

A year in the LGA

2017  
2018

The national voice of local government

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# Chief executive's report

## Year ended 31 March 2018

**The Local Government Association (LGA) is the national voice of local government, working with councils to support, promote and improve local government.**

The LGA is a politically-led, cross party membership organisation working on behalf of councils to give local government a strong, credible voice with national government.

We aim to influence and set the political agenda on the issues that matter to councils so they can deliver local solutions to national problems. We fight local government's corner, supporting councils through challenging times and focusing our efforts where we can have real impact.

Our membership includes English councils, including county and district councils, metropolitan and unitary councils, London boroughs, Welsh unitary councils, fire and rescue and national park authorities. In 2017/18 we had 415 member authorities in England and Wales. The 22 Welsh authorities are in corporate membership through the Welsh Local Government Association.

Working with, and on behalf of, our membership we:

- influence critical financial and policy decisions and shape and develop the policies that local government needs
- use our seat at the negotiating table to secure the best deal for councils from Britain's exit from the EU, pressing for more powers to be devolved from Whitehall – and from the EU – to local government
- pick up emerging government thinking, ensuring councils' views are represented
- work with public, private, community and voluntary organisations to secure their support for local priorities
- coordinate collective legal action on behalf of member councils
- promote local government and defend its reputation through the local, regional and national media
- campaign on behalf of our membership
- support councils to share best practice, drive innovation and improvement and to continue to deliver essential services
- negotiate, in our role as national employer, fair pay and pensions and provide support and advice on workforce issues
- deliver broader services to local government via our wholly owned companies and joint ventures such as Local Partnerships, GeoPlace and Public Sector Audit Appointments.

We receive direct funding from government to help councils with their continuous improvement. Our work ensures councils are supported to provide the best possible services to the people they serve. We also receive membership fees from our members.

## The year in focus

In 2017/18, our members have continued to face challenges on funding, adult social care, housing and children's services, amongst others. The terrible tragedy at Grenfell Tower has rightly placed more focus on the safety of buildings, and in particular, housing.

Councils have had to adapt and take a more entrepreneurial approach to the delivery of services and to their own finances. We have continued to work with all parts of local government to support this work and share best practice.

Over the last year, as the legislative agenda has been focused on delivering Britain's exit from the EU for the UK, we have had to take a different approach to our campaigning on behalf of our councils. This has included more work with MPs and peers directly and the many Select Committees which have considered issues relevant to local government. We have also undertaken a considerable amount of work to ensure councils have a voice in the relevant discussions and negotiations to ensure both powers and funding are transferred from Europe to local areas to benefit residents.

In July 2017, our General Assembly agreed to create a new LGA company to enable us to be more financially sustainable, to invest more in the work we do to support councils and to keep subscriptions as low as possible.

In October 2017 we returned to our refurbished headquarters at 18 Smith Square. We're making our building work harder by releasing three floors for commercial rent to help generate income to support our work for our members.

## Our priorities

Based on feedback from our member councils and agreed by our politicians, our priorities were:

### **1 Britain's exit from the EU**

Local government has a strong and influential voice during Britain's exit from the EU negotiations, securing the best deal for councils and ensuring that the different needs of different local communities are fully recognised.

### **2 Devolution and funding for local government**

A radical re-think of local governance and accountability achieves a real shift in power to local people and a refocus on local democratic leadership. This must be underpinned by reforms to the finance system that give councils the confidence that their financing is sustainable and fair, with opportunities to raise more funds locally and greater ability to promote collective working across local public services.

### **3 Inclusive growth, jobs and housing**

Councils are recognised as central to revitalising local economies and providing decent life chances for all residents.

### **4 Children, education and schools**

Councils have the powers and resources they need to bring partners together in their local place to ensure all children get the support and high quality education they deserve.

### **5 Adult social care and health**

Councils are well placed to support their citizens to live healthy, active lives and to remain at home and independent for as long as possible. Their capacity to do this is dependent on sustainable funding and more effective integration with health services.

### **6 Supporting councils**

Councils are responsible for their own performance, effectiveness and efficiency, accountable before all else to their local communities.

### **7 A single voice for local government**

The LGA is the national voice of local government supporting and working on behalf of councils and councillors across England and Wales.

## Our priority campaigns

Working alongside our member councils, we have identified six priority campaigns, based on the areas of work our membership tell us is important to them:

### **Sustainable funding for local government**

Our ongoing work to secure more funding for the whole of local government, to help plug the funding gap of more than £5.8 billion that councils are facing by 2020, has continued over the last year. We had some success in securing a small amount of additional money in the final Local Government settlement and no further changes to previously agreed funding.

We continue to press for a reformed funding base to empower councils to bring together local public services, making them more responsive to local need and fit for the next decade and beyond.

We worked jointly with Government to ensure further business rates retention is introduced in a way that gives councils maximum financial independence whilst recognising the risks continue.

### **Adult social care**

Following our success last year to secure additional funding for adult social care to deal with immediate funding pressures, we have continued to press for further funding to address ongoing pressures.

### **Housing**

Our housing campaign is a national, integrated programme of work calling on the Government to give councils the powers and funding to resume their role as a major builder of affordable homes, lift the housing borrowing cap and to establish local government as the expert and leader in the housing sector.

### **Children's social care and wellbeing**

With a funding gap for children's services of nearly £2 billion, we have pressed for urgent action to be taken to reduce the financial pressures and a renewed focus on investing in early intervention.

### **'Work Local'**

Work Local is the LGA's campaign calling for the growing skills gap to be addressed and for local areas to be put at the heart of career and employment provision. We have championed our positive vision for jobs and skills provision which each year across a local area could result in 8,500 more people in work and 6,000 increasing their skills.

### **Britain's exit from the EU**

We are calling for powers and funding to go from Brussels to local areas, not to Westminster. We have worked with parliamentarians and stakeholders to ensure that decision-makers fully understand the legal and funding implications of their decisions for local government.

## LGA in Parliament

Lobbying on behalf of local government is one of the key priorities of our membership.

In 2017/18 we were referenced in House of Commons and House of Lords debates and during Prime Minister's Questions **more than 1,000** times – on **714** occasions in the House of Commons and **361** in the House of Lords.

In addition, we were referenced **191** times in Committee reports, produced **89** parliamentary briefings and responded to **42** parliamentary inquiries.

## LGA in the media

Over the last year, through our proactive media work, we were quoted **55,374** times in national, regional, trade, broadcast and online media. This equates to **151** times a day.

On average, we secured **five** national media stories a day and our spokespeople appeared on the Today programme on average, nearly twice a week.

On behalf of our councils, we secured front-page stories in several national newspapers and **194** episodes of coverage on UK national TV.

## At a glance: a year in the LGA

Over the last 12 months, we continued to campaign on behalf of our membership, taking every opportunity to secure the funding and powers that councils need to best serve their local communities and improve residents' lives.

Through our work, including working with partners, our Vice-Presidents and others we secured a number of benefits for councils over the past year. Highlights include:

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### APRIL 2017

Councils received £1 billion additional social care funding as year one of the three-year £2 billion deal agreed in 2017.

The Libraries Taskforce supported our calls for a further £0.5 million investment in libraries and published new benchmarking and planning tools to help library services respond to local needs.

Parliament agreed new rules to allow councils to increase planning fees by 20 per cent.

Arts Council England and Sport England agreed continued investment in our Leadership Essentials Courses.

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### MAY 2017

The Committee of Advertising Practice made a commitment to introduce tougher standards on broadband advertising to ensure greater transparency in broadband speeds for residents and businesses across the country.

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### JUNE 2017

We were able to confirm that councils who opted into the Public Sector Audit Appointment Scheme (PSAA) will collectively receive £6 million in savings from 2018/19.

The Government reconfirmed its commitment to a Fair Funding Review.

We hosted the first meeting of the 'Mayoral Forum' – for the newly elected combined authority mayors – bringing them together with Whitehall permanent secretaries and representatives of the Commonwealth Local Government Forum.

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### JULY 2017

The Government confirmed £1.7 million renewed funding for a national female genital mutilation (FGM) support centre – a joint initiative between the LGA and Barnardos.

The Transport Secretary announced that councils will have access to a multi-billion pound fund for local road improvement previously ringfenced to the Highways Agency.

The Financial Conduct Authority confirmed major improvements to the Markets in Financial Instruments Directive II (MiFID II), allowing councils to continue to hold complex assets and avoiding sales potentially costing pension funds billions of pounds.

Our work on the potential funding pressures from sleep-in payments helped to secure a suspension of HMRC enforcement action against social care providers.

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### AUGUST 2017

We announced proposals to establish a new insurance mutual for councils with the potential to deliver significant savings to councils.

The Government's air quality plan included £255 million to implement Clean Air strategies in towns and cities and a further £220 million Clean Air Fund to support improvements to air quality.

The Government agreed to waive financial penalties faced by social care employers who are found to have underpaid their workers for sleep-in shifts preceding 26 July 2017.

The Government set up a working group to explore legislation on taxi and private hire vehicles in response to our concerns about citizens' safety.

We launched a new Culture Hub with Arts Council England to bring councils the latest innovation and best practice in cultural services.

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## SEPTEMBER 2017

Following sustained work on behalf of councils, a Government consultation proposed power for councils to charge utility companies by the hour for roadworks which overrun or cause significant disruption.

The Government confirmed national funding formula for schools, giving councils and schools continued flexibility to agree a local formula for a further two years. With schools' agreement, councils can continue to transfer money from school funding to meet the rising demand for children with special educational needs and disabilities.

The Government committed to publishing a green paper on social housing following our calls for the provision of more social housing.

£500,000 investment in a Parks Action Group was confirmed, with the LGA representing local government on the group.

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## OCTOBER 2017

The Prime Minister announced that the Local Housing Allowance (LHA) cap will not apply to supported housing or the wider social rented sector.

Following LGA calls, two consultations – on short-term supported accommodation and extra care and sheltered housing costs – proposed a greater role for councils in commissioning supported housing.

The Government agreed a further £2 billion for the Affordable Homes Programme, taking the total pot to more than £9 billion.

The Government launched a consultation on changes to gaming machines, including reducing stakes at fixed odds betting terminals. We continue to call for greater powers for councils to veto new bookmakers in areas already saturated with betting shops.

Additional New Burdens funding for the implementation of Homelessness Reduction Act was announced, taking the total from £61 million to £72.7 million.

The Department of Health announced a £15 million investment to train one million people in mental health first aid.

Councils were granted powers to double maximum litter fines from April 2018 from £75 to £150 and to fine owners of vehicles from which litter is thrown.

The Government introduced a voluntary compliance scheme to help providers deal with the historic liability of sleep-in payments.

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## NOVEMBER 2017

The Government announced an increase of £42 million in the Disabled Facilities Grant.

The Chancellor's budget included a partial lifting of the Housing Revenue Account borrowing cap, worth £1 billion from 2019/20, an additional £2.7 billion for the Housing Infrastructure Fund, a £1.7 billion Transforming Cities Fund, a further £20 million for the Private Rented Sector access scheme and a £25 million Planning Development Capacity fund.

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## DECEMBER 2017

The Government confirmed its commitment to replicate UK local government's formal role in the EU policy making process following Britain's exit from the EU.

A green paper was launched setting out measures to transform mental health support for children and young people, including new mental health support teams, a designated mental health lead in every school, a greater focus on early intervention and an additional £300 million for the reforms.

The Government committed to continue to move towards further business rate retention by 2020/21 and to implement improvements to the current system, including dealing with business rates appeals.

Flexibility to use capital receipts to fund revenue costs of transformation projects was extended to 2022.

Additional flexibility to increase council tax by an additional one per cent without local referendum was announced for 2018/19 and 2019/20.

The Government confirmed no further changes to the New Homes Bonus in 2018/19.

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## **JANUARY 2018**

Sport England announced £130 million to invest in local sport delivery as part of their Towards an Active Nation strategy, opening up a potential £380 million in grant to local government.

A £19 million fund for services for Unaccompanied Asylum Seeking Children came into effect.

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## **FEBRUARY 2018**

In response to calls in our Housing Commission, the Ministry of Housing, Communities and Local Government (MHCLG) announced £886 million to deliver 200,000 homes across 133 council-led projects as part of the Housing Infrastructure Fund.

The Government announced an extra £150 million grant for adult social care in 2018/19.

Final New Burdens payment in relation to property searches of almost £10 million was agreed, bringing the total secured for councils in England and Wales to just under £54 million.

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## **MARCH 2018**

Working with partners and councils, we secured an additional £7.6 million a year for councils, to extend virtual school head support to looked after children, including adopted children. The Government had previously expected councils to cover these costs from existing budgets.

The Department for Education announced £2 million in funding to improve leadership in children's social care services, as part of a £17 million overall package to improve outcomes for vulnerable children.

The Government announced £100 million of new money to councils to help repair local roads.

# Strategic report

## Year ended 31 March 2018

### Principal activities

The Local Government Association (LGA) was set up as an unincorporated body on 1 April 1997 following the merger of the three previous local authority associations covering England and Wales (the Association of County Councils, the Association of District Councils and the Association of Metropolitan Authorities), to provide a single national voice for local government.

During 2017/18 the LGA continued to streamline its merged operations with those of its associated organisations – the Improvement and Development Agency (IDeA), its two property companies Local Government Management Board (LGMB) and LGA (Properties) Ltd, and its new commercial company LGA Commercial Services Ltd, all four of which are subsidiaries of the LGA.

The shared objective of the LGA and its associated organisations is to make an outstanding contribution to the success of local government as the national voice of local government working with and on behalf of the LGA's member authorities to support, promote and improve local government.

### In-year performance

This has been a successful year for the LGA with significant progress on all the priorities agreed by the LGA Executive. These priorities were firmly based on the most important issues for our members. In deciding these, we looked at intelligence from councils, a great many of whom are actively involved in the LGA through representatives on our boards and panels, at issues emerging from government or already

going through the legislative process, and at the economic and social challenges that impact on local authorities.

Despite further reductions in our core funding, we have delivered a satisfactory financial outcome in 2017/18. From 1 April 2016, IDeA became the recipient of Direct Government Grant from the Ministry of Housing, Communities and Local Government (“MHCLG Grant”) to pay for improvement services to councils, replacing Revenue Support Grant (“RSG top slice”). Despite our income from subscriptions remaining steady, and a further reduction in MHCLG Grant, other income including grants rose such that overall income increased by a total of 5.0 per cent in 2017/18 as compared with the previous year. We continued to keep costs down and invested in reducing costs of back office services, at the same time as continuing to deliver on our key priorities and deliver direct support to councils. Both the LGA and the IDeA continued to make a significant payments towards their pension fund deficit.

### Future developments

As with many other parts of the public sector, we face possible reductions in our core funding over the medium term and are taking steps to ensure we develop new sources of income as well as continue to reduce our costs.

Our future success will rely heavily on our delivering ever greater value to local government at a time when councils themselves are facing significant reductions in their own funding and are, more than ever, questioning the value of every item of expenditure.

As agreed by the Leadership Board, the 2017/18 consolidated operating surplus has been allocated to the risk and contingency reserve in our balance sheet. This will be used to provide opportunities to invest to save costs or generate additional commercial income, and also to cover the potential risks to the three year plan included in the LGA's Financial Strategy.

During 2018/19 the LGA's Financial Strategy for the property companies is to develop the assets to provide capital growth to offset the liabilities arising from our pension funds, as well as reducing costs and delivering additional commercial income to maximise the level of support we deliver to our members.

## Principal risks and uncertainties

Our arrangements for risk management include the regular review of a strategic risk register with clear responsibilities assigned to named senior officers for the management of the principal risks. These included ensuring that we deliver on our objectives and have impact for our members, ensuring that membership levels are maintained, ensuring that we have effective governance arrangements and financial sustainability, and ensuring that we maintain employee capacity and capability. We have also put in place clear governance and project management arrangements for projects designated as being high risk from a financial or operational point view.

Our operations expose us to a variety of financial risks that include ensuring that the funds held by us are, first and foremost, secure; second, that adequate liquidity is maintained so that sufficient funds are always available to meet current liabilities; and third that the best return on investment is obtained subject to achievement of the first two objectives.

Our principal liabilities other than those arising in ordinary day to day business relate to our combined pension deficit and three main liabilities: structural interest free debt of £8.2 million due to the predecessor Local

Authority Associations and related to the purchase of the Smith Square property; bank debt of £3.64 million on separate loans due to Barclays relating to the Smith Square property, which is currently being repaid at the rate of £0.52 million each year; and a liability of £0.27 million per annum until 2020 for funding the District Councils' Network (DCN), financed from cash received from the predecessor Local Authority Association.

The valuation of our combined pension deficit was £115.50 million at 31 March 2018 (£124.99 million deficit at 31 March 2017). In order to pay off the pension deficit and liabilities for past employees, we are currently making additional contributions averaging over £4 million per annum. Actuarial advice indicates that on reasonable long term assumptions, these contributions will be sufficient to eliminate the deficit over a period of 22 years for the LGA and 15 years for the IDeA. The LGA's Leadership Board has commissioned further work to investigate ways in which the management of the pension deficit can be improved and has agreed to the refurbishment of Layden House from 2018 as part of this strategy.

### Price risk

We have relatively low exposure to price risk. Our employee costs are controlled through formal annual negotiations with employee representatives. Our back office services are now mainly delivered in house, with ICT services delivered through a jointly owned company with Brent Council, by Brent ICT team. Other services are procured from a range of external providers through competitive tendering arrangements in line with our formal procurement procedures.

### Credit risk

We have a debt management policy and clear credit control procedures which include regular review and follow-up of our trade debtors.

### Liquidity risk

Our agreed approach is to manage our revenue budget so as to deliver a balanced budget that does not require a net call on cash for the financial year as a whole. We maintain an adequate level of day to day liquid funds to pay liabilities promptly as they fall due.

### Cash flow risk

We have both interest-bearing assets and liabilities. Subject to our liquidity requirements, which are assessed on a weekly basis, surplus funds are deposited in accordance with the Approved Investment Strategy as agreed by the LGA's Leadership Board.

## Key performance indicators

We have reviewed the impact of our work and the delivery of our priorities through robust performance management which has included regular reports to the LGA's Leadership Board. In addition we have reviewed our own efficiency and effectiveness through a number of key indicators. These include the number of organisations in membership, which has remained static at 415 in 2017/18, with only four councils out of membership. The National Association of Local Councils has entered into a corporate membership with the LGA and requested that 22 Town/Parish councils had access to our associate membership scheme.

In December 2015 we carried out a survey of our members which gave us important information about customer satisfaction with 76 per cent of members indicating that they were satisfied with our services. We have set ourselves the target of increasing member satisfaction and also their perceptions of the value for money we offer and we will monitor our progress with these through annual surveys.

We review our financial sustainability by carefully controlling our staff costs. Following a reduction in our core grant funding, over the last five years employee numbers have fallen from 529 employees in the year ended March 2012 to 331 employees in the year ended 31 March 2018. We continue to monitor employee absence through the implementation of better recording methods (self-service) for staff and although this has risen from an average of 2.1 sick days annually per employee in March 2017 to 3.3 days in March 2018, it is still well below national average for sickness.

We continue to pay close attention to the collection of outstanding debt. The percentage of debtors over 12 months was 6 per cent of the total trade debtors at March 2018 (4 per cent 2017).

## Market Value of Land and Buildings

The market value of 18 Smith Square (formerly known as Local Government House), which is owned by LGA (Properties) Ltd, is considered at the latest valuation – post refurbishment – in March 2018 to be £53.550 million (£22.970 million 2017) with a net increase of £30.580 million in the year. Refurbishment costs capitalised in the year amounted to £11.626 million. In the Group accounts 34 per cent (11 per cent 2017/18) of the above market value is reflected as an investment in the groups' balance sheet. The remainder held as an operational asset at the current net book value of £19.0 million (£16.2 million 2017).

Layden House, which is owned by Local Government Management Board, is classified as an investment property and included in these financial statements at its market value of £36.750 million (£28.175 million 2017). As mentioned above, the LGA's Leadership Board has now agreed to the refurbishment of Layden House from 2018.

## Environment

We have agreed an environmental policy which includes the commitment to:

- continually reduce waste and increase our recycling rate
- reduce paper use
- ensure that procurement of goods and services adheres to our green purchasing and procurement policy
- champion and mainstream consideration of environmental sustainability throughout our outward facing work programmes and services

- comply with all applicable legislation, regulation and with other relevant requirements relating to our environmental impacts.

## Employees

Details of the number of employees and related costs can be found in note 3 to the financial statements. In line with the LGA Pay Policy the LGA publishes the salaries of its corporate leadership team on its website. These are updated annually to reflect the national pay award. Details of the new statutory requirement to publish gender pay-gap remuneration statistics can also be found on the LGA website.

Consultation with employees and their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. Communication with all employees continues through direct briefing and regular use of our intranet.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with us continues and that appropriate support and training is arranged. It is our policy that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not have a disability.

## Political and charitable contributions

Neither the LGA nor its associated bodies made any charitable donations over £2,000, any political donations or incurred any political expenditure during the year.

## Dividends

The LGA Constitution and the articles of the companies that the LGA controls directly do not permit the payment of dividends.



**Mark Lloyd**  
Chief Executive

# Report of the chairman of the leadership board

## Year ended 31 March 2018

### Business Review

Over the last several years, the LGA's Leadership Board has undertaken significant work to develop the medium term financial strategy of the LGA and its associated organisations. As part of this, it has supported the development of a commercial strategy for the LGA which is now being implemented. Following an options appraisal of Layden House – in which the LGA has the freehold – work is underway on the refurbishment of the property with a view to increasing its rental and capital value. The Leadership Board has also reviewed the strategy for managing the pension costs of the LGA and the IDeA, in view of the additional contributions to reduce deficits which currently exceed more than £4 million annually. The Leadership Board has regularly monitored the LGA's financial performance against the agreed budget.

The Leadership Board has taken the decision to maintain membership subscriptions at the same level between 2013/14 and 2017/18, following a real terms reduction in subscription income of over 45 per cent over the last seven years in response to the financial challenges faced by member authorities.

The Leadership Board has overseen the LGA's approach to Treasury Management and concluded that the LGA should continue to be cautious in its investment strategy. Substantial use has been made of the Public Sector Deposit Fund, a qualifying money market fund operated by CCLA Investment Management Ltd. No losses arose on treasury activities.

### Governance

The Leadership Board oversees management of the LGA's financial and other resources, and the financial and accommodation strategies for the wider group.

The Leadership Board has considered these accounts in the light of a report from the LGA Audit Committee, chaired by Cllr Jonathan Owen, whose membership is independent of the LGA's other boards and panels.



#### **Lord Porter of Spalding CBE**

LGA Chairman and Chairman of the LGA Leadership Board

# Membership of the leadership board

The members of the Leadership Board for the year were:

## Conservative

**Lord Porter of Spalding CBE** [Chair]

**David Simmonds CBE** [Vice-chair]

**Peter Fleming OBE** [Deputy-chair]

**Sean Anstee** [Deputy-chair]

**Colin Noble** [Acting Deputy-chair]

**Izzi Secombe OBE** [Deputy-chair]

**Paul Carter CBE** [Deputy-chair]

Resigned 4 July 2017

Appointed 4 July 2017

Appointed 4 July 2017

## Labour

**Nick Forbes** [Senior Vice-chair]

**Sue Murphy CBE** [Deputy-chair]

**Peter Box CBE** [Deputy-chair]

**Mayor Sir Steve Bullock** [Deputy-chair]

**Anne Western** [Deputy-chair]

**Sharon Taylor OBE** [Deputy-chair]

**Keith Wakefield** [Former Deputy-chair]

**Michael Payne** [Deputy-chair]

**Lib Peck** [Deputy-chair]

Resigned 4 July 2017

Resigned 4 July 2017

Resigned 4 July 2017

Resigned 4 July 2017

Appointed 4 July 2017

Appointed 4 July 2017

## Liberal Democrat

**Gerald Vernon-Jackson** [Vice-chair]

**Mayor Dorothy Thornhill MBE** [Deputy-chair]

**Howard Sykes MBE** [Vice-chair]

**Ruth Dombey OBE** [Deputy-chair]

Resigned 4 July 2017

Resigned 4 July 2017

Appointed 4 July 2017

Appointed 4 July 2017

## Independent

**Marianne Overton MBE** [Vice-chair]

**Peter Reeve MBE** [Deputy-chair]

Resigned 4 May 2018

# Statement of leadership board's responsibilities

## Year ended 31 March 2018

The Leadership Board of the Local Government Association (LGA) has accepted responsibility for the preparation of these financial statements for the year ended 31 March 2018. The Leadership Board has decided to prepare these financial statements in accordance with UK Generally Accepted Accounting Practice.

In preparing these financial statements, the Leadership Board has:

- selected suitable accounting policies and applied them consistently
- made judgments and estimates that are reasonable and prudent
- stated whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements
- prepared the financial statements on the going concern basis as they believe that to be appropriate, having regard to the LGA's business, state of affairs and constitution.

The Leadership Board has a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LGA and to prevent and detect fraud and other irregularities.

## Provision of information to Auditor

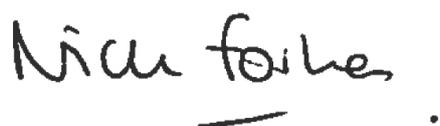
In the case of each of the persons who are members of the Leadership Board at the time when the financial statements are approved, the following applies:

- so far as the members of the Leadership Board are aware, there is no relevant audit information of which the entity's auditor is unaware, and
- the members of the Leadership Board have taken all the steps that they ought to have taken under their Terms of Reference in order to make themselves aware of any relevant audit information and to establish that the entity's auditor is aware of that information.

## Auditors

A tendering process is in progress in relation to the appointment of the role of Statutory Auditor. A resolution for the appointment of the auditors of the Company is to be proposed at a forthcoming Board Meeting.

Approved by the Leadership Board and signed on their behalf



**Nick Forbes**

Senior Vice-Chair of the LGA Leadership Board

6 June 2018

# **INDEPENDENT AUDITOR'S REPORT**

## **TO THE MEMBERS OF THE LOCAL GOVERNMENT ASSOCIATION**

Year ended 31 March 2018

### **Opinion**

We have audited the financial statements of the Local Government Association (LGA) for the year ended 31 March 2018 which comprise the Consolidated and Association Statements of Comprehensive Income, Balance Sheets, Statements of Changes in Equity, Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is as set out in Note 1 to these financial statements.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2018 and of the Group's and Association's surplus for the year then ended; and
- have been properly prepared in accordance with the basis of preparation and accounting policies set out in Note 1 to the accounts.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the Report of the Leadership Board, other than the financial statements and our auditor's report thereon. The Members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the

# **INDEPENDENT AUDITOR'S REPORT**

## **TO THE MEMBERS OF THE LOCAL GOVERNMENT ASSOCIATION**

Year ended 31 March 2018

other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Leadership Board for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Leadership Board has been prepared in accordance with the basis of preparation set out in Note 1 of these financial statements.

### **Responsibilities of the Leadership Board**

As explained more fully in the Statement of the Leadership Board's Responsibilities, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Group's and Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Use of our report**

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

**Alastair Duke (Senior Statutory Auditor)**  
**For and on behalf of PKF Littlejohn LLP**  
**Statutory Auditor**

1 Westferry Circus  
Canary Wharf  
London E14 4HD

LOCAL GOVERNMENT ASSOCIATION  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 March 2018

	Note	2018 £000	2017 £000
Income: Group and share of joint ventures' income		58,465	55,732
Less share of joint ventures' income		(8,641)	(8,244)
Group Income	2	49,824	47,488
Administrative expenses		(56,171)	(48,834)
<b>GROUP OPERATING DEFICIT BEFORE INTEREST AND TAX</b>	4	<b>(6,347)</b>	<b>(1,346)</b>
Interest receivable and similar income		195	437
Interest payable		7	(109)
Contract restructuring costs		-	-
Share of operating surplus of joint ventures	9	2,143	2,025
Dividend and profits share from Joint Ventures		1,730	1,375
Finance discounts allowed	5	(526)	(526)
Share of joint ventures distribution to members		(1,627)	(1,385)
Unrealised gain on revaluation in respect of investment property		18,994	548
<b>GROUP OPERATING SURPLUS BEFORE TAX</b>		<b>14,569</b>	<b>1,019</b>
Corporation Tax		(71)	-
<b>GROUP OPERATING SURPLUS FOR THE FINANCIAL YEAR</b>		<b>14,498</b>	<b>1,019</b>
Other Comprehensive Income:			
Actuarial gain/(loss) recognised in respect of the pension fund		11,639	(29,230)
<b>GROUP TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>26,137</b>	<b>(28,211)</b>

All amounts relate to continuing operations.

The accounting policies and notes in pages 25 to 45 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION  
**ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 March 2018

	Note	2018 £000	2017 £000
Income	2	21,010	19,762
Administrative expenses		(20,833)	(19,924)
<b>OPERATING SURPLUS / (DEFICIT) BEFORE INTEREST</b>	4	<b>177</b>	<b>(162)</b>
Interest receivable and similar income		534	252
Contract restructuring costs		-	-
Finance discounts allowed	5	(526)	(526)
Dividend and profits share from Joint Ventures	9	105	-
<b>OPERATING SURPLUS / (DEFICIT) FOR THE FINANCIAL YEAR</b>		<b>290</b>	<b>(436)</b>
Other Comprehensive Income:			
Actuarial gain/(loss) recognised in respect of the pension fund		6,143	(1,855)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>6,433</b>	<b>(2,291)</b>

All amounts relate to continuing operations.

The accounting policies and notes in pages 25 to 45 form part of these financial statements.

# LOCAL GOVERNMENT ASSOCIATION

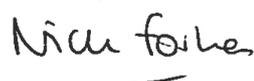
## CONSOLIDATED BALANCE SHEET

As at 31 March 2018

	Note	2018 £000	2017 £000
<b>FIXED ASSETS</b>			
Tangible assets	7	19,752	16,380
Investment Properties	8	54,956	31,137
Intellectual Copyright Assets		1	1
Investments - MBA	9	500	500
Investments in Joint Ventures:			
Share of gross assets of joint ventures	9	6,064	6,018
Share of gross liabilities of joint ventures	9	(1,458)	(1,589)
		<u>79,815</u>	<u>52,447</u>
<b>LONG TERM DEBTORS</b>	10	-	-
<b>CURRENT ASSETS</b>			
Debtors	11	7,608	6,118
Short term investments	12	343	15,147
Cash at bank and in hand		5,682	3,001
		<u>13,633</u>	<u>24,266</u>
<b>CREDITORS: amounts falling due within one year</b>	13	(10,653)	(9,414)
<b>NET CURRENT ASSETS</b>		<u><b>2,980</b></u>	<u><b>14,852</b></u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>82,795</b></u>	<u><b>67,299</b></u>
<b>CREDITORS: amounts falling due after more than one year</b>	13	(12,390)	(13,333)
<b>PROVISIONS FOR LIABILITIES</b>			
Provision for organisation restructuring	14	(283)	(222)
Pension Fund deficit	15	(115,500)	(124,991)
<b>NET LIABILITIES</b>		<u><b>(45,378)</b></u>	<u><b>(71,247)</b></u>
<b>ACCUMULATED FUNDS</b>			
General Reserve		28,264	28,264
Revaluation Reserve		41,027	22,033
Risk and Contingency Reserve		831	3,447
Pension Deficits Reserve			
- Pension Fund Assets		290,931	283,283
- less Defined Liabilities		(406,431)	(408,274)
		<u><b>(45,378)</b></u>	<u><b>(71,247)</b></u>

The accounting policies and notes in pages 25 to 45 form part of these financial statements.

These financial statements were approved by the LGA Leadership Board on 6 June 2018 and signed on their behalf by



**Nick Forbes, Senior Vice-Chair**

# LOCAL GOVERNMENT ASSOCIATION

## ASSOCIATION BALANCE SHEET

For the year ended 31 March 2018

	Note	2018 £000	2017 £000
<b>FIXED ASSETS</b>			
Tangible assets	7	-	220
Investments	9	1,300	1,370
<b>LONG TERM DEBTORS</b>			
	10	15,000	15,000
<b>CURRENT ASSETS</b>			
Debtors	11	3,624	2,377
Short-term investments	12	4,569	3,763
Cash at bank and in hand		10	23
		<u>8,203</u>	<u>6,163</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(3,223)</u>	<u>(2,407)</u>
<b>NET CURRENT ASSETS</b>		4,980	3,756
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>21,280</u>	<u>20,346</u>
<b>CREDITORS: amounts falling due after more than one year</b>	13	(11,412)	(11,550)
<b>PROVISIONS FOR LIABILITIES</b>			
Provision for organisation restructuring	14	-	-
Pension Fund deficit	15	(33,017)	(38,378)
<b>NET LIABILITIES</b>		<u>(23,149)</u>	<u>(29,582)</u>
<b>ACCUMULATED FUNDS</b>			
General Reserve		7,091	7,091
Risk and Contingency Reserve		2,777	1,705
Pension Deficits Reserve			
- Pension Fund assets		140,340	137,812
- less Defined Liabilities		<u>(173,357)</u>	<u>(176,190)</u>
		<b>(23,149)</b>	<b>(29,582)</b>

The accounting policies and notes in pages 25 to 45 form part of these financial statements.

These financial statements were approved by the LGA Leadership Board on 6 June 2018 and signed on their behalf by

*Nick Forbes*

**Nick Forbes, Senior Vice-Chair**

LOCAL GOVERNMENT ASSOCIATION  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Year ended 31 March 2018

	<b>Risk &amp; Contingency Reserve</b>	<b>Revaluation Reserve</b>	<b>Pensions Deficit Reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2016</b>	<b>1,787</b>	<b>21,485</b>	<b>(94,751)</b>	<b>28,264</b>	<b>(43,215)</b>
<b>Changes in equity for 2016/17</b>					
Income for the year	-	-	-	1,019	1,019
Pensions Adjustments in Statement of consolidated income	-	-	(1,010)	1,010	-
Actuarial gains/(losses) on defined benefit plans	-	-	(29,230)	-	(29,230)
Unrealised gain on revaluation in respect of investment property	-	548	-	(548)	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>548</b>	<b>(30,240)</b>	<b>1,481</b>	<b>(28,211)</b>
Movement on Joint Venture Reserves	-	-	-	179	179
Transfer to Risk and Contingency Reserve (LGA and IDEA only)	1,660	-	-	(1,660)	-
<b>Balance as at 31 March 2017</b>	<b>3,447</b>	<b>22,033</b>	<b>(124,991)</b>	<b>28,264</b>	<b>(71,247)</b>
<b>Balance at 1 April 2017</b>	<b>3,447</b>	<b>22,033</b>	<b>(124,991)</b>	<b>28,264</b>	<b>(71,247)</b>
<b>Changes in equity for 2017/18</b>					
Income for the year	-	-	-	14,498	14,498
Pensions Adjustments in Statement of Consolidated income	-	-	(2,148)	2,148	-
Actuarial gains (losses) on defined benefit plans	-	-	11,639	-	11,639
Unrealised gain on revaluation in respect of investment property	-	18,994	-	(18,994)	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>18,994</b>	<b>9,491</b>	<b>(2,348)</b>	<b>26,137</b>
Movement on Joint Venture Reserves	-	-	-	(268)	(268)
Transfer to Risk and Contingency reserve (LGA and IDEA only)	(2,617)	-	-	2,617	-
<b>Balance as at 31 March 2018</b>	<b>830</b>	<b>41,027</b>	<b>(115,500)</b>	<b>28,264</b>	<b>(45,378)</b>

LOCAL GOVERNMENT ASSOCIATION  
**ASSOCIATION STATEMENT OF CHANGES IN EQUITY**

Year ended 31 March 2018

	<b>Risk &amp; Contingency Reserve</b>	<b>Pensions Deficit Reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2016</b>	661	(35,042)	7,091	(27,290)
<b>Changes in equity for 2016/17</b>				
Operating deficit for the year	-	-	(437)	(437)
Pension adjustment included in Operating surplus / deficit for the year	-	(1,481)	1,481	-
Actuarial gains/(losses) on defined benefit plans	-	(1,855)	-	(1,855)
		<b>(3,336)</b>	<b>1,044</b>	<b>(2,292)</b>
Total comprehensive income for the year	-			
Transfer to Risk and Contingency Reserve	1,044	-	(1,044)	-
<b>Balance as at 31 March 2017</b>	<b>1,705</b>	<b>(38,378)</b>	<b>7,091</b>	<b>(29,582)</b>
Balance at 1 April 2017	<b>1,705</b>	<b>(38,378)</b>	<b>7,091</b>	<b>(29,582)</b>
<b>Changes in equity for 2017/18</b>				
Operating deficit for the year	-	-	290	290
Pension adjustment included in Operating surplus /deficit for the year	-	(782)	782	-
Actuarial gains/(losses) on defined benefit plans	-	6,143	-	(6,143)
		<b>5,361</b>	<b>1,072</b>	<b>6,433</b>
Total comprehensive income for the year	-			
Transfer to Risk and Contingency Reserve	1,072	-	(1,072)	-
<b>Balance as at 31 March 2018</b>	<b>2,777</b>	<b>(33,017)</b>	<b>7,091</b>	<b>(23,149)</b>

# LOCAL GOVERNMENT ASSOCIATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Net cash outflow from operating activities</b>		
Surplus/(deficit)	14,498	1,019
adjustments for:		
FRS17 Pension adjustments	2,148	1,010
Investment and dividend Income	(1,925)	(1,812)
Revaluation gains on investment properties	(18,994)	(548)
Joint Venture Non Cash Adjustments	(516)	(640)
Finance discounts for former members of AMA	526	526
Interest expense	(6)	110
Depreciation	3,938	536
Loss on Disposal of Fixed Asset	766	584
Decrease/(increase) in debtors	(1,489)	(278)
(Decrease)/increase in creditors	1,239	290
(Decrease)/Increase in provisions	61	(246)
(Decrease)/Increase in creditors due after one year	(942)	(1,248)
<b>Cash generated from operations</b>	<u>(696)</u>	<u>(697)</u>
Interest paid	6	(110)
<b>Net cash generated from operating activities</b>	<u>(690)</u>	<u>(807)</u>
<b>Cash flow from investing activities</b>		
Interest received	195	437
Repayment of Loan Capital from Local Partnerships	70	130
Investment in redevelopment of property, plant and equipment	(8,252)	(1,792)
Investment in redevelopment of investment properties	(4,650)	(583)
Distribution from Joint Venture	1,730	1,375
	<u>(10,907)</u>	<u>(433)</u>
<b>Cash flow from financing activities</b>		
Finance discounts for former members of AMA	(526)	(525)
	<u>(526)</u>	<u>(525)</u>
<b>Cash flow from Taxation activities</b>		
Corporation Tax paid	-	-
	<u>-</u>	<u>-</u>
Net (decrease)/ increase in cash	(12,123)	(1,765)
<b>Cash and cash equivalents at the start of the year</b>	<u>18,148</u>	<u>19,913</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><b>6,025</b></u>	<u><b>18,148</b></u>

The accounting policies and notes in pages 25 to 45 form part of these financial statements.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), with the exception of preparing a detailed note on the Association's defined benefit pension scheme. The Leadership Board do not believe that this results in the financial statements not showing a true and fair view. The particular accounting policies adopted are described below.

The Association is considered to be a public benefit entity.

#### **Going concern**

The financial statements have been prepared on the going concern basis. The Association and the entities under its control have net liabilities, after accounting for the defined benefit pension scheme deficits, of £40.9 million as at 31 March 2018. The valuation of net liabilities includes actuarial estimates of pension scheme liabilities at the balance sheet date. The Association and certain of its related entities pay amounts into the schemes, as prescribed by the actuaries, in order to eliminate this deficit over a period between 15 and 22 years, and unfunded pension liabilities are being cleared over the remaining lives of the pensioners concerned, as disclosed in Note 15. Payments to clear pension deficits are financed from the Association's and related entities' general income. In view of these arrangements the Leadership Board expects that the Association and entities under its control will have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis. However, in the event of dissolution, any excess of the Association's liabilities over its assets would be required, under the terms of its constitution, to be covered by its member authorities, including authorities that had left membership within the period of five years prior to dissolution.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the holding of investment properties at valuation in accordance with FRS102.

#### **Basis of consolidation**

The group financial statements consolidate the financial statements of the Association and companies under its control for the year ended 31 March 2018. They also consolidate the group's share of the results and post-acquisition reserves of joint ventures under the gross equity accounting method. The profits and losses of group undertakings and joint ventures are consolidated from the date of acquisition to the date of disposal using the acquisition method of accounting. Uniform accounting policies are used for all group companies. Profits or losses on intragroup transactions are eliminated on consolidation. Note 17 gives details of the companies under the control of the Association and the Association's other related entities.

The accounts for Public Sector Audit Appointments Limited (PSAA) are not consolidated into these statements because the LGA does not exercise or have the ability to exercise control over PSAA and the LGA is not in a position to benefit from its results and financial performance.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

### 1. ACCOUNTING POLICIES (Continued)

#### Tangible fixed assets and depreciation

Tangible fixed assets are held at historical cost net of depreciation and provisions for impairment. Under FRS102 mixed use property must be separated between investment property and tangible fixed assets. In the Group Accounts for the Financial Year 2017/18 67 per cent (2016/17 89 per cent) of 18 Smith Square (formerly known as Local Government House) cost and depreciation will be accounted for as Tangible Fixed Assets to reflect the area of the building utilised by the group.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are:

Freehold buildings	25 years
Fixtures, fittings and equipment	15 years
ICT and computer equipment	3 years

Assets in the course of construction are stated at cost. These assets are not depreciated until available for use.

#### Investment Property

The freehold land and buildings investment property, Layden House, has been valued by an independent, external valuer on an open market basis at the Balance Sheet date. In accordance with the FRS102:

- the investment property will be revalued annually with the surplus or deficit transferred to the revaluation reserve, unless the deficit is considered to be permanent; and
- no depreciation or amortisation is provided.

In the Group Accounts for the Financial Year 2017/18 34 per cent (2016/17 11 per cent) of 18 Smith Square (formerly known as Local Government House) valuation on the above basis will be accounted for as Investment Property Assets to reflect the area of the building available for occupation by 3rd parties.

Open market value is defined, in accordance with the RICS valuation standards, as: 'the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each had acted knowledgeably, prudently and without compulsion'.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

### 1. ACCOUNTING POLICIES (Continued)

#### Investments

For the Group, investments in Joint Ventures are the interests in Local Partnerships LLP, Geoplace LLP and LGA Digital Services Limited. Note 9 provides the details of their formations and results.

Note 9 provides details of the Association's investments in Local Partnerships LLP, Municipal Bonds Agency PLC and LGA Digital Services Limited.

Short-term investments are cash balances held by the Association and the companies it controls. These balances are pooled and deposited with financial institutions on the Association's approved counterparty list and in accordance with the Investment Strategy.

#### Financial Instruments – loans, swaps and hedging

External loans and swap liabilities are stated at fair value, with in year movements in value recognised in the Statement of Comprehensive Income.

#### Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes costs incurred in bringing each product to its present location and condition and is calculated as cost of direct materials and labour plus attributable overheads based on normal levels of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

#### Revenue Recognition Income

Income represents the amount receivable as grants, subscriptions and for goods sold and services provided (excluding Value Added Tax). Income from dividends due from Joint Ventures is identified separately within the Income and Expenditure account. Note 2 gives further analysis of income which is all generated in the UK.

#### Government Grants

Grants are recognised in the Income and Expenditure accounts when the conditions for receipt have been met. Deferred grant income at the year-end is included in creditors. Specific grant income is recognised in the financial statements in the period the related activities occur.

#### Debtors

The policy of the Association and the companies it controls is to make partial provision for debts that are over one year old and full provision for debts that are over two years old, subject to exceptions for subscription debt and debt due from related entities, where the policy is not to make provision. Old debt is periodically reviewed for write-off.

#### Provisions

Provisions when required are utilised to reflect restructuring costs of redundancies and contracts which have been agreed before the end of the financial year.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

### 1. ACCOUNTING POLICIES (Continued)

#### Employee benefits

The LGA provides a range of benefits to employees, including paid holiday arrangements and the Local Government Pension Scheme defined benefit plan, as follows:

- i Holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received; and
- ii LGPS Pension costs.

New employees are entitled to membership of the Local Government Pension Scheme through either the Merseyside Pension Fund or the London Borough of Camden Pension Fund. Existing staff may be members of either of these Funds. The Local Government Pension Scheme is a defined benefit scheme and scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities within the defined benefit pension schemes expected to arise from employee service in the period are charged to the Statement of Comprehensive Income.

The expected return on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time and actuarial gains and losses are recognised in the Statement of Other Comprehensive Income as remeasurement of defined benefits pension scheme obligations. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments (included in staff costs). Past service costs are recognised immediately in the Statement of Comprehensive Income if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs.

#### Reserves

The Risk and Contingency Reserve is created to provide cash resources to fund developments that provide opportunities to save costs or generate additional commercial income, fund external loan repayments, and also to cover the potential risks to the LGA medium term plan (such as increased pension deficit payments). Contributions to or from this reserve will be identified and set so that the LGA and IDeA budgets for each year of the plan are balanced.

#### Status of the Association

The Local Government Association is an unincorporated association governed by its constitution.

LOCAL GOVERNMENT ASSOCIATION  
**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 March 2018

**2. INCOME**

<b>CONSOLIDATED</b>	<b>2018</b>	<b>2017</b>
<b>Group</b>	<b>£000</b>	<b>£000</b>
Subscriptions	9,947	9,979
Conferences and seminars	1,941	1,724
Government grants	31,705	30,242
Shared services – external to group	1,005	574
Other income	5,226	4,969
	49,824	47,488
<b>Joint Ventures</b>	8,641	8,244
	58,465	55,732
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Subscriptions	9,947	9,956
Conferences and seminars	1,616	1,398
Shared services	5,935	4,843
Other income	3,512	3,565
	21,010	19,762

The Association operates shared services arrangements under which the companies it controls, and certain other entities, are recharged for the costs of accommodation and various other business services, some of which are provided under a contract between the Association and Liberata Ltd. This contract ended in June 2016 and Agresso IT Services are the only part of the services still provided.

**3. STAFF INFORMATION**

Details of the remuneration of senior staff are given below. No bonuses were paid in either year.

	<b>2018</b>		<b>2017</b>	
	Salary	Employer pension contribution	Salary	Employer pension contribution
	£	£	£	£
<b>Senior staff currently employed by the Association and associated organisations</b>				
Mark Lloyd – Chief Executive (appointed 1 November 2015)	203,720	23,375	201,690	20,098
Sarah Pickup – Deputy Chief Executive (appointed 1 September 2015)	163,216	1,551	161,600	15,998

LOCAL GOVERNMENT ASSOCIATION  
**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 March 2018

**3. STAFF INFORMATION (continued)**

	CONSOLIDATED		ASSOCIATION	
	2018	2017	2018	2017
Average number of persons employed	331	319	168	162
<b>Staff costs</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Wages and salaries	18,770	17,726	9,779	9,152
Social security costs	2,073	1,971	1,032	962
Pension costs – employer payments	2,545	2,195	881	730
Pension costs – employer deficit payments	4,019	3,570	1,589	494
Pension costs – current service costs less contributions	(1,024)	(2,417)	(149)	131
Less income from secondments	(744)	(867)	(369)	(426)
	25,639	22,178	12,763	11,043
Staff related costs				
Agency, freelance and secondment costs	1,180	1,217	386	513
Redundancy costs and provision	110	129	17	164
Travel, subsistence and staff expenses	1,296	1,173	562	439
Recruitment costs	87	114	33	28
Training costs	53	94	34	72
Other personnel costs	54	60	29	45
	2,780	2,787	1,061	1,261
<b>Total staff costs</b>	<b>28,419</b>	<b>24,965</b>	<b>13,824</b>	<b>12,304</b>

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

### 3. STAFF INFORMATION (continued)

The numbers of other staff who received remuneration of £50,000 or more are stated in the table below. Remuneration excludes employer pension contributions but includes redundancy and all taxable benefits paid to or receivable by the employee. The 2018 figures include 6 staff (2017: 6 staff) seconded to other organisations, of which 2 were employed by the Association.

CONSOLIDATED	2018	2018	2017	2017
	Remuneration including redundancy	Remuneration excluding redundancy	Remuneration including redundancy	Remuneration excluding redundancy
£50,000 - £54,999	8	8	7	7
£55,000 - £59,999	7	7	9	9
£60,000 - £64,999	16	16	21	20
£65,000 - £69,999	13	13	16	16
£70,000 - £74,999	39	39	30	30
£75,000 - £79,999	9	9	10	10
£80,000 - £84,999	2	2	1	1
£85,000 - £89,999	3	3	3	3
£90,000 - £94,999	2	2	2	2
£95,000 - £99,999	3	3	5	5
£100,000 - £104,999	5	5	5	5
£105,000 - £109,999	4	4	3	3
£110,000 - £114,999	1	1	1	1
£115,000 - £119,999	-	-	-	-
£120,000 to £124,999	3	3	1	1
£135,000 to £139,999	-	-	-	-
<b>ASSOCIATION</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	Remuneration including redundancy	Remuneration excluding redundancy	Remuneration including redundancy	Remuneration excluding redundancy
£50,000 - £54,999	4	4	4	4
£55,000 - £59,999	2	2	2	2
£60,000 - £64,999	7	7	7	7
£65,000 - £69,999	3	3	3	3
£70,000 - £74,999	13	13	13	13
£75,000 - £79,999	5	5	5	5
£80,000 - £84,999	-	-	-	-
£85,000 - £89,999	3	3	3	3
£90,000 - £94,999	2	2	2	2
£95,000 - £99,999	-	-	-	-
£100,000 - £104,999	1	1	1	1
£105,000 - £109,999	2	2	2	2
£110,000 - £114,999	1	1	1	1
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	1	1	1	1

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

### 4. OPERATING DEFICIT

	CONSOLIDATED		ASSOCIATION	
	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
<b>Operating deficit is after charging:</b>				
Depreciation and amortisation	766	537	219	219
Loss on disposal of fixed assets			-	-
Auditor's remuneration				
- audit fee	42	38	15	15
- non audit services	3	3	-	-

### 5. FINANCE DISCOUNTS

Under an agreement dated 22 January 1998 made between Association of Metropolitan Authorities (Properties) Ltd, Local Government Association (Properties) Ltd and the Association, the AMA property company contributed the net sale proceeds of its former property in Great Smith Street to the purchase of 18 Smith Square by Local Government Association (Properties) Ltd. In recognition of this, authorities in membership of the LGA that were formerly members of the Association of Metropolitan Authorities receive a discount on their membership subscriptions.

The discount increases every five years in line with inflation. Originally at the rate of £6,000 per authority, the discount was increased to £7,965 with effect from 1 April 2012. After the year end, the discount was increased to £9,156 with effect from 1 April 2018 for the 2018/19 membership subscriptions, with the next increase due to be recognised in the 2023/24 membership subscriptions.

### 6. TAXATION

The Association and the companies it controls (with the exception of Local Government Management Board Limited and LGA Commercial Services Ltd) are exempt from tax on their income and gains by virtue of their status as Local Authority Associations under Section 838(2) of the Income Tax Act 2007 and Section 984(2) of the Corporation Tax Act 2010. They are exempt from capital gains tax under Section 271(3) of the Taxation of Chargeable Gains Act 1992.

LGMB has sought tax advice and our advisors have confirmed that as a result of Layden House being treated as an investment asset, the Company is no longer exempt from tax on its revenue income and gains or capital gains. The resultant historic tax liability has now been settled.

### 7. FIXED ASSETS

#### Group Assets

The property from which the Association operates, 18 Smith Square, London SW1 is owned by Local Government Association (Properties) Ltd a subsidiary company. The property underwent refurbishment and was vacant at the 2016/17 balance sheet date, but is now in occupation. The Association pays rent to that company for its accommodation. The other trading companies that the Association controls operate from the same property. In addition related parties and third parties occupy parts of the accommodation on formal commercial leases.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

As a result of the introduction FRS 102 for the Financial Year 2017/18 67 per cent (2016/17 89 per cent) of 18 Smith Square cost and depreciation have been accounted for as Tangible Fixed Assets in the Group figures to reflect the area of the building utilised by the group.

### TANGIBLE FIXED ASSETS

<b>CONSOLIDATED</b>	<b>Freehold land and buildings</b>	<b>Fixtures, fittings and equipment</b>	<b>ICT and computer equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>				
At 1 April 2017	20,269	-	659	20,928
Additions	7,498	754	-	8,252
Disposals	(5,160)	-	-	(5,160)
<b>At 31 March 2018</b>	<b>22,607</b>	<b>754</b>	<b>659</b>	<b>24,020</b>
<b>Depreciation</b>				
At 1 April 2017	4,110	-	439	4,549
Charge for year	495	50	220	765
Disposal in year	(1,046)	-	-	(1,046)
<b>At 31 March 2018</b>	<b>3,559</b>	<b>50</b>	<b>659</b>	<b>4,268</b>
<b>Net book value</b>				
At 31 March 2018	19,048	704	-	19,752
At 31 March 2017	16,159	-	220	16,380

### Association Assets

The Association purchased ICT equipment in 2015/16, previously provided under the shared service contract with Liberata. This new procured assets formed part of the new ICT contract with LGA Digital Services Limited a jointly owned company with Brent Council.

<b>ASSOCIATION</b>	<b>ICT and computer equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
<b>Cost</b>		
At 1 April 2017	659	659
Additions	-	-
At 31 March 2018	<b>659</b>	<b>659</b>
<b>Depreciation</b>		
At 1 April 2017	439	439
Charge for year	220	220
At 31 March 2018	<b>659</b>	<b>659</b>
<b>Net book value</b>		
At 31 March 2018	-	-
At 31 March 2017	220	220

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

### 8. INVESTMENT PROPERTIES

<b>CONSOLIDATED</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Brought forward valuation	31,137	30,006
Capital Expenditure	4,825	583
Unrealised gain on revaluation	18,994	548
Carried forward valuation	<b>54,956</b>	<b>31,137</b>

Until May 2011, the Improvement and Development Agency for Local Government operated from Layden House, Farringdon, London EC1, a building owned by Local Government Management Board. Layden House was occupied during 2015/16 by unrelated third parties who were granted short term leases on normal commercial terms. These leases have now come to an end, with the property vacated to allow for the redevelopment to commence in 2018/19.

As a result of the requirements of FRS102, in the Group Accounts for the Financial Year 2017/18 34 per cent (2016/17 11 per cent) of 18 Smith Square valuation have been accounted for as Investment Property Assets to reflect the area of the building available for occupation by 3rd parties.

The freehold land and buildings Layden House and 18 Smith Square, were valued at open market value on a commercial rental use basis. The valuations were performed as at 31 March 2018 by an independent professional valuer, Farebrother Chartered Surveyors.

### 9. INVESTMENTS IN JOINT VENTURES - GROUP

#### LOCAL PARTNERSHIPS LLP

<b>Balance Sheet</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£000</b>	<b>£000</b>
Current Assets	4,342	4,341
Share of gross assets	4,342	4,341
Liabilities due within one year or less	(879)	(828)
Other	-	-
Loans and other Debts due to members	-	(70)
Share of gross liabilities	(879)	(898)
Share of net assets	<b>3,463</b>	<b>3,443</b>

The operating results for Local Partnerships LLP are shown below:

<b>Profit and Loss Summary</b>	<b>Year ended 31 March 2018</b>	<b>Year ended 31 March 2017</b>
	<b>£000</b>	<b>£000</b>
Revenue	9,805	9,238
Operating costs	(9,494)	(8,548)
Interest receivable	15	23
Operating profit	326	713
Share of operating profit	163	357

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

### 9. INVESTMENTS IN JOINT VENTURES – GROUP (continued)

The Association formed a joint venture, Local Partnerships LLP, with Partnerships UK plc in July 2009. The joint venture took over part of the business of Public Private Partnerships Programme Ltd, then a related company of the Association. In November 2009 Partnerships UK transferred part of its own business to Local Partnerships LLP. The Association's investment in Local Partnerships LLP originally consisted of Equity of £500,000 and £500,000 of 6 per cent Convertible Loan Stock, repayable at par on 31 March 2029. An identical investment was made by Partnerships UK plc.

In May 2010, the Association approved a further investment of £300,000 Equity and £300,000 of 6% Convertible Loan Stock repayable at par on 31 March 2029. This investment was drawn down in June 2010 with Partnerships UK plc again making an identical investment.

On 1 August 2010, Partnerships UK plc transferred the whole of its interest in Local Partnerships LLP to HM Treasury. In December 2010 the Association and HM Treasury approved additional investment of £375,000 each in the form of 6 per cent Convertible Loan Stock.

In the Financial Year 2017/18 Local Partnerships LLP did not pay any dividends to either party. In 2017/18 Local Partnerships LLP repaid £130,000 of the 6 per cent Convertible Loan Stock each to the Association and HM Treasury.

#### GEOPLACE LLP

<b>Balance Sheet</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£000</b>	<b>£000</b>
Fixed assets	-	-
Intangible assets	70	88
Current assets	1,501	1,276
Share of gross assets	<u>1,571</u>	<u>1,364</u>
Liabilities due within one year or less	(428)	(378)
Share of gross liabilities	<u>(428)</u>	<u>(378)</u>
<b>Share of net assets</b>	<b><u>1,143</u></b>	<b><u>986</u></b>

The operating results for GeoPlace LLP are shown below:

<b>Profit and Loss Summary</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£000</b>	<b>£000</b>
Revenue	13,656	13,248
Operating costs	(5,736)	(6,577)
Interest receivable and payable	0	-
Operating profit	<u>7,920</u>	<u>6,671</u>
<b>Share of operating profit</b>	<b><u>1,980</u></b>	<b><u>1,668</u></b>

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

### 9. INVESTMENTS IN JOINT VENTURES – GROUP (continued)

Under an agreement dated 17 November 2010, the Secretary of State for Communities & Local Government, acting through Ordnance Survey, entered into an agreement (the LLP Members' Agreement) with Improvement and Development Agency for Local Government (IDeA) and the Local Government Association, for the formation of a new joint venture, the limited liability partnership GeoPlace LLP. The purpose of the LLP is to create, manage and, through separate licensing arrangements with Ordnance Survey, commercially exploit a single definitive National Address Gazetteer. Ordnance Survey and IDeA each contributed £1 by way of equity capital. Immediately prior to completion of the joint venture agreement, which took place on 31 March 2012, IDeA and Ordnance Survey made loans to GeoPlace LLP of £1.500 million and £4.773 million respectively. These loans have now been repaid. The distributable profits of GeoPlace LLP are allocated 25 per cent to IDeA and 75 per cent to Ordnance Survey.

GeoPlace LLP commenced trading on 1 April 2011 and has traded profitably in the years to 31 March 2018.

#### LGA DIGITAL SERVICES

<b>Balance Sheet</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£000</b>	<b>£000</b>
Fixed Assets	-	-
Intangible Assets	98	-
Current Assets	53	313
Share of gross assets	<u>151</u>	<u>313</u>
Liabilities due within one year or less	(151)	(313)
Share of gross liabilities	<u>(151)</u>	<u>(313)</u>
<b>Share of net assets</b>	<u>-</u>	<u>-</u>

The operating results for LGA Digital Services are shown below:

<b>Profit and Loss Summary</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£000</b>	<b>£000</b>
Revenue	648	626
Operating costs	(648)	(626)
Operating profit	<u>-</u>	<u>-</u>
<b>Share of operating profit</b>	<u>-</u>	<u>-</u>

In July 2015 a new Joint Venture Company limited by guarantee with the London Borough of Brent was created to provide ICT Services to the LGA or the London Borough of Brent. The company has been set up to provide common services to both shareholders within the objective of minimising costs to the shareholders rather than marketing external activity and delivering commercial returns to either of the parties. The LGA service agreement was signed on 29 January 2017.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

### 9. INVESTMENTS

<b>Investment in UK Municipal Bonds Agency PLC (MBA)</b>	<b>Year ended 31 March 2018 £000</b>	<b>Year ended 31 March 2017 £000</b>
Opening balance	500	500
Invested in year	-	-
Closing value	<b>500</b>	<b>500</b>

### LGA

	<b>Equity £000</b>	<b>Debt £000</b>	<b>Total £000</b>
<b>Investment in Local Partnerships LLP</b>			
<b>Year ended 31 March 2017</b>			
Opening balance	800	200	1,000
Reversal of impairment in year	-	(130)	(130)
Closing value	800	70	870
<b>Year ended 31 March 2018</b>			
Opening balance	800	70	870
Repaid in year	-	(70)	(70)
Closing value	800	-	800

### Investment in LGA Digital Services Limited

The LGA investment in LGA Digital Services Limited is a 50 per cent shareholding reflecting a £1 ordinary shareholding matched by the London Borough of Brent.

### 10. LONG TERM DEBTORS

There has been a £6 million loan between the LGA and Local Government Management Board and a £9 million loan between LGA and Local Government Association (Properties) Ltd to finance the refurbishment of the buildings. These loans are due to mature in 20 years (2037) and interest is charge at 0.5 per cent over the PWLB rates.

### 11. DEBTORS

	<b>CONSOLIDATED</b>		<b>ASSOCIATION</b>	
	<b>2018 £000</b>	<b>2017 £000</b>	<b>2018 £000</b>	<b>2017 £000</b>
Trade debtors	5,127	4,385	987	1,460
Due from related entities	189	7	1,563	288
Loan due from LGA (Properties)	-	-	-	120
Other debtors	652	460	349	138
Prepayments and accrued income	1,640	1,266	725	371
	<b>7,608</b>	<b>6,118</b>	<b>3,624</b>	<b>2,377</b>

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

### 12. SHