. The Terms of Reference are agreed annually and were last agreed on 13 October 2020. The Audit Committee meets three times a year and is chaired by a leading member from a borough. The members of the Audit Committee will not normally be 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.
- **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.

ANNUAL GOVERNANCE STATEMENT (continued)

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

Review of effectiveness

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

- The work of Internal Audit, undertaken by the City of London Corporation under a service level agreement, and the annual opinion of the Head of Audit and Risk Management at the City of London. Internal Audit plays a central role in providing the required assurance on internal controls through its comprehensive risk-based audit of all auditable areas within a five-year planning cycle, – with key areas being reviewed annually. This is reinforced by consultation with London Councils Corporate Management Board and London Councils' Audit Committee on perceived risk and by a rigorous follow-up audit regime. The review considers the annual opinion of the Head of Audit and Risk Management on the internal control environment in operation at London Councils during the financial year. The Head of Audit and Risk Management is satisfied that the breadth of scope and overall quantity of internal audit work undertaken is sufficient to be able to draw a reasonable conclusion as to the adequacy and effectiveness of London Councils' control, governance and risk management processes. On the basis of work undertaken, it is the Head of Audit and Risk Management's opinion that London Councils has adequate and effective systems of internal control in place to manage the achievement of its objectives. The Internal Audit Section of the City of London operates, in all aspects, in accordance with the CIPFA Code of Practice and Public Sector Internal Audit Standards.
- The Audit Committee's review of the governance arrangements in place during 2020/21.
- 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 2021/22

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2021/22:

ANNUAL GOVERNANCE STATEMENT (continued)**Procurement of Goods and Services**

An internal audit review of the procurement of goods and services was completed in 2019/20. The review examined the adequacy of controls in relation to the procurement of goods and services to ensure:

- compliance with procurement and financial regulations and procedures;
- orders are raised for legitimate purposes;
- London Councils obtains value for money from its procurement activity; and
- adequate segregation of duty controls are in place.

The review also considered the extent of the use of manual processing systems in the procurement process. The review established that an adequate control framework is in place and identified some areas to improve such as monitoring compliance with the procurement and financial regulations and exploring the option of using the City of London's electronic purchase order system. Three of the four recommendations were implemented during 2020/21. The final recommendation which relates to the use of retrospective purchase orders will be fully implemented during 2021/22.

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

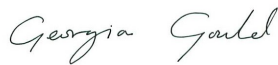
Significant governance issues

There are no significant governance issues.



Alison Griffin
Chief Executive

24 November 2021



Cllr Georgia Gould
Chair of London Councils

24 November 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON COUNCILS GRANTS COMMITTEE**Report on the Audit of the Financial Statements****Opinion on financial statements**

We have audited the non-statutory financial statements (the 'financial statements') of London Councils Grants Committee (the 'Committee') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Committee as at 31 March 2021 and of the Committee's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Committee in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chamberlain of the City of London's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Committee's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Committee to cease to continue as a going concern.

In our evaluation of the Chamberlain of the City of London's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Committee's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Committee. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Committee and the Committee disclosures over the going concern period.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Committee's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chamberlain of the City of London's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chamberlain of the City of London with respect to going concern are described in the 'Responsibilities of the Committee, the Chamberlain of the City of London and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chamberlain of the City of London is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Committee, the Chamberlain of the City of London and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 6, 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. 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chamberlain of the City of London determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chamberlain of the City of London is responsible for assessing the Committee's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Committee will no longer be provided.

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

The Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Committee's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities . This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Committee and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Accounts and Audit Regulations 2015, the Local Government Act 1972, and the Local Government Act 2003.

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

- We enquired of senior officers and the Audit Committee concerning the Committee's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Committee's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, management estimates and judgements and transactions outside the course of business.
- Our audit procedures involved:
 - journal entry testing, with a focus on unusual and high risk journals;
 - challenging assumptions and judgements made by management in its significant accounting estimates;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the Committee's engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Committee including:
 - the provisions of the applicable legislation

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

- guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Committee's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - The Committee's control environment, including the policies and procedures implemented by the Committee to ensure compliance with the requirements of the financial reporting framework.

