



**LONDON COUNCILS
TRANSPORT AND ENVIRONMENT COMMITTEE**

STATEMENT OF ACCOUNTS

YEAR ENDED 31 MARCH 2019

LONDON COUNCILS - TRANSPORT AND ENVIRONMENT COMMITTEE

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

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

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

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

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

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

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

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

Mobility

Around 1.19 million older and disabled London residents hold a Freedom Pass, giving free travel on almost all of London's public transport. London Councils is responsible for managing the Freedom Pass scheme on behalf of the London local authorities.

On behalf of TEC during 2018/19 London Councils:

- Negotiated the Freedom Pass annual settlements with TfL, and other bus operators, achieving another consecutive annual cost reduction.
- Calculated and agreed the apportionment of Freedom Pass costs to boroughs.
- Secured and returned to boroughs £150K of compensation from rail operators for severe disruption to rail services in previous year.
- Agreed with TfL the implications of the opening of the Elizabeth line in terms of acceptance of passes outside of London.
- Managed the implications of the delays to the Elizabeth Line on the scheme settlement and apportionment.
- Considered and agreed the implications of the introduction of Demand Responsive Transport services, supporting TfL in the development of their trial schemes.
- Completed the mid-term review of passholders whose passes expire in 2021 to check continued eligibility for the scheme and avoid costs.
- Developed and agreed the business case for annual eligibility reviews to reduce fraudulent use and costs.
- Continued to review customer service provision and made progress in delivering more channel shift towards digital and online services, including:
 - conducting the mid-term eligibility review online for the first time; and
 - Progressing the development of the Disabled Person application portal (completion in April 2019)
- Completed three National Fraud Initiative reviews to identify deceased members in order to cancel their cards to prevent fraudulent use by others (an increase from two completed in previous years).
- Introduced the agreed increase in the replacement fee from £10 to £12 for lost and damaged passes.
- Managed the renewal of approximately 47,000 2019 expiry passes.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

- Concluded negotiations for the 2019/20 settlement with RDG, achieving a fair deal that reflects current travel trends.
- Continued the development and improvement of our online service.

On behalf of the boroughs, London Councils manages the Taxicard service for approximately 57,000 people with severe mobility and visual impairments, offering subsidised journeys in taxi and private hire vehicles.

On behalf of TEC during 2018/19, London Councils has:

- Jointly procured with TfL's Dial-a-Ride service a new taxi service provider contract, delivering some greater future funding certainty through a three-year framework contract.
- Started the new contract with the taxi service supplier, introducing service improvements for card holders, including fixed maximum pricing for all journeys and new driver/customer service training standards.
- Achieved significant potential savings through new contract and subsequently agreed new funding arrangement with TfL.
- Developed further co-ordination of Taxicard and Dial-a-Ride schemes with TfL, including joint performance monitoring and reporting and a common approach for complaints handling. A single application process and joint on-line portal was considered but ruled out at this time.
- Started development of a new online application portal and process.
- Conducted a review of the Taxicard eligibility criteria with boroughs to achieve greater consistency and clarity for users.
- Continued to improve and enhance customer care, through use of new customer care charter, staff development and new contractor complaints process.
- Completed regular reviews of usage, cancelling cards following 2 Years of inactivity.
- Worked with TfL on their Assisted Travel Budget pilot schemes.
- Continued to work with TfL on their Assisted Travel Budget pilot schemes.

Parking and Traffic

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

In 2018/19 on behalf of TEC, London Councils has:

- Continued to manage the London Lorry Control Scheme, issuing permits and enforcing to ensure compliance.
- Continued to implement the scheme review recommendations, including:

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

- producing a detailed action plan, which will be updated and developed during 2019/20
- providing a new haulier online portal to allow hauliers to interact with us and the scheme in a more effective and efficient way
- extending the permission lifespan from 3 to 5 years to reduce administrative burdens on the industry
- developing a comprehensive Communications Strategy and Plan
- improving scheme monitoring arrangements
- planning and arranging an ANPR enforcement pilot
- developed and published a fully interactive zoomable map on the scheme website
- Reviewed the scheme traffic order to bring Barnet back into the scheme and have progressed discussions with Barnet to implement the necessary changes.
- Worked closely with TfL on the development of the Direct Vision Standard Scheme to improve lorry safety and the proposal to introduce this new initiative with an amendment to the London Lorry Control Scheme order.
- Utilised the new data base management system to improve performance monitoring and reporting.
- Extended the enforcement service contract.
- Recruited specialist support to manage outstanding and long-term aspects of the review.

More broadly, London Councils has helped deliver effective and consistent traffic and parking policies and operations in London on behalf of TEC during 2018/19:

- Provided day-to-day advice and support to boroughs on a range of traffic and parking policy and enforcement issues and hosted borough forums, including the Parking Managers Seminar.
- Represented borough interests at relevant events, groups and forums, including:
 - London Freight Forum and Freight Forum Steering Group
 - London Technical Advisors Group (LoTAG)
 - NESTA's Flying High Challenge, investigating use cases for Drones in London
 - TfL's Lane Rental Governance Committee
 - Local Authority Partnership
 - British Parking Association (BPA) Council and Local Authority Special Interest Group
 - London Tourist Coach Action Plan Group
 - London Automotive Forum
 - TfL's Direct Vision Standard Project Board
 - London RoadLab Project
 - Parkex
- Reviewed and updated the parking contravention codes list.
- Worked with the BPA, on the 'Positive Parking Agenda' to improve public awareness of the benefits of effective parking management in making the capital's roads safer, more accessible and cleaner.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

- Published research on the Benefits of Parking management in London.
- Provided debt registration services with the Traffic Enforcement Centre for the majority of London boroughs.
- Agreed the apportionment of traffic signal and control equipment maintenance costs to boroughs.
- Collated, analysed and published London-wide traffic and parking enforcement and appeals statistics.
- Progressed work to review the enforcement of speed limits in London, exploring the possibility of greater powers and responsibilities for boroughs and TfL to improve compliance and road safety.

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

London Councils helps medical professionals attend emergencies quickly by managing the Health Emergency Badge Scheme.

On behalf of TEC, in 2018/19 London Councils has:

- Continued to operate the London Health Emergency Badge scheme, issuing parking waivers to eligible health workers to use in emergency situations.
- Commenced a review of practices and processes to ensure the service is delivered as effectively and efficiently as possible, including:
 - a survey sent to all boroughs and HEB stakeholders;
 - Holding Borough Officer Liaison Group (BOLG) meetings to discuss survey results and review options.

London Tribunals

London Councils efficiently supports the provision of independent appeals services via London Tribunals, including the Environment and Traffic Adjudicators (ETA) and the Road User Charging Adjudicators (RUCAs).

On behalf of TEC, in 2018/19 London Councils has:

- Continued to provide the administrative support and infrastructure to the Environment and Traffic Adjudicators and Road User Charging Adjudicators.
- Continued to deliver year on year savings to boroughs reducing the costs of running ETA.
- Delivered significant measurable service improvements, including 90% in-house efficiency improvements to the ETA statutory declaration and witness statement processes, which also delivered direct benefits to borough enforcement teams.
- Started preparation for changes necessary to hear appeals against the new ULEZ scheme.
- Completed groundwork for the electronic transfer and communication of all appeals with enforcement authorities.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

- Progressed a discovery project with adjudicators to deliver further service enhancements.
- Reviewed and improved take-up of online appeals.

The London European Partnership for Transport (LEPT)

The London European Partnership for Transport (LEPT) helps boroughs access European funding for transport projects. In 2018/19 we have:

- Continued to monitor European funding and knowledge exchange opportunities, and briefing Boroughs accordingly.
- Completed a review of the future of LEPT in light of Brexit, involving borough consultation and, after a positive response and TEC approval, secured TfL funding for a further 1 to 2 years.
- Provided promotional services for boroughs and raised awareness of London best practice and current EU transport projects.
- Represented London boroughs on the POLIS management committee.
- Continued to harness the benefits of the POLIS network and other European forums (e.g. CIVITAS, ECF, ELTIS, Velo-City, EPOMM) developing stakeholder contacts for use in bidding consortia and best practice provision to boroughs.
- Attended sub regional partnership panels and meetings in order to analyse borough and sub-regional priorities and linked with EU project, best practice and funding opportunities.
- Improved communications and networks for the promotion of LEPT activities.
- Started looking at non-EU funding opportunities to support LEPT policy areas and projects.

Cross-Cutting Service Priorities

In 2018/19, we focussed on the following cross-cutting priorities across all service areas:

- Data protection, including completing a review all services and data assets in light of the new General Data Protection Regulation (GDPR), which came into force on 25 May 2018.
- Better use and sharing of data to achieve service enhancements and efficiencies, including:
 - standardisation of reports and reporting processes internally
 - some progress with sharing data with external bodies (boroughs)
 - better information sharing between ETA and TPT, the national appeals tribunal
 - Use of data cleansing through Experian for Freedom Pass mid-term review
- Customer service excellence, including continual review and improvement of all public facing services. Examples of key achievements include:
 - London Lorry Control Scheme – communication, system and service improvements welcomed by the freight sector

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

- Taxicard – New contract improvements delivering considerable customer service enhancements, including a new door to door service, enhanced training for drivers, fixed pricing for users, contractor complaint handling and internal administrative improvements
- London Tribunals – Completed adjudicator survey, started service discovery project, reissued process flows, updated website and online appeal system, electronic statutory declaration and witness statement process, engagement meetings with enforcement authorities, customer satisfaction surveys through call centre and KPIs show significant measurable improvements in customer service
- Freedom Pass - Achieved 75% online renewals – up 5% from first time in 2015 and customer satisfaction levels remain high

Transport and Environment Policy

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

Environment Policy:

In 2018/19 we have:

- Launched the third consecutive year of air quality polling on Clean Air Day, resulting in much positive press coverage and much interest from a wide range of stakeholders.
- Undertook a more co-ordinated effort to communicate all the activities that took place as part of Clean Air Day in London.
- London Councils TEC agreed a number of principles for a new Clean Air Act and attended the Clean Air Summit with other metro mayors and Defra SoS.
- Worked closely with the City of London on specific air quality legislation.
- Worked jointly with the GLA where possible to influence government's Environment Act, which includes a section on air quality.
- Supported TfL in the introduction of the ULEZ through closer workings with borough heads of communications.
- Continued the delivery of the Go Ultra Low Cities Scheme (GULCS) to roll out electric vehicle charge points with extensive borough engagement activities, such as:
 - Borough engagement event on the imminent launch of the framework;
 - Borough peer to peer learning events;
 - Procurement workshops after the framework went live;
 - Procurement Framework Supplier Showcase event for boroughs; and

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

- Stand at London Councils Summit.
- GULCS Procurement Framework live and available for boroughs to use, with currently over 1,100 slow and fast chargers installed on borough roads.
- Published paper in Institution of Civil Engineer (ICE) Journal and made a video promoting it.
- Provided a number of supporting documents and templates, such as the GULCS Financial Evaluation Procurement Templates and the first of its kind electrical guidance for installing EV infrastructure.
- Represented London boroughs at the EV Infrastructure Taskforce.
- Set up a London Councils TEC Rapid Charging sub-group with a supporting group of officers, which identified over 500 sites for rapid charging infrastructure.
- Through LEDNet, 11 boroughs are taking part in the Sharing Cities project led by the GLA, funded by the EU and looking to introduce smart lamppost in participating boroughs.
- Published, through LEDNet and Keep Britain Tidy, research on flytipping behaviour.
- Submitted, through LEDNet, response to the Treasury single use plastics consultation.
- Co-ordinated London's local government contribution to the Resources and Waste Strategy.
- Held the first strategic meeting between London Councils TEC and LEDNet.
- Initiated a more formal relationship between London Councils TEC and LWARB through regular meetings between the two chairs.
- Continued to support the Thames Flood Advisors to ensure they provide a relevant, efficient and sustainable service to local authorities.
- Continued to work with the flooding sub-regions to enable more effective and efficient partnership arrangements.
- Continued to work jointly with the Thames RFCC including the Environment Agency and Thames Water on flood related issues.
- Supported the London Councils resilience team in Brexit planning, particularly around waste management but also wider environmental issues for the longer term.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

In addition, we responded to the following consultations:

- Defra environmental watchdog;
- Defra clean air strategy;
- Defra cleaner fuels for domestic burning;
- DfT community transport;
- TfL improving safety in PHVs;
- TfL changes to the Congestion Charge Zone;
- TfL Central London Bus Review;
- Defra proposal to ban plastic straws, buds and stirrers (LEDNet);
- Treasury single use plastics consultation (LEDNet); and
- Defra Select Committee on draft Environment (Principles and Governance) Bill.

Transport Policy

In 2018/19, London Councils has:

- Engaged with TfL and borough finance directors to scrutinise and better understand the TfL business planning process. This has resulted in better understanding of both parties' positions and improved information flow between TfL and boroughs. Several principles were established, such as no further reduction in the formula funded element of Local Implementation Plans (LIP), enabling boroughs to carry forward funding and establishing fruitful dialog early on when problems arise.
- Lobbied the Mayor for a top up of LIP funding from his budget.
- Improved its relationship with the London Technical Advisory Group and utilised this more effectively in London Councils lobbying efforts.
- Used a number of parliamentary question opportunities to raise awareness of the funding pressures faced by London's highway assets and pressed for additional funding, such as devolution of VED.
- Continued working with the LIP borough working group and published, jointly with TfL, LIP guidance, a LIP template and much improved data packs, enabling boroughs to complete their third LIP much more efficiently than in previous years.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

- Established the principle of setting up task and finish groups to deal with aspects of future mobility, such as shared mobility, autonomous vehicles, smart mobility and demand responsive transport.
- Established, jointly with TfL, the principle of undertaking a London-wide Byelaw to restrict the parking for dockless bicycles and improve the powers available to London's local authorities to enforce against rogue operators.
- Lobbied successfully against the Automated and Electric Vehicles Bill Amendments tabled by the GLA, asking for PDR for electric vehicle infrastructure.
- Wrote to the SoS for Transport demanding a swift solution and compensation to the areas in London most affected by the rail strikes and disruptions.
- Worked with TfL to ensure boroughs are sufficiently and timely informed of revisions to the bus network affecting their areas and their views taken into consideration when finalising any changes. Responded to the central London bus network reconfiguration consultation.
- Continue to press TfL to engage earlier and more meaningful in any action plan coming out of the Mayors Transport Strategy and had engagement with TEC Executive on the Vision Zero, Walking and Cycling Action Plans.
- Pressed the Deputy Mayor and Mayor to establish a borough advisory role on the TfL Board.
- Continued engagement with the Wider South East through a Political Steering Group and Officer Working Group.
- Jointly with GLA, SEEC and EELGA organised the third Wider South East Summit.
- Had meetings with the Housing and Transport SoS to talk about the barriers to housing delivery and barriers to 13 jointly agreed strategic transport priorities for the Wider South East.

Looking forward to 2019/20

This year the future priorities have been considered in the context of the recently published "Pledges to Londoners", which were agreed by the Leaders Committee. The following lists the pledges, which are within the TEC portfolio:

- Support the promotion of a new Clean Air Act and the introduction of ULEZ across much of London to protect Londoners from harmful polluted air.
- Deliver at least 2500 charging points for electric vehicles by 2022, including the option for 20 rapid charge points in each borough.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

- Work towards including a target of one tree for every Londoner in our local plans. Hold TfL to account for improving the bus route network in every London borough.
- Lobby for improved certainty and levels of local road funding through TfL's LIP process.
- Press for London borough representation on the TfL Board.
- Create, cost and lobby for a programme of local transport infrastructure delivery; addressing enhanced connectivity, platform extensions and related responses to growing demand.
- Lobby for the delivery of major transport investment including CR2, HS2, Euston redevelopment, Bakerloo Line extension, West London Orbital and Tram network.
- Work to agree new forms of London borough influence on the specification, management and award of rail franchises so that the borough voice is at the heart of commissioning; and argue for further devolution to London.
- Lobby for fiscal devolution of transport taxes including a proportion of VED to help fund highway maintenance, and new fiscal levers to unlock home building.

The delivery of these pledges will be overseen by TEC. They reflect shared pan-London priorities for Leaders over the next three years but the list does not reflect the entirety of TEC's workplan for this period. TEC has also a wide range of policy, project and service delivery responsibilities described in detail within this report.

Environment Policy

Within environment policy, London Councils has concentrated on three main themes;

- Air Quality;
- Waste; and
- Flooding/climate change.

From discussions with borough members and officers, these three policy areas remain the right priorities going forward. From central government, we are expecting an Environment Bill with an emphasis on air quality and several consultations resulting from the principles published in the Resources and Waste Strategy in December 2018.

Hence, London Councils will continue to work with boroughs to increase the funding and powers available to them to address poor air quality in London, create a more efficient waste service that continues to deliver for Londoners and reduces the risk of flooding, exasperated through climate change, to London's communities and infrastructure.

This will be achieved through strengthening of the sub-regional partnerships that exist in all these areas, to enable more effective collaboration at this level as well as improved teaming up of existing stakeholders, such as LEDNet, LWARB, Thames RFCC, LoDEG, the Environment Agency, Thames Flood Advisors and Thames Water.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

On behalf of TEC, London Councils will:

- Undertake joint lobbying with a variety of stakeholders, such as the City of London, GLA, Client Earth and others as appropriate, on air quality legislation that results in cleaner air for residents and is fit for purpose.
- More actively support Clean Air Day to galvanise public opinion on this important issue for London.
- Undertake further air quality polling.
- Continue to work with heads of communication and colleagues at TfL and GLA on improved communications with residents and businesses about the introduction of the extended ULEZ in 2020.
- Work with boroughs that are dissected by the extended ULEZ boundary to agree the best way forward for its introduction.
- Continue to implement the GULCS scheme with participating boroughs.
- Develop phase 2 of GULCS, creating a ‘one stop shop’ for residents as well as further joint delivery if supported by boroughs.
- Establish tree baseline figure for each borough and agree through TEC that boroughs should aim for having one tree for each resident. Officers to monitor progress annually.
- Encourage boroughs to take up the Grants available through ‘Greener City Fund’ from the Mayor.
- Continue to strengthen the sub-regional strategic flooding partnerships to achieve self-sufficiency and reduce the amount of support required from London Councils officers.
- Continue to strengthen the partnership between London Councils TEC and the Thames RFCC as well as the Environment Agency and Thames Water.
- Work closely with LWARB and LEDNet to improve recycling rates and reduce littering and fly-tipping in London.
- Continue to work with Defra, the LGA, LEDNet and ADEPT as well as LWARB and GLA to ensure that the implementation of the Resources and Waste Strategy does not increase the burden on London’s local authorities and respects the different needs of different localities.
- Continue the support of the London Councils resilience team around any Brexit related policies in this area.

Transport Policy

The specific key policy drivers within transport are the cuts in Local Implementation Plan funding announced by TfL in 2017, the delay to and increasing cost of the Elizabeth Line and the ambitious transport strategy published in the summer of 2018.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

Similarly, to the environmental policy agenda, London Councils key priorities are therefore to increase the funding and powers available to London local authorities to fulfil their role as Highway authorities as well as implementing some key strategic and local transport infrastructure. Within this policy area, London Councils is also working closely with TfL and GLA colleagues to achieve the best outcome for London's local authorities on TfL run services, such as buses, the tube and rail network. London Councils TEC supports the Vision Zero agenda and agrees with the healthy streets approach and the priority given in the Mayors Transport Strategy to encourage more active ways to travel. The Committee has also expressed the wish to be more proactive in the future mobility agenda.

This will be achieved through continuing to build the relationship with finance directors at TfL, further lobbying of government and improved collaborative working with the Wider South East as well as DfT and the Treasury. London Councils TEC will continue to encourage authorities to collaborate where it is effective and efficient to do so and reach an informed and influential view on new transport initiatives, such as shared transport, smart mobility, autonomous vehicles and demand responsive initiatives.

In 2019/20, we will:

- Support the strategic review of the bus network by TfL, whilst ensuring that it complements the overall mode shift target within the Mayors Transport Strategy and boroughs are actively engaged and their views considered.
- Continue to engage with TfL and the GLA and make further use of the existing borough groupings, such as LoTAG (London Technical Advisory Groups) to establish an evidence base showing the value of LIPs funding to the boroughs and the achievement of the goals in the Mayors Transport Strategy.
- Ensure that LIP funding is maintained in this increasingly tough financial climate for TfL and that the review of the Corridor formula of LIP funding is fair and takes boroughs' views into account.
- Continue to make the case for borough representation on the TfL board and communicate this using all our existing channels.
- Through engagement with boroughs, establish a business case and media interventions for local transport delivery required to support London's growth.
- Strengthen the sub-regional strategic partnerships by helping boroughs to collaborate more effectively on sub-regional schemes, such as cycle ways and bus routes that do not respect administrative boundaries.
- Deliver new research and media interventions to support financing next steps for London's strategic infrastructure schemes e.g. Crossrail Extension to Ebbsfleet, the Bakerloo Line Extension and the West London Orbital Railway.
- Deliver public reports on London's rail needs and develop a better system that allows enough London borough influence in any rail franchising undertaken by central government. Work closely with TfL and the GLA on further devolution of certain rail lines to TfL.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

- Engage with boroughs to ensure that they become more engaged in the work of the Wider South East partnership and so work more effectively with authorities outside London and the sub-national transport bodies to ensure that some of the strategic transport projects for London are delivered.
- Re-visit, jointly with relevant partners, particularly TfL and GLA the debate on funding strategic transport infrastructure in London, given the delay and cost increases of the Elizabeth Line and the knock-on effects this will have funding other infrastructure.
- Develop and implement a lobbying plan for central government for more sustainable funding of highway maintenance, including the devolution of transport taxes, such as a proportion of VED. Work with other stakeholders on this as relevant and appropriate.
- Undertake a programme of task and finish groups on the future mobility agenda, starting with car sharing and then covering areas such as Smart Mobility, demand responsive initiatives and autonomous transport.

The Freedom Pass team will be:

- Negotiating the Freedom Pass annual settlements with TfL, RDG and other bus operators.
- Calculating and agreeing the apportionment of Freedom Pass costs to boroughs.
- Negotiating and agreeing the future Freedom Pass costs of the full opening of the Elizabeth line.
- Monitoring TfL's trials of Demand Responsive Transport services and consider implications for the Freedom Pass scheme.
- Completing the mid-term review of passholders issued with 2022 passes to check continued eligibility for the scheme and avoid costs.
- Completing three National Fraud Initiative reviews to cancel deceased members' cards to prevent fraudulent use by others.
- Planning and executing the major renewal exercise for approximately 750,000 passes expiring in 2020.
- Introducing a new cost-effective way of renewing passes, involving more upfront data cleansing to minimise written correspondence and reduce customer contact centre interactions.
- Developing and launching an online portal for disabled person Freedom Pass applications.
- Completing the development of a new upgraded online Case Management System (CMS).
- Negotiating and agreeing a new journey-based model and approach for the RDG settlement.
- Introducing improvements for fraud monitoring and detection for application processing, working with Oxford City Council who are leading on this area of work nationally.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

The Taxicard team will be

- Seeking a longer-term funding agreement with TfL.
- Developing and implementing a new online Taxicard application portal and process, with a more consistent approach across all boroughs and maximising the efficiencies through greater data sharing.
- Completing further work to review the Taxicard eligibility criteria with boroughs (who are responsible for setting local criteria) to achieve further consistency and clarity for users alongside the new application portal development.
- Continuing to implement, monitor and review new contract improvements and changes.
- Completing the new Taxicard CMS development and implementation and possible integration with Freedom Pass system.
- Increasing channel shift to online applications and processing to save cost and deliver service improvements.

For the London Lorry Control Scheme, we will be:

- Continuing to manage the London Lorry Control Scheme, issuing permissions and enforcing to ensure compliance.
- Continuing to implement the scheme review recommendations, including:
 - monitoring of the ANPR enforcement pilot and consideration of wider roll out
 - a comprehensive signing review
 - reviewing and amending the Excluded Route Network (ERN)
 - researching potential changes to weight limit/hours and exemptions
 - considering the provision of an online routing tool
- Working with TfL to implement the new Direct Vision Standard Scheme.
- Working with Barnet to amend the traffic order and bring them back into the scheme.
- Planning for retendering of the enforcement contract in light of changes resulting from the scheme review.
- Introducing an Electronic Appeals Process with London Tribunals
- Seeking agreement from Hillingdon, Redbridge and Havering to reintroduce London-wide Enforcement.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

On traffic and parking policies and operations, we will be:

- Continuing to provide highly valued advice and support to boroughs and represent their interests at relevant forums and meetings, including hosting the Parking Managers Seminar.
- Holding Traffic Control Liaison Committee meetings between TfL and boroughs as necessary, to review the formula for apportioning borough traffic signal costs and ensure boroughs are informed early of the apportionment amounts before agreement by TEC.
- Reviewing and updating the parking contravention codes list as necessary.
- Continuing to provide debt registration services with the Traffic Enforcement Centre for the majority of London boroughs.
- Reacting quickly to any new policy or legislative proposals, ensuring that boroughs are consulted and proactively lobbying for change where necessary.
- Collating, analysing and publishing London-wide enforcement and appeals statistics.
- Continuing to work with the BPA and DfT regarding consistent open parking data standards and reform/digitisation of Traffic Regulation Orders.
- Publishing a Borough CCTV enforcement Code of Practice.
- Updating the Civil enforcement Officer Handbook as necessary.
- Continuing to support the Positive Parking Agenda and progressing a positive parking communications campaign.
- Developing and issuing Red Route policy advice to boroughs.
- Reviewing policy advice on the use of bus lanes by Ambulances and Immigration Services.
- Continuing to work with TfL on the implementation of the Direct Vision Standard project.

On managing the Health Emergency Badge scheme, we will be:

- Continuing to operate the London Health Emergency Badge scheme, issuing parking waivers to eligible health workers to use in emergency situations.
- Completing the review of practices and processes to ensure the service is delivered as effectively and efficiently as possible, including consideration of:
 - Fraud and misuse;
 - Application processing and eligibility criteria;
 - Permits (virtual Vs physical);
 - Costs and potential efficiencies;
 - Technological applications;
 - Communications and promotion;

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

- Establishing and holding stakeholder working groups to support the review process.

On the TRACE service, we will be:

- Helping to ensure consistency of approach by all boroughs and their operators to improve accuracy and efficiency of the service.
- Continuing to improve monitoring and reporting of performance data to seek further service improvements.
- Continuing to promote the online service over the phone service.
- Working with non-borough organisations to capture removal data from other organisations such as event organisers and removal of abandoned vehicles.
- Considering the introduction of customer feedback reviews to help service improvement.

In 2019/20 the LEPT service will be:

- Continuing to monitor European and other funding and knowledge exchange opportunities, and briefing Boroughs accordingly.
- Attending EU Working Group meetings on issues key to boroughs and the Mayor's Transport Strategy, feeding back good practice and knowledge sharing opportunities.
- Setting up a Borough (or Sub Regional) European study tour.
- Publishing policy briefings on issues of particular interest to boroughs (e.g. air quality, safety, electric vehicle charging) that would outline London's position for a European audience/project partners.
- Closer collaborative work with TfL on funding opportunities.
- Continuing to review and improve the LEPT website and the information held.
- Assessing the feasibility of working with private sector project partners, to attract additional funding.

On the provision of independent appeals services via London Tribunals, including the Environment and Traffic Adjudicators (ETA) and the Road User Charging Adjudicators (RUCA) we will be:

- Continuing to provide the administrative support and infrastructure to the Environment and Traffic Adjudicators and Road User Charging Adjudicators.
- Monitoring and reviewing systems and processes, implementing improvements and enhancements where necessary and providing training and support accordingly.
- Promoting greater levels of channel shift to fully electronic online appeals submission and processing.
- Completing preparations for the introduction of the ULEZ scheme and appeals, including the recruitment and training of additional administrative and customer service staff.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

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

- A continued focus on data protection and GDPR requirements, including:
 - implementing all outstanding actions from last year's reviews
 - agreeing an ongoing monitoring and review process for all data sets
 - ensuring all staff and contractors are fully trained, particularly on data breach reporting and management
- Focussing on efficiencies to reduce costs, including through further data sharing and exploring commercial opportunities such as advertising or sponsorship to generate new revenue streams.
- A continuing focus on customer service excellence.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

Financial Review

The Director of Corporate Resources has pleasure in presenting the accounts for 2018/19. The accounts consist of the following:

- Statement of Responsibilities for the Statement of Accounts (page 22)
- Expenditure and Funding Analysis (page 32)
- Comprehensive Income and Expenditure Statement (page 33);
- Movement in Reserves Statement (page 34);
- Balance Sheet (page 35);
- Cash Flow Statement (page 36); and
- Notes to the Accounts (page 37 - 65).

Revenue expenditure

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

	Budget £000	Actual £000	Variation £000
Expenditure	45,125	44,460	(665)
Income	(44,706)	(45,370)	(664)
Interest income and expenditure	-	356	356
Deficit/(Surplus) for the year	419	(554)	(973)
Transfer from/to Reserves	(419)	(881)	(462)
Surplus for the year including transfer from reserves	-	(1,435)	(1,435)

A surplus on revenue activities of £554,000 has been posted for 2018/19 which, after a net transfer of £881,000 from reserves has led to an overall surplus after net transfers from reserves of £1.435 million. The surplus is due to:

- **Freedom Pass non-TfL bus services (-£501,000)**

In December 2017, TEC approved a budgetary provision of £1.5 million for 2018/19 to cover the cost of payments to non-TfL bus operators under the national concessionary fares scheme, the overall cost of which is demand led by eligible bus users. This was made up of projected claims of £1.3 million based on mid-year 2017/18 data plus a £200,000 contingency to cover potential new bus operators joining the scheme. Claims from operators amounting to £999,000 have been received and accepted for 2018/19, which has led to an underspend of £501,000, or 33%. This is broadly attributable to the following:

- a 13% fall in journey volumes largely as a result of the eligible age increase which has reduced the number of younger pass holders traveling longer distances;

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

- a 4% reduction in the projected average trip fare from £3.61 to an actual unit fare of £3.47; and
- £200,000 or 13% underspend in relation to the contingency budget for potential additional operators not being fully utilised.

- **Net Freedom Pass survey and issue costs (-£302,000)**

The budget for the freedom pass survey and issue processes for the year was £1.518 million. This budget covers the issuing of Freedom Passes to new applicants and for the replacement of passes which are lost, stolen or faulty. For 2018/19, it also covered the cost of the mid-term review of pass eligibility. Total expenditure for 2018/19 was £1.529 million, of which £191,000 was spent on the mid-term review, leading to an overspend of £11,000. This slight overspend was in part due to a number of changes to the way the review was communicated compared to the previous mid-term reviews such as a higher calls to letters sent ratio, which should lead to savings in future periods. In addition, a sum of £1.029 million was collected during 2018/19 in respect of replacement Freedom Passes, £345,000 in excess of the £684,000 budgetary provision, which reduces by £32,000 to £313,000 once bank charges are taken into account. In net terms, therefore, there was a surplus of £302,000, which, in accordance with approved TEC practice, will be transferred from the provisional surplus to the specific reserve created to fund the full 2020 freedom pass renewal process.

- **Traded Services (-£167,000)**

The net surplus position of £176,000 is made up of a number of elements, which are regularly reviewed by TEC during the year. These are listed below:

Firstly, there are two elements where the effect on income and expenditure levels produces a neutral effect and does not change the overall net surplus position:

- A provisional overspend of £1.372 million for increased payments to Northampton County Court, which is a borough demand led service for the registration of persistent non-payers of parking PCN's in the County Court at £7 per time. The costs are fully recovered from boroughs, leading to a compensating increased level of income collected for the year.
- Expenditure on congestion charging appeals is estimated to be £402,000, £49,000 more than the budgetary provision of £353,000. The number of appeals represented by corresponding financial transactions posted in the accounts during the year was 9,644, which is 1,844 more than the budgeted figure of 7,800. The throughput of appeals was calculated at 1.93 appeals per hour, compared to 2.37 per hour for 2017/18. However, as the cost of these appeals is recharged to the GLA/TfL at full cost, there was a corresponding increase in income due for the year of £49,000, which therefore has a zero effect on the Committee's provisional financial position for the year.

Secondly, there is a net surplus of £99,000 in respect of environmental and traffic appeals. The number of appeals and statutory declarations represented by corresponding financial transactions posted in the accounts during the year was 42,721 against a budget of 41,278, generating income of £1.189 million, £24,000 more than the budget estimate of £1.165 million. In addition, there is an underspend of £66,000 in adjudicators costs and contractor costs of £10,000. The throughput of appeals was 3.54 appeals per hour, compared 3.66 appeals per hour for 2017/18.

Thirdly, the transaction volumes for other parking systems used by boroughs and TfL continue to fluctuate overall, resulting in a projected net surplus of £68,000. On the expenditure side, this takes into account the unit pricing structure charged by Northgate and expenditure was £11,000 more than the £189,000 budget. On the income side, unit cost recharges to boroughs for 2018/19 were set by the full Committee in December 2017 and amounted to £578,000, £79,000 more than the £499,000 income target.

NARRATIVE REPORT TO THE STATEMENT OF ACCOUNTS (continued)

- **Lorry Control Administration/PCN income (-£658,000)**

The administration of the London Lorry Control Scheme underspent the budget of £793,000 by £120,000. This is attributable to an underspend on general office costs of £29,000, an overspend of central recharges and staffing related costs of £25,000 and an underspend of £116,000 in respect of the review of LLC Scheme, £86,000 of which was a carried forward budget from 2017/18. The TEC Executive Sub-Committee approved the carry forward of the underspend on the review of the LLC Scheme of £116,000 into 2019/20. Approximately £20,000 was spent in 2018/19 on the ANPR camera enforcement pilot with further developments planned for this year.

There was, however, a significant overachievement in the collection of PCN income of £721,000 above the budgetary provision of £800,000. This was due to continued effective performance of the outsourced enforcement function leading to increased transaction volumes and higher levels of debt being raised and collected. Of the £1.521 million income due for the year, £333,000 has yet to be collected and has been registered with the County Court. An impairment loss in respect of bad debts has been increased by £183,000 in respect of this outstanding amount, in accordance with usual accounting practice. This increase on the impairment loss reduces the net surplus income to £538,000 for the year.

- Residual variances of -£109,000.

Budget for 2019/20

On 6 December 2018, the full TEC Committee approved a total expenditure budget for 2019/20 of £45.507 million, exclusive of the borough payment of £320.913 million to Transport for London (TfL) in respect of Concessionary Fares. Total income sources were estimated to be £45.507 million.

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

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

The Committee is required to:

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

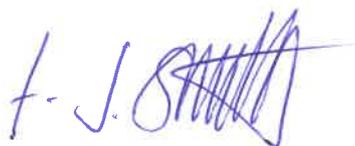
The Director of Corporate Resources' Responsibilities

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

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Committee at 31 March 2019 and of its income and expenditure for the year then ended.



F Smith CPFA
Director of Corporate Resources

18 September 2019

APPROVAL CERTIFICATE

At a meeting of London Councils' Audit Committee held at 59½ Southwark Street, London, SE1 0AL on 18 September 2019, the statement of accounts were approved on behalf of the Committee.

A handwritten signature in black ink that reads "Roger Ramsey". The signature is written in a cursive style with a large initial 'R'.

Cllr Roger Ramsey
Chair of London Councils' Audit Committee

18 September 2019

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

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

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

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

The purpose of the governance framework

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

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

The governance framework has been in place at London Councils for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

The governance framework

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

- **Developing and communicating the Committee's vision** – The Committee produces an annual Corporate Business Plan which sets out its proposed purpose, themes, work programmes and services. The plan consists of two levels: a high level plan available for stakeholders and external audiences and detailed internal work plans developed for management purposes. This is informed by on-going liaison with key borough stakeholders including the Chair and all Executive portfolio holders. The Corporate Business Plan is submitted to the Leaders' Committee. 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 and events such as the London Councils' Summit.
- **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.

ANNUAL GOVERNANCE STATEMENT (continued)

- **Measuring the performance of services** – The Committee produces an Annual Review at the end of each financial year which provides a summary of the key activities over the last year and highlights the key achievements. Data collected on the performance of activities and services during the year feeds into the production of a key achievements report at the year end. London Councils Corporate Management Board (CMB), the London Councils Executive and the Grants and Transport and Environment Committees receive regular financial management reports that monitor actual income and expenditure trends against approved budgets. London Councils operates a complaints procedure which provides an opportunity to put things right if an error is made and assists in the search to improve the quality of services to member authorities and to Londoners. There are also a number of internal management mechanisms, such as 1:1 review meetings and a fully embedded performance appraisal framework which monitor on-going progress against objectives.
- **Defining and documenting roles and responsibilities** – The London Councils Agreement sets out the main functions and obligations of London Councils and its member authorities. The Agreement includes the standing orders and financial regulations which provide details of the delegation arrangements in place. There is a scheme of delegations to officers in place which was last reviewed, updated and approved by the Leaders' Committee at its Annual General Meeting on 5 June 2018. 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. All London Councils officers are issued with a job description which confirms their duties within the organisation.
- **Developing, communicating and embedding codes of conduct** – All London Councils Staff have been made aware of the staff handbook which is located on the intranet site. The staff handbook sign posts staff to London Councils policies and procedures which are on the intranet. All staff are encouraged to refer to the intranet when they require guidance on London Councils policies and procedures. Reference to the staff handbook is also included in the induction training of all new staff joining London Councils with their attention specifically drawn to the financial regulations, the code of conduct, data protection and London Councils whistle blowing policy.
- **Reviewing the effectiveness of the Committee's decision-making framework** - The standing orders and financial regulations are included within the London Councils Agreement. The standing orders were last reviewed by Leaders' Committee on 5 June 2018. The financial regulations were also reviewed and the changes approved by the Leaders Committee on 5 June 2018. 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 2018. The Directorate Risk Registers are reviewed by the Audit Committee on a rolling basis. London Councils' Corporate Management Board ensures that the risk registers, both Directorate and Corporate, continue to support London Councils' corporate priorities, which provides members with assurance on how the risks identified are being managed.

ANNUAL GOVERNANCE STATEMENT (continued)

- **Anti-fraud and anti-corruption arrangements** – London Councils is committed to having an effective Anti-Fraud and Anti-Corruption strategy designed to promote standards of honest and fair conduct, prevent fraud and corruption, detect and investigate fraud and corruption, prosecute offenders, recover losses and maintain strong systems of internal control. There are two separate policies in place London Councils Whistle Blowing Policy which was last updated in July 2016 and London Councils Policy to Combat Fraud, Bribery and Corruption, which was agreed by London Councils Audit Committee in March 2014 and reviewed in February 2016. Both documents are available on London Councils' intranet and website.
- **Effective management of change and transformation** – London Councils has a framework for managing organisational change which is available to all staff on the intranet. The framework provides guidance on the statutory elements of managing change and issues that should be considered when implementing changes.
- **Financial management arrangements** – London Councils' financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.
- **Assurance arrangements** – London Councils' internal audit function is carried out by the City of London's internal audit team under a service level agreement for financial support services. These arrangements conform with the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit in public service organisations and Public Sector Internal Audit Standards.
- **Discharge of the monitoring officer function** – • This is a statutory post under Section 5 of the Local Government and Housing Act 1989 and as such is not applicable to London Councils which is a joint committee¹. However, legal advice is provided to London Councils by the City of London Corporation including governance advice and support which in a local authority would generally be provided by the borough solicitor and monitoring officer .
- **Discharge of the head of paid service function** – London Councils' Chief Executive is the head of paid service. As with all officers, the Chief Executive is issued with a job description which confirms his duties within the organisation. He is subject to appraisal arrangements with Group Leaders who assess his performance against agreed objectives.
- **Audit Committee** –The Audit Committee is a sub-committee of London Councils Leaders' Committee. The Terms of Reference are agreed annually and were last agreed on 5 June 2018. 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.

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

ANNUAL GOVERNANCE STATEMENT (continued)

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

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

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

- The work of Internal Audit, undertaken by the City of London 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 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 2018/19.
- 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 2019/20

The review of the effectiveness of London Councils governance arrangements has revealed the following areas for development during 2019/20:

Information Management and Security

An internal audit review on Information Management and Security was completed in 2017/18. The review assessed the adequacy of controls for compliance with the Data Protection Act, staff training and awareness, disposal of sensitive and confidential data and access controls. The review revealed that there was a sound control environment in place but identified a number of areas of improvement such as enhanced password controls, restricted use of removable media devices and the creation of a disposal register which includes evidence of disposal. Some of the recommended improvements were implemented during 2018/19 with the rest completed during 2019/20.

Pan London Mobility Schemes

An internal audit review on the Pan London Mobility Schemes was completed in 2018/19. The review assessed the effectiveness of controls in operation over the management of the Freedom Pass and Taxicard schemes. The review concluded that there was an adequate control framework in place but identified some areas to improve such as the reporting of key performance indicators, the frequency of performance monitoring meetings, checks on contractors' compliance assessments and the publishing of eligibility criteria. A number of the recommendations were implemented during 2018/19 with the rest due to be implemented in 2019/20.

ANNUAL GOVERNANCE STATEMENT (continued)**Parking and Traffic Services**

An internal audit review on the parking and traffic services was completed in 2018/19. The services include London Tribunals, TRACE (towed vehicle tracing service) and the London Lorry Control scheme. The review examined the adequacy of arrangements for contract management, payments to tribunal adjudicators and the issue of Penalty Charge Notices. The review concluded that there was an adequate control framework in place but identified some areas to improve such as the improved use of service contract points, performance reporting, process reviews, scheme permissions and checks on the adjudicators' pay claims. The recommendations will be implemented in 2019/20.

Remote Access and Mobile Devices

An internal audit review on the use of remote access and mobile devices was completed in 2018/19. The review assessed the adequacy of the internal controls for managing mobile devices and access to London Councils network through remote working. The review concluded that there was an adequate control framework in place but identified some areas to improve such as policies, procedures, guidance and security controls. A number of the recommendations have been implemented as part of London Councils' ICT transformation programme which commenced in 2018/19. The remaining recommendations will be implemented in 2019/20.

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

Significant governance issues

There are no significant governance issues.



John O'Brien
Chief Executive

18 September 2019



Clr Peter John OBE
Chair of London Councils

18 September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON COUNCILS TRANSPORT AND ENVIRONMENT COMMITTEE**Opinion**

We have audited the financial statements of London Councils Transport and Environment Committee ('the Committee') for the year ended 31 March 2019 which comprise the Expenditure and Funding Analysis, Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Committee as at 31 March 2019 and of the Committee's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Committee in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Director of Corporate Resources is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Director of Corporate Resources' responsibilities

As explained more fully in the statement set out on page 22, the Director of Corporate Resources is responsible for: the preparation of the Committee's financial statements in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Committee's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Committee will continue in operational existence for the foreseeable future.

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

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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



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

25 September 2019

EXPENDITURE AND FUNDING ANALYSIS FOR THE YEAR ENDED 31 MARCH 2019

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.

	2018/19	2018/19	2018/19	2017/18	2017/18	2017/18
	Net Expenditure Chargeable to Usable Reserves £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Net Expenditure Chargeable to Usable Reserves £000 (Restated)	Adjustments between the Funding and Accounting Basis £000 (Restated)	Net Expenditure in the Comprehensive Income and Expenditure Statement £000 (Restated)
Cost of Services						
Freedom Pass and Taxicard services	(949)	153	(796)	(1,091)	142	(949)
Direct Services	(1,562)	228	(1,334)	(1,502)	194	(1,308)
One off Payment to Boroughs	-	-	-	340	-	340
Cost of Services	(2,511)	381	(2,130)	(2,253)	336	(1,917)
Other Operating Expenditure	1,054	166	1,220	1,230	41	1,271
Financing and investment income and expenditure	139	217	356	(73)	256	183
Surplus on Provision of Services	(1,318)	764	(554)	(1,096)	633	(463)
Opening Usable Reserve Balance	(6,171)			(5,075)		
Surplus	(1,318)			(1,096)		
Closing Usable Reserve Balance	(7,489)			(6,171)		

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED
31 MARCH 2019**

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

	Notes	2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net £000	2017/18 Gross Expenditure £000 (Restated)	2017/18 Gross Income £000 (Restated)	2017/18 Net £000 (Restated)
Cost of Services							
Freedom Pass and Taxicard services		33,422	(34,218)	(796)	33,858	(34,807)	(949)
Direct Services		9,489	(10,823)	(1,334)	9,214	(10,522)	(1,308)
One off Payment to Boroughs		-	-	-	340	-	340
Cost of Services		42,911	(45,041)	(2,130)	43,412	(45,329)	(1,917)
Other Operating Expenditure	8	1,549	(329)	1,220	1,618	(347)	1,271
Financing and investment income and expenditure	9	400	(44)	356	256	(73)	183
Surplus on Provision of Services		44,860	(45,414)	(554)	45,286	(45,749)	(463)
Re-measurement of the net defined liability	11			(1,199)			(732)
Other Comprehensive Income and Expenditure				(1,199)			(732)
Total Comprehensive Income and Expenditure				(1,753)			(1,195)

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

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.

	2018/19			2017/18		
	Usable Reserves £000	Unusable Reserves £000	Total Committee Reserves £000	Usable Reserves £000	Unusable Reserves £000	Total Committee Reserves £000
Balance at 1 April	6,171	(8,650)	(2,479)	5,075	(8,749)	(3,674)
Total Comprehensive Income and Expenditure	554	1,199	1,735	463	732	1,195
Adjustments between accounting basis and funding basis under regulations (note 7)	764	(764)	-	633	(633)	-
Increase	1,318	435	1,735	1,096	99	1,195
Balance at 31 March	7,489	(8,215)	(726)	6,171	(8,650)	(2,479)

BALANCE SHEET AS AT 31 MARCH 2019

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.

	Notes	31 March 2019 £000	31 March 2018 £000
Property, Plant and Equipment	12	617	720
Long Term Assets		617	720
Short Term Debtors	13	6,135	4,973
Cash and Cash Equivalents	14	4,572	3,798
Current Assets		10,707	8,771
Short Term Creditors	16	(3,876)	(3,357)
Current liabilities		(3,876)	(3,357)
Other Long Term Liabilities	11	(8,174)	(8,613)
Long Term Liabilities		(8,174)	(8,613)
Net Liabilities		(726)	(2,479)
Usable Reserves	18	7,489	6,171
Unusable Reserves	20	(8,215)	(8,650)
Total Reserves		(726)	(2,479)

The notes on pages 37 to 65 form part of the accounts.

F Smith CPFA
Director of Corporate Resources

18 September 2019

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

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.

	2018/19 £000	2017/18 £000
Net surplus on the provision of services	554	463
Adjustments to net surplus on the provision of services for non-cash movements	224	(886)
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	(44)	(20)
Net cash flows from Operating Activities (note 21)	734	(443)
Investing Activities (note 22)	40	20
Net increase/(decrease) in cash and cash equivalents	774	(423)
Cash and cash equivalents at 1 April	3,798	4,221
Cash and cash equivalents at 31 March	4,572	3,798

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

1. Accounting Policies**a General Principles**

The Statement of Accounts summarises the Committee's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Committee prepares its accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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 2019 (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 actual expenditure.

d Cash and Cash Equivalents

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

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)**1. Accounting Policies (continued)****e Contingent Liabilities**

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

f Employee Benefits**Benefits Payable During Employment**

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

Termination Benefits

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

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

Post Employment Benefits**Defined Benefit Pension Scheme**

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

1. Accounting Policies (continued)

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

- The liabilities of the pension fund attributable to the Committee are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, projected earnings of current employees etc.
- Liabilities are discounted to their value at current prices using, a discount rate of 2.4% (2017/18: 2.6%).
- The assets of the pension fund attributable to the Committee are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;
 - Unutilised securities – current bid price; and
 - Property – market value.
- The change in the net pensions liability is analysed into six components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years debited to the Staff Costs line in the Comprehensive Income and Expenditure Statement;
 - Net interest on the net defined benefit liability (asset), ie net interest expense for the Committee – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;
 - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
 - Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)**1. Accounting Policies (continued)**

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

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

Defined Contribution Pension Scheme

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

g Exceptional Items and Prior Period Adjustments

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

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

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

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

1. Accounting Policies (continued)**h Financial Instruments****Financial Liabilities**

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

Currently the Committee has no borrowings.

Financial Assets

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.

i Government Grants and Contributions

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

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

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

j Intangible Assets

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

1. Accounting Policies (continued)**k 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.

l Leases**Finance leases**

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

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

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

Operating leases

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

m Overheads

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

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

n Property, Plant and Equipment

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

1. Accounting Policies (continued)

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

o Reserves

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

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

p Value Added Tax

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Restatement of Comparatives

The prior year's financial statements have been restated to reflect new disclosure requirements brought in by IFRS 9, Financial Instruments. The standard requires the movement in the impairment allowance for bad debts (previously known as the Bad Debt Provision) to be included in the Financing and Investment and Expenditure line of the Comprehensive Income and Expenditure Statement. This new treatment is consistent with the concept of debtors no longer being purely amounts due for the provision of goods and services, but having now become credit facilities to be treated like loans. Any loss from bad debts (impairment or derecognition) which are considered to relate to the provision of credit facilities would thus now be a loss of principal, rather than a non-payment for the goods/services.

The effect on the Comprehensive Income and Expenditure Statement for the year ended 31 March 2018:

Net Surplus on Provision of Services:

	As previously stated £000	Restatement £000	As Restated £000
Direct Services	(1,307)	(1)	(1,308)
Other Operating Expenditure	1,217	54	1,271
Financing and Investment Income and Expenditure	236	(53)	183

The changes above are also reflected in the Expenditure and Funding Analysis.

The restatement has no impact on the Movement in Reserves Statement or the Balance Sheet.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) has introduced changes in accounting policies which will be required from 1 April 2019. If these had been adopted for the financial year 2018/19 there would be no material changes to the Committee's accounts as detailed below.

IAS40 Investment Property – There is an amendment to this standard to state that an entity shall transfer a property to, or from, an investment property when, and only when, there is evidence of a change in use. A change of use occurs if the property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The Committee does not own any property so these amendments will not have any impact on the Committee's accounts.

Annual Improvements to IFRS Standards 2014 2016 cycle – The International Accounting Standards Board's (IASB) annual improvements project provides a streamlined process for dealing efficiently with a collection of amendments to international accounting standards. The primary objective of the process is to enhance the quality of standards, by amending existing ones to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts or oversights. Amendments are made through the annual improvements process when the amendment is considered non-urgent but necessary. There are proposed amendments to IFRS 1 – *First-time Adoption of International Financial reporting Standards*, IFRS 12 – *Disclosure of Interests in Other Entities*, IAS 208 - *Investments in Associates and Joint Ventures*. These improvements will not have an impact on the Committee's accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration – This interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. This interpretation is unlikely to have a material impact on the Committee's accounts due to the low number and value of foreign currency transactions.

IFRIC 23 Uncertainty over Income Tax Treatments – This interpretation applies to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments. This interpretation will not have any effect on the Committee's accounts as it is not subject on income tax.

IFRS 9 Financial Instruments – This narrow scope amendment allows financial instruments with symmetric prepayment options to qualify for amortised cost or fair value through other comprehensive income measurement because they would otherwise fail the solely payments of principal and interest condition. This amendment will not have an impact on the Committee's accounts due to the type of financial instruments held by the Committee.

In 2018/19, the Committee adopted IFRS 9 *Financial instruments* and IFRS15 *Revenue from Contracts with Customers*.

4. Critical Judgements in Applying Accounting Policies

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

The critical judgement made in the Statement of Accounts are:

Government Funding

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

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

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

The items in the Committee's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)**5. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty (continued)**

The effect on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £536,000. However, the assumptions interact in complex ways. During 2018/19, Barnett Waddingham LLP advised that the net pensions liability had increased by £1.31 million as a result of a change in financial assumptions.

Property, Plant and Equipment

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

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Leasehold Improvements would increase by £17,000 for every year that useful lives had to be reduced.

Impairment Loss on PCN Debts

At 31 March 2019, the Committee had an amount of £333,000 of debts registered at the County Court. An impairment loss of £267,000 based on a 20% recovery rate recognised in the accounts. However, in the current economic climate it is not certain that such an allowance is sufficient and if collection rates were to deteriorate the provision will have to be increased accordingly.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 18 September 2019. 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 2019, the figures in the accounts and notes have been adjusted in all material respects to reflect the impact of this information.

7. Note to the Expenditure and Funding Analysis

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

Adjustments between funding and accounting basis during 2018/19:

Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure	Pension Adjustments £000	Accumulated Absence Adjustments £000	Total Adjustments £000
Freedom Pass and Taxicard services	149	4	153
Direct Services	230	(2)	228
One off Payment to Boroughs	-	-	-
Net Cost of Services	379	2	381
Other Operating Expenditure	164	2	166
Financing and investment income and expenditure	217	0	217
Difference between General Reserve and Comprehensive Income and Expenditure Statements Surplus on Provision of Services	760	4	764

Adjustments between funding and accounting basis during 2017/18:

Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure	Pension Adjustments £000	Accumulated Absence Adjustments £000	Total Adjustments £000
Freedom Pass and Taxicard services	145	(3)	142
Direct Services	189	5	194
One off Payment to Boroughs	-	-	-
Net Cost of Services	334	2	336
Other Operating Expenditure	40	1	41
Financing and investment income and expenditure	256	-	256
Difference between General Reserve and Comprehensive Income and Expenditure Statements Surplus on Provision of Services	630	3	633

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

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

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

8. Other Operating Expenditure

	2018/19 £000	2017/18 £000 (Restated)
Staff costs	1,195	1,125
Premises costs	39	86
Other running costs	315	407
Total	1,549	1,618

9. Financing and Investment Income and Expenditure

	2018/19 £000	2017/18 £000 (Restated)
Interest and Investment Income	(44)	(20)
Net Loss on Pension Scheme Assets/Liabilities (see note 11)	217	256
Impairment losses/(gains) for bad debts	183	(53)
Total	356	183

10. Revenue from Contracts with Service Recipients

The Committee's main source of income is from annual subscriptions and agreed charges to member authorities. In 2018/19, TEC provided administrative support and infrastructure to the Road User Charging Adjudicators (RUCA) on behalf of the Greater London Authority under the terms of a service contract. The contract is charged on a cost recovery basis with performance obligations recognised over time.

The amounts included in the Comprehensive Income and Expenditure Statement for the RUCA service:

	2018/19 £000	2017/18 £000
Revenue from contract	(896)	(985)
Impairment of contract receivables (annual movement)	-	1
Total	(896)	(984)

The amounts included in the Balance Sheet for the RUCA service:

	2018/19 £000	2017/18 £000
Receivables (included in debtors)	508	603
Impairment of contract receivables	(2)	(2)
Total	506	601

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11. Pensions**Defined Benefit Scheme**

As part of their terms and conditions of employment, London Councils staff are eligible to participate in the Local Government Pension Scheme (LGPS) which is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 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.

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

The LPFA aim to establish and maintain full funding on a risk adjusted triennial valuation basis. The LPFA administers the funds of 363 different public sector and 'not for profit' organisations with assets totalling £5.7 billion. At the end of March 2016 the funding level was 96% on a triennial valuation basis, as per the LPFA's external actuary (Barnett Waddingham). The funding level is projected to increase to 111% by 2020/21.

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

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

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11. Pensions (continued)

- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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

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

The LPFA, as administering authority, provided Barnett Waddingham LLP, an independent firm of qualified actuaries with scheme membership information as at 31 March 2016 for all employees within London Councils as part of the triennial valuation. Assets were allocated within the LPFA Pension Fund based on these calculated liabilities. The triennial valuation as at 31 March 2016 was the starting point for the 'roll forward' IAS19 valuations. In order to assess the actuarial value of the LPFA Pension Fund's liabilities as at 31 March 2019 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. The estimated impact on the total liabilities at 31 March 2019 has been allowed for as a past service cost and has resulted in a slight increase in the defined benefit obligation as at 31 March 2019. It should be noted that this adjustment is an estimate of the potential impact on the Committee's Defined Benefit Obligation based on analysis carried out by the Government Actuary's Department (GAD) and the Committee's liability profile. It is not yet clear how this judgement may affect LGPS members' past or future service benefits.

Financial Assumptions

The financial assumptions as at 31 March 2019:

Assumptions as at:	31 March 2019 (% per annum)	31 March 2018 (% per annum)
RPI increases	3.4%	3.3%
CPI increases	2.4%	2.3%
Salary increases	3.9%	3.8%
Pension increases	2.4%	2.3%
Discount rate	2.4%	2.6%

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11. Pensions (continued)

These assumptions are set with reference to market conditions at 31 March 2019.

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.

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.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.4% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts and is consistent with the approach used at the previous accounting date.

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

Demographic and Statistical Assumptions

A set of demographic assumptions that are consistent with those used for the most recent funding valuation at 31 March 2016 have been adopted. The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are then projected using the CMI 2018 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are:

	31 March 2019	31 March 2018
Retiring today:		
Males	21.0	22.0
Females	23.6	24.6
Retiring in 20 years:		
Males	22.8	24.3
Females	25.2	26.9

The following assumptions have also been made:

- Members will exchange half of their commutable pension for cash at retirement;

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11. Pensions (continued)

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

The fair value of the pension scheme assets attributable to the Transport and Environment Committee at 31 March 2019:

	At 31 March 2019		At 31 March 2018	
	£000	%	£000	%
Equities	9,622	55%	9,906	61%
Target return portfolio	4,444	25%	3,631	22%
Infrastructure	989	6%	709	4%
Property	1,565	9%	1,166	7%
Cash	810	5%	789	5%
	17,430	100%	16,201	100%

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

The analysis of the net value of the pension scheme assets and liabilities recognised in the Balance Sheet as at 31 March 2019 is as follows:

	At 31 March 2019	At 31 March 2018
	£000	£000
Fair value of employer assets	17,430	16,201
Present value of scheme liabilities	(25,582)	(24,791)
Net Liability	(8,152)	(8,590)
Present value of unfunded liabilities	(22)	(23)
Net Liability in Balance Sheet	(8,174)	(8,613)

The analysis of the amounts recognised in the Comprehensive Income and Expenditure Account for the year ended 31 March 2019 is as follows:

	At 31 March 2019	At 31 March 2018
	£000	£000
Service cost	721	540
Net interest on the defined liability	217	256
Administration expenses	21	20
Total	959	816

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11. Pensions (continued)

The reconciliation of the Defined Benefit Obligation at 31 March 2019 is as follows:

	At 31 March 2019	At 31 March 2018
	£000	£000
Opening Defined Benefit Obligation	(24,814)	(23,381)
Current service cost	(545)	(540)
Interest cost	(625)	(688)
Change in financial assumptions	(1,310)	808
Change in demographic assumptions	1,309	-
Estimated benefits paid net of transfers	644	460
Past service costs including curtailments	(176)	-
Contributions by scheme participants	(129)	(123)
Unfunded pension payments	2	1
Adjustment arising from apportionment of pension liability	40	(1,351)
Closing Defined Benefit Obligation	(25,604)	(24,814)

The reconciliation of the Fair Value of Employer's Assets at 31 March 2019 is as follows:

	At 31 March 2019	At 31 March 2018
	£000	£000
Opening Fair Value of Employer's Assets	16,201	14,666
Interest on assets	408	432
Return on assets less interest	1,187	428
Administration expenses	(21)	(20)
Contributions by employer	199	186
Contributions by scheme participants	129	123
Estimated benefits paid plus unfunded net of transfers in	(646)	(461)
Adjustment arising from apportionment of pension liability	(27)	847
Closing Fair Value of Employer's Assets	17,430	16,201

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 2019 (continued)

11. Pensions (continued)

Sensitivity analysis:

	£000	£000	£000
Adjustment to Discount Rate	+0.1%	0.0%	-0.1%
Present value of total obligation	25,068	25,604	26,152
Projected service cost	546	559	573
Adjustment to Long-term Salary Increases	+0.1%	0.0%	-0.1%
Present value of total obligation	25,652	25,604	25,556
Projected service cost	559	559	559
Adjustment to Pension Increases and Deferred Revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	26,104	25,604	25,115
Projected service cost	573	559	546
Adjustment to Mortality Age Rating Assumption	+1 year	None	-1 year
Present value of total obligation	26,499	25,604	24,740
Projected service cost	579	559	541

The analysis of the re-measurements in Other Comprehensive Income and Expenditure for the year ended 31 March 2019 is as follows:

	At 31 March 2019	At 31 March 2018
	£000	£000
Return on plan assets in excess of interest	1,187	428
Change in financial assumptions	(1,310)	808
Change in demographic assumptions	1,309	-
Adjustment arising from apportionment of pension liability	13	(504)
Re-measurements	1,199	732

The projections for the year to 31 March 2020 is as follows:

	31 March 2020
	£000
Service cost	559
Net interest on the defined liability	194
Administration expenses	23
Total	776
Employers contribution	192

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11. Pensions (continued)

Defined Contribution Scheme

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

	2018/19	2017/18
	£000	£000
Current period contributions	16	7

12. Property, Plant and Equipment

	Furniture and Equipment £000	Leasehold Improvements £000	Total £000
Cost			
At 1 April 2018	20	930	950
Additions	4	-	4
Disposals	-	-	-
At 31 March 2019	24	930	954
At 1 April 2018	11	219	230
Charge for the year	5	102	107
Charge relating to			
Disposals	-	-	-
At 31 March 2019	16	321	337
Net Book Value			
At 31 March 2019	8	609	617
At 31 March 2018	9	711	720

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

12. Property, Plant and Equipment (continued)

Comparative movements in 2017/18:

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

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

13. Short Term Debtors

	31 March 2019 £000	31 March 2018 £000
Amounts owed by member authorities	2,156	2,134
Payments in advance	579	165
Other debtors	3,668	2,760
Impairment losses for bad debts	(268)	(86)
Total	6,135	4,973

14. Cash and Cash Equivalents

	31 March 2019 £000	31 March 2018 £000
Cash held by the Committee	71	60
Cash balances held by the City of London	4,501	3,738
Total	4,572	3,798

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

15. Leases

Operating Leases

The Committee uses leased properties under the terms of operating leases. The amounts paid under these arrangements during the year amounted to £261,000 (2017/18: £260,000) and are included in Premises costs in the Comprehensive Income and Expenditure Statement.

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

	31 March 2019	31 March 2018
	£000	£000
Not later than one year	297	297
Later than one year and not later than five years	1,187	1,187
Later than five years	227	592
Total	1,711	2,076

16. Short Term Creditors

	31 March 2019	31 March 2018
	£000	£000
Amounts owed to member authorities	(2,109)	(1,257)
Amounts owed to group undertaking	(512)	(505)
Accruals	(1,255)	(971)
Other creditors	-	(624)
Total	(3,876)	(3,357)

17. Financial Instruments

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

Financial assets:

	31 March 2019	31 March 2018
	£000	£000
Amortised cost	10,341	8,263
Total financial assets	10,341	8,263
Non-financial assets	983	1,228
Total assets	11,324	9,491

Financial liabilities:

	31 March 2019	31 March 2018
	£000	£000
Amortised cost	(3,835)	(3,320)
Total financial liabilities	(3,835)	(3,320)
Non-financial liabilities	(8,215)	(8,650)
Total liabilities	(12,050)	(11,970)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

18. Usable Reserves

	31 March 2019	31 March 2018
	£000	£000
General Reserve	3,936	3,060
2020 Freedom Pass Re-issue Reserve	3,413	3,111
Special Projects Reserve	140	-
Total	7,489	6,171

19. Transfers to Specific Reserves

Transfers to the Specific Reserves during the year ended 31 March 2019:

	Balance at 1 April 2018	Transfer out	Transfer In	Balance at 31 March 2019
	£000	£000	£000	£000
2020 Freedom Pass Re-issue Reserve	3,111	-	302	3,413
Special Projects Reserve	-	-	140	140
Total	3,111	-	442	3,553

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

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

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

On 7 December 2017, the Committee agreed to transfer a sum of £140,000 from the General Reserve to a Special Projects Reserve, to be used for priority projects as determined by the Committee.

20. Unusable Reserves

	31 March 2019	31 March 2018
	£000	£000
Pensions Reserve	(8,174)	(8,613)
Accumulated Absences Reserve	(41)	(37)
Total	(8,215)	(8,650)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

20. 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.

	2018/19		2017/18	
	£000	£000	£000	£000
Balance at 1 April		(8,613)		(8,715)
Actuarial gains or losses on pension assets and liabilities		1,199		732
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	(959)		(816)	
Employer's pensions contribution and direct payments to pensioners payable in the year	199	(760)	186	(630)
Balance at 31 March		(8,174)		(8,613)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

20. 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.

	2018/19		2017/18	
	£000	£000	£000	£000
Balance at 1 April		(37)		(34)
Settlement or cancellation of accrual made at the end of the preceding year	37		34	
Amounts accrued at the end of the current year	(41)		(37)	
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		(4)		(3)
Balance at 31 March		(41)		(37)

21. Cash Flow Statement – Operating Activities

	2018/19		2017/18	
	£000	£000	£000	£000
Surplus on Provision of Services		554		463
Adjusted for:				
Current Service Cost Adjustment	543		374	
Depreciation	107		107	
Net return on Pension Scheme Assets/Liabilities	217		256	
Increase in Debtors	(1,162)		(1,257)	
Increase/(Decrease) in Creditors	519		(366)	
Adjustments for non-cash movements		224		(886)
Interest and Investment Income	(44)		(20)	
Adjustments for investing and financing activities		(44)		(20)
Net cash flows from Operating Activities		734		(443)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

22. Cash Flow Statement – Investing Activities

	2018/19	2017/18
	£000	£000
Interest and Investment Income	44	20
Payment to Acquire Property, Plant and Equipment and Intangible Assets	(4)	-
Total	40	20

23. Members' Allowances

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

	2018/19	2017/18
	£000	£000
Members' Allowances	23	19

24. Officers' Remuneration

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

Remuneration Bands	Number of Employees	
	2018/19	2017/18
	£000	£000
£50,000 - £54,999	3	1
£55,000 - £59,999	2	2
£60,000 - £64,999	2	2
£65,000 - £69,999	1	1
£70,000 - £74,999	-	2
£75,000 - £79,999	-	-
£80,000 - £84,999	1	1
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	1	2
£115,000 - £119,999	1	-

These amounts include payments made to Parking Adjudicators.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

24. Officers' Remuneration (continued)

The salaries of the senior officers disclosed below are allocated between London Councils Joint Committee, Grants Committee and Transport and Environment Committee. The allocation of their salary costs to the Transport and Environment Committee are as follows:

- Corporate Director, Policy and Public Affairs – 20% (2017/18: 25%)
- Director, Transport and Mobility 100% (2017/18: 100%)
- Director, Corporate Governance – 20% (2017/18: 20%)
- Director, Communications – 28% (2017/18 28%)

Senior officers remuneration during 2018/19

Post Holder	Salary £	Compensation for Loss of Office £	Pension Contributions £	Total Remuneration £
Corporate Director, Policy and Public Affairs	25,584	-	3,070	28,654
Director, Transport and Mobility	117,443	-	14,093	131,536
Director, Corporate Governance	20,681	-	2,482	23,163
Director, Communications	28,953	-	3,474	32,428
Total	192,661	-	23,119	215,781

Senior officers remuneration during 2017/18

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

25. Termination Benefits

There were no termination payments included in the Comprehensive Income and Expenditure Statement for 2018/19 (2017/18: nil).

26. External Audit Costs

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

	2018/19	2017/18
	£000	£000
Fees payable in respect of the audit of the Statement of Accounts to KPMG LLP:	26	23
	26	23

27. Related Parties

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

Member Boroughs

Member boroughs have direct control over the Committees activities through their membership of London Councils Transport and Environment Committee. The total value of income from subscriptions, contributions and other charges paid to London Councils by its member boroughs during 2018/19 was £31.114 million (2017/18: £32.007 million). The total value of expenditure paid to member boroughs during 2018/19 was £167,000 (2017/18: £333,000). On 31 March 2019, the value of debtor balances owed by member boroughs amounted to £2.156 million (2017/18: £2.134 million) and the value of creditor balances owed to member boroughs (including receipts in advance) amounted to £2.109 million (2017/18: £1.257 million).

Transport for London

A representative of Transport for London (TfL) sits on London Councils Transport and Environment Committee and therefore has influence over the activities of the Committee. The total value of income received from TfL in respect of subscriptions, contributions and charges during 2018/19 was £10.198 million (2017/18: £10.32 million). The total value of expenditure on charges during 2018/19 was £19,000 (2017/18: £29,000). On 31 March 2019, the value of debtor balances owed by TfL amounted to £2.45 million (2016/17: £1.531 million) and there were no creditor balances owed to TfL (including receipts in advance) (2017/18: Nil).

Central Government

Central Government has effective control over the general operations of member boroughs as it is responsible for providing the statutory framework within which the boroughs operate, provides the majority of their funding in the form of grants and prescribes the terms of many of the transactions that the boroughs have with other parties. The total value of expenditure on the registration of debts to HM Courts and Tribunal Services and other charges during 2018/19 amounted to £4.773 million (2017/18: £4.205 million). On 31 March 2019, the value of debtor balances owed by central government bodies amounted to £898,000 (2017/18: £617,000) and there were no creditor balances owed to central government bodies (including receipts in advance) (2017/18: £17,000).

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

27. Related Parties**London Councils Limited**

London Councils Limited is a wholly controlled subsidiary of London Councils. The Committee was recharged an amount of £512,000 (2017/18: £505,000) in respect of the premises cost of London Tribunals' hearing centres. On 31 March 2019, the value of creditor balances owed to the group company was £512,000 (2017/18: £505,000).

25. Concessionary Fares

These accounts do not include the amount of £322.924 million (2017/18: £324.181 million) paid directly by member boroughs to Transport for London in respect of the Concessionary Fares scheme.

26. Consolidated Accounts

These accounts form part of the consolidated accounts for London Councils from 1 April 2000. A copy of the consolidated accounts for 2017/18 can be obtained from the Director of Corporate Resources, 59½ Southwark Street, London, SE1 0AL.

27. Segmental Reporting

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

GLOSSARY**Accounting Policies**

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

Accruals

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

Actuarial Gains and Losses

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

Actuary

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

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.