Use of our report

This report is made solely to the members of the Committee, as a body, in accordance with our letter of engagement dated 7 September 2020. Our audit work has been undertaken so that we might state to the Committee's members 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 Committee and the Committee's members as a body, for our audit work, for this report, or for the opinions we have formed.



for and on behalf of Grant Thornton UK LLP, Appointed Auditor

London

Date: 8 December 2021

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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

		2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net £000	2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net £000
	Notes						
Cost of Services							
Borough commissioned services		6,101	(6,173)	(72)	6,149	(6,173)	(24)
ESF commissioned services		49	(27)	22	828	(624)	204
NRPF commissioned services		618	-	618	-	-	-
Cost of Services		6,768	(6,200)	568	6,977	(6,797)	180
Other Operating Expenditure	7	491	(504)	(13)	589	(524)	65
Financing and investment income and expenditure	8	15	(20)	(5)	25	(9)	16
Deficit on Provision of Services		7,274	(6,724)	550	7,591	(7,330)	261
Re-measurement of the net defined liability	10			186			(203)
Other Comprehensive Income and Expenditure				186			(203)
Total Comprehensive Income and Expenditure				736			58

The notes on pages 24 to 46 form part of the accounts.

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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.

	2020/21			2019/20		
	Usable Reserves	Unusable Reserves	Total Committee Reserves	Usable Reserves	Unusable Reserves	Total Committee Reserves
	£000	£000	£000	£000	£000	£000
Balance at 1 April	1,866	(971)	895	2,051	(1,098)	953
Total Comprehensive Income and Expenditure	(550)	(186)	(736)	(261)	203	(58)
Adjustments between accounting basis and funding basis under regulations (note 6)	47	(47)	-	76	(76)	-
(Decrease)/Increase	(503)	(233)	(736)	(185)	127	(58)
Balance at 31 March	1,363	(1,204)	159	1,866	(971)	895

The notes on pages 22 to 44 form part of the accounts.

BALANCE SHEET AS AT 31 MARCH 2021

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 2021 £000	31 March 2020 £000
Short Term Debtors	12	535	669
Cash and Cash Equivalents	13	1,113	1,197
Current Assets		1,648	1,866
Short Term Creditors	14	(291)	(7)
Current Liabilities		(291)	(7)
Other Long Term Liabilities	10	(1,198)	(964)
Long Term Liabilities		(1,198)	(964)
Net Assets		159	895
Usable Reserves		1,363	1,866
Unusable Reserves	16	(1,204)	(971)
Total Reserves		159	895

The notes on pages 24 to 46 form part of the accounts.



Caroline Al-Beyerty, CPFA
The Chamberlain, City of London

24 November 2021

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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.

	2020/21	2019/20
	£000	£000
Net deficit on the provision of services	(550)	(261)
Adjustments to net deficit on the provision of services for non-cash movements	466	475
Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	(20)	(9)
Net cash flows from Operating Activities (note 17)	(104)	205
Investing Activities (note 18)	20	9
Net increase/(decrease) in cash and cash equivalents	(84)	214
Cash and cash equivalents at 1 April	1,197	983
Cash and cash equivalents at 31 March	1,113	1,197

The notes on pages 24 to 46 form part of the accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021**1. Accounting Policies****a General Principles**

The Statement of Accounts summarises the Committee's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Committee prepares its accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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 2021 (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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract in accordance with *IFRS15 Revenue from Contracts with Customers*;
- 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 2021 (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 2021 (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 2.0% (2019/20: 2.4%).
- The assets of the pension fund attributable to the Committee are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;
 - Unutilised securities – current bid price; and
 - Property – market value.
- The change in the net pensions liability is analysed into the following components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement;
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Committee – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;
 - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
 - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (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 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

Apart from cash, the only financial assets held by the Committee are receivables that have fixed or determinable payments but are not quoted in an active market and are measured at amortised cost. Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Impairment losses/gains are also recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

h Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government, ESF and third party grants and 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.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

1. Accounting Policies (continued)

i Interest Income

Interest income 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.

j 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.

k Reserves

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

l Value Added Tax

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) has introduced changes in accounting policies which will be required from 1 April 2021. If these had been adopted for the financial year 2020/21 there would be no material changes to the Committee's accounts as detailed below.

IFRS 3, *Business Combinations* – There is an amendment to this standard to resolve difficulties that arise when an entity is determining whether it has acquired a business or a group of assets. The International Accounting Standards Board (IASB) issued the narrow scope adjustments as the accounting requirements for goodwill, acquisition costs and deferred tax differ on the acquisition of a business and on the acquisition of a group of assets. This amendment is unlikely to have an impact on the committee's accounts as there are no proposals to acquire a business or group of assets.

Interest Rate Benchmark Reforms – There are amendments to the hedge accounting requirements in IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures* in order to address the uncertainty that will arise from the replacement of interbank offered rates with alternative risk free rates as part of proposed reforms. The second phase of these amendments will also include modifications to IFRS 4, *Insurance Contracts* and IFRS 16, *Leases* and focuses on changes to the basis for determining the contractual cash flows as a result of benchmark interest rate reform, hedge accounting and disclosures. These amendments are unlikely to have an impact on the committee's accounts due to the limited types of financial instruments held.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**2. Accounting Standards that have been Issued but not yet adopted (continued)**

IFRS16 Leases – This standard specifies how a lease is recognised, measured, presented and disclosed in the accounts. It removes the traditional distinction between finance leases and operating leases. Finance leases are accounted for as an acquisition of an asset with a corresponding liability both recognised on the balance sheet. In contrast, operating leases are accounted by recognising lease rentals payable in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease. The standard requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset and a corresponding liability. The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) has agreed to defer the implementation of the standard until 2022/23 in-line with the government's Financial Reporting Advisory Board's proposals for central government departments. CIPFA/LASAAC has taken this decision in response to pressures on council finance teams as a result of the Covid-19 pandemic. This will mean the effective date for implementation is now 1 April 2022. This standard will not have an impact on the Committee's accounts as it has not entered into any lease contracts.

3. Critical Judgements in Applying Accounting Policies

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

The only critical judgement made in the Statement of Accounts is:

There is a high degree of uncertainty about future levels of funding for local government. However, the Committee has determined that this uncertainty is not sufficient to provide an indication that the assets of the Committee might be impaired as a result of a need to reduce levels of service provision. The current Covid-19 pandemic is expected to have a minimal impact on the Committee's future financial position.

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

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

The items in the Committee's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

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 £65,000. However, the assumptions interact in complex ways. During 2020/21, Barnett Waddingham LLP advised that the net pensions liability had increased by £733,000 as a result of changes in the financial assumptions.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**5. Events After the Balance Sheet Date**

The Statement of Accounts will be authorised for issue by the Director of Corporate Resources on 24 November 2021. 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 2021, the figures in the accounts and notes have been adjusted in all material respects to reflect the impact of this information.

A review of the potential impact of Covid-19 on the Committee's affairs has not revealed any changes to conditions that existed at the balance sheet date that require adjusting.

There has been a change in Chief Executive with John O'Brien departing in April 2021 and Alison Griffin joining in July 2021. The Deputy Chief Executive left the organisation in August 2021 and Director of Corporate Resources retired in October 2021. The new Chief Executive has implemented interim arrangements to cover the departures until permanent arrangements are in place.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

6A. Expenditure and Funding Analysis

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.

	2020/21	2020/21	2020/21	2019/20	2019/20	2019/20
	Net Expenditure	Adjustments	Net Expenditure	Net Expenditure	Adjustments	Net Expenditure
	Chargeable to	between the	in the	Chargeable to	between the	in the
	Usable Reserves	Funding and	Comprehensive	Usable Reserves	Funding and	Comprehensive
	£000	Accounting	Income and	£000	Accounting	Income and
		Basis	Expenditure		Basis	Expenditure
		£000	Statement		£000	Statement
			£000			£000
Cost of Services						
Borough commissioned services	(72)	-	(72)	(24)	-	(24)
ESF commissioned services	22	-	22	204	-	204
NRPF commissioned services	618	-	618			
Net Cost of Services	568	-	568	180	-	180
Other Operating Expenditure	(45)	32	(13)	14	51	65
Financing and investment income and expenditure	(20)	15	(5)	(9)	25	16
Deficit on Provision of Services	503	47	550	185	76	261
Opening Usable Reserve Balance	(1,866)			(2,051)		
Deficit	503			185		
Closing Usable Reserve Balance	(1,363)			(1,866)		

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

6B. 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 2020/21:

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	33	(1)	32
Financing and investment income and expenditure	15	-	15
Difference between General Reserve and Comprehensive Income and Expenditure Statements (Surplus)/Deficit on Provision of Services	48	(1)	47

Adjustments between funding and accounting basis during 2019/20:

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	53	(2)	51
Financing and investment income and expenditure	25	-	25
Difference between General Reserve and Comprehensive Income and Expenditure Statements (Surplus)/Deficit on Provision of Services	78	(2)	76

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

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

- **Financing and investment income and expenditure** – adjustment for the net interest on the defined benefit liability charged to the Comprehensive Income and Expenditure Statement.

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

7. Other Operating Expenditure

	2020/21	2019/20
	£000	£000
Staff costs	342	398
Premises costs	42	70
Other running costs	107	121
Total	491	589

8. Financing and Investment Income and Expenditure

	2020/21	2019/20
	£000	£000
Interest and Investment Income	(20)	(9)
Net loss on Pension Scheme Assets/Liabilities (see note 10)	15	25
Total	(5)	16

9. Revenue from Contracts with Service Recipients

The Committee's main source of income is annual subscriptions from member authorities. The Committee also received an ESF match funded grant. The Committee did not raise any revenue from contracts with service recipients during 2020/21 (2019/20: Nil).

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 and currently provides benefits based on career average revalued earnings.

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

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**10. Pensions (continued)**

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 Investment Strategy Statement. 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 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. 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 2019, the employers' contribution towards the Future Service Rate was set at 13.6% of pensionable pay for the period 1 April 2020 to 31 March 2021.

The LPFA aim to establish and maintain full funding on a risk adjusted triennial valuation basis. The LPFA administers the funds of 135 different public sector and 'not for profit' organisations with assets totalling £5.88 billion. At the end of March 2019 the funding level was 108.6% on a triennial valuation basis, as per the LPFA's external actuary (Barnett Waddingham).

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

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

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

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

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

10. Pensions (continued)

The LPFA, as administering authority, provided Barnett Waddingham LLP, an independent firm of qualified actuaries with scheme membership information as at 31 March 2019 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 2019 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 2021 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.

The value of the of the Defined benefit Obligation takes into account the estimated impact of the recent Court of Appeal judgement in relation to the McCloud and Sargeant cases which relate to age discrimination within the Judicial and Fire Pension schemes respectively.

Financial Assumptions

The financial assumptions as at 31 March 2021:

Assumptions as at:	31 March 2021 (% per annum)	31 March 2020 (% per annum)
RPI increases	3.2	2.7
CPI increases	2.9	1.9
Salary increases	3.9	2.9
Pension increases	2.9	1.9
Discount rate	2.0	2.4

These assumptions are set with reference to market conditions at 31 March 2021.

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

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**10. Pensions (continued)**

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

The BoE implied inflation curve may suggest a higher rate of inflation, over longer terms, than actually expected by market participants due to a willingness to accept a lower return on investments to ensure inflation linked returns. To reflect this, we include an Inflation Risk Premium (IRP) adjustment such that our assumed level of future annual RPI increase is 0.25% p.a. lower than the SEIR calculated using the BoE inflation curve alone. This differs from the previous 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 0.35% p.a. below RPI i.e. 2.85% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Employer's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the anticipated reform of RPI inflation following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor suggesting this reform is now likely to take effect from 2030.

Salaries are assumed to increase at 1.0% p.a. above CPI which includes an allowance for promotions. This is consistent with the approach used at the previous accounting date.

Demographic and Statistical Assumptions

A set of demographic assumptions that are consistent with those used for the most recent fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are then projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. Our view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic. Therefore, this has been updated to use the CMI_2020 Model with a 2020 weight parameter of 25%. At the last accounting date, the CMI_2018 Model was adopted.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

10. Pensions (continued)

The assumed life expectations from age 65, weighted by liability are:

	31 March 2021	31 March 2020
Retiring today:		
Males	22.7	23.0
Females	24.5	24.6
Retiring in 20 years:		
Males	23.5	23.8
Females	26.0	26.0

The following assumptions have also been made:

- Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the regulations;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of membership that had taken up the 50:50 option at the previous valuation date will remain the same.

The fair value of the pension scheme assets attributable to the Grants Committee at 31 March 2021:

	At 31 March 2021		At 31 March 2020	
	£000	%	£000	%
Equities	980	55%	1,166	54%
Target return portfolio	405	23%	557	26%
Infrastructure	151	9%	157	7%
Property	156	9%	215	10%
Cash	74	4%	66	3%
	1,766	100%	2,161	100%

Quoted securities included within the assets values above have been measured at their bid value in accordance with the Code.

The analysis of the net value of the pension scheme assets and liabilities recognised in the Balance Sheet as at 31 March 2021 is as follows:

	At 31 March 2021	At 31 March 2020
	£000	£000
Fair value of employer assets	1,766	2,161
Present value of scheme liabilities	(2,962)	(3,122)
Net Liability	(1,196)	(961)
Present value of unfunded liabilities	(2)	(3)
Net Liability in Balance Sheet	(1,198)	(964)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

10. Pensions (continued)

The analysis of the amounts recognised in the Comprehensive Income and Expenditure Account for the year ended 31 March 2021 is as follows:

	At 31 March 2021	At 31 March 2020
	£000	£000
Service cost	55	78
Net interest on the defined liability	16	25
Administration expenses	2	3
Total	73	106

The reconciliation of the Defined Benefit Obligation at 31 March 2021 is as follows:

	At 31 March 2021	At 31 March 2020
	£000	£000
Opening Defined Benefit Obligation	(3,125)	(3,412)
Current service cost	(55)	(78)
Interest cost	(51)	(80)
Change in financial assumptions	(733)	395
Change in demographic assumptions	23	(19)
Experience gain/(loss) on defined benefit obligation	27	(21)
Estimated benefits paid net of transfers	50	26
Contributions by scheme participants	(14)	(18)
Adjustment arising from apportionment of pension liability	914	82
Closing Defined Benefit Obligation	(2,964)	(3,125)

The reconciliation of the Fair Value of Employer's Assets at 31 March 2021 is as follows:

	At 31 March 2021	At 31 March 2020
	£000	£000
Opening Fair Value of Employer's Assets	2,161	2,323
Interest on assets	36	55
Return on assets less interest	216	(80)
Other actuarial losses	-	(97)
Administration expenses	(2)	(3)
Contributions by employer	24	28
Contributions by scheme participants	14	18
Estimated benefits paid plus unfunded net of transfers in	(50)	(26)
Adjustment arising from apportionment of pension liability	(633)	(57)
Closing Fair Value of Employer's Assets	1,766	2,161

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 2021 (continued)

10. Pensions (continued)

Sensitivity analysis:

	£000	£000	£000
Adjustment to Discount Rate	+0.1%	0.0%	-0.1%
Present value of total obligation	2,899	2,964	3,028
Projected service cost	85	88	91
Adjustment to Long-term Salary Increases	+0.1%	0.0%	-0.1%
Present value of total obligation	2,968	2,964	2,957
Projected service cost	88	88	88
Adjustment to Pension Increases and Deferred Revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	3,022	2,964	2,905
Projected service cost	91	88	85
Adjustment to Mortality Age Rating Assumption	+1 year	None	-1 year
Present value of total obligation	3,091	2,964	2,840
Projected service cost	92	88	84

The analysis of the re-measurements in Other Comprehensive Income and Expenditure for the year ended 31 March 2021 is as follows:

	At 31 March 2021	At 31 March 2020
	£000	£000
Return on plan assets less interest	216	(80)
Other actuarial losses on assets	-	(97)
Change in financial assumptions	(733)	395
Change in demographic assumptions	23	(19)
Experience gain/(loss) on defined benefit obligation	27	(21)
Adjustment arising from apportionment of pension liability	281	25
Re-measurements	(186)	203

The projections for the year to 31 March 2022 is as follows:

	2021/22
	£000
Service cost	88
Net interest on the defined liability	24
Administration expenses	2
Total	114
Employers contribution	23

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 2021 (continued)

12. Short Term Debtors

	31 March 2021	31 March 2020
	£000	£000
Amounts owed by member authorities	68	-
Payments in advance	1	1
Other debtors	466	668
Total	535	669

13. Cash and Cash Equivalents

	31 March 2021	31 March 2020
	£000	£000
Cash balances held by the City of London	1,113	1,197
Total	1,113	1,197

14. Short Term Creditors

	31 March 2021	31 March 2020
	£000	£000
Accruals	(291)	(7)
Total	(291)	(7)

15. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial assets:

	31 March 2021	31 March 2020
	£000	£000
Amortised cost	1,648	1,865
Total financial assets	1,648	1,865
Non-financial assets	-	1
Total assets	1,648	1,866

Financial liabilities:

	31 March 2021	31 March 2020
	£000	£000
Amortised cost	(285)	-
Total financial liabilities	(285)	-
Non-financial liabilities	(1,204)	(971)
Total liabilities	(1,204)	(971)

16. Unusable Reserves

	31 March 2021	31 March 2020
	£000	£000
Pensions Reserve	(1,198)	(964)
Accumulated Absences Reserve	(6)	(7)
Total	(1,204)	(971)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

16. Unusable Reserves (continued)

Pensions Reserve

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

	2020/21		2019/20	
	£000	£000	£000	£000
Balance at 1 April		(964)		(1,089)
Actuarial gain on pension assets and liabilities		(186)		203
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	(72)		(106)	
Employer's pensions contribution and direct payments to pensioners payable in the year	24	(48)	28	(78)
Balance at 31 March		(1,198)		(964)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

16. Unusable Reserves (continued)

Accumulated Absences Reserve

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

	2020/21		2019/20	
	£000	£000	£000	£000
Balance at 1 April		(7)		(9)
Settlement or cancellation of accrual made at the end of the preceding year	7		9	
Amounts accrued at the end of the current year	(6)		(7)	
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		2
Balance at 31 March		(6)		(7)

17. Cash Flow Statement – Operating Activities

	2020/21		2019/20	
	£000	£000	£000	£000
Deficit on Provision of Services		(550)		(261)
Adjusted for:				
Current service cost adjustment	33		53	
Net loss on pension scheme assets/liabilities	15		25	
Decrease in debtors	134		608	
Increase/(decrease) in creditors	284		(211)	
Adjustments for non-cash movements		466		475
Finance and investment income	(20)		(9)	
Adjustments for investing and financing activities		(20)		(9)
Net cash flows from Operating Activities		(104)		205

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

18. Cash Flow Statement – Investing Activities

	2020/21	2019/20
	£000	£000
Finance and investment income	20	9
Total	20	9

19. Members' Allowances

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

	2020/21	2019/20
	£000	£000
Members Allowances	24	19

20. Officers' Remuneration

There are no employees whose remuneration (including termination payments but excluding employer's pension contributions) was £50,000 or more (2019/20: Nil).

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

20. Officers' Remuneration (continued)

The salaries of the senior officers disclosed below are allocated between London Councils Joint Committee, Grants Committee and Transport and Environment Committee. The allocation of their salary costs to the Transport and Environment Committee based on the estimated amount of time spent working on the Committee's affairs as follows:

- Director, Corporate Governance – 5% (2019/20: 5%)
- Strategic Director, Young People Education and Skills, Community Services and Grants – 4% (2019/20: 4%)
- Director, Communications – 11% (2019/20: 11%)

Senior officers remuneration during 2020/21

Post Holder	Salary £	Compensation for Loss of Office £	Pension Contributions £	Total Remuneration £
Director – Corporate Governance	5,030	-	684	5,714
Strategic Director, Young People Education and Skills, Community Services and Grants	4,335	-	590	4,925
Director, Communications	11,921	-	1,621	13,542
Total	21,286	-	2,895	24,181

Senior officers remuneration during 2019/20

Post Holder	Salary £	Compensation for Loss of Office £	Pension Contributions £	Total Remuneration £
Director – Corporate Governance	5,289	-	633	5,922
Strategic Director, Young People Education and Skills, Community Services and Grants	4,099	-	492	4,591
Director, Communications	11,602	-	1,392	12,994
Total	20,990	-	2,517	23,507

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

21. Termination Benefits

There were termination payments of £11,978 included in the Comprehensive Income and Expenditure Statement for 2019/20 (2019/20: £6,411).

22. External Audit Costs

The fee charged for the audit of all London Councils Statement of Accounts and Statutory Return was £53,000 (2019/20 £42,000). The 2020/21 audit fee includes £6,000 in respect of the audit of the 2019/20 accounts that were agreed after the accounts were signed. The following amount has been apportioned to the Grants Committee on the basis of the absolute value of financial transaction in accordance with the accounting policy on overheads (see Note 1, Item m):

	2020/21 £000	2019/20 £000
Fees payable in respect of the audit of the Statement of Accounts	3	2
	3	2

23. 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 Authorities

Member authorities 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 authorities during 2020/21 was £6.668 million (2019/20: £6.877 million). On 31 March 2021, the value of debtor balances owed by member authorities amounted to £68,000 (2019/20: Nil) and no creditor balances were owed to member authorities (including receipts in advance) (2019/20: Nil).

24. Grant Commitments

The value of commitments in 2021/22 is £6.173 million.

25. Consolidated Accounts

These accounts form part of the consolidated accounts for London Councils. A copy of the consolidated accounts for 2020/21 can be obtained from the Director of Corporate Resources, 59½ Southwark Street, London, SE1 0AL and London Councils' website (www.londoncouncils.gov.uk).

26. 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.

Amortised Cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

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.

GLOSSARY (continued)**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.

Contract

An agreement between two or more parties that creates enforceable rights and obligations.

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.

Equity Instrument

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (such as an equity share in a company) – this will only apply to investments in other entities held by the Committee.

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).

GLOSSARY (continued)**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.

Financial Asset

A right to future economic benefits controlled by the authority that is represented by: cash; an equity instrument of another entity; a contractual right to receive cash (or another financial asset) from another entity; and a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the authority.

Financial Instrument

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability

An obligation to transfer economic benefits controlled by the authority that is represented by: a contractual obligation to deliver cash (or another financial asset) to another entity; and a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the authority.

Fixed Assets

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

Historical Cost

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

Impairment

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

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.

GLOSSARY (continued)**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.

Performance Obligation

A promise in a contract with a service recipient to transfer to the service recipient either:

- a good or service (or a bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the service recipient.

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.

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.

GLOSSARY (continued)**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.

Service Recipient

A party that has contracted with an authority to obtain goods or services that are an output of the authority's normal operating activities in exchange for consideration.

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.

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.

GLOSSARY (continued)

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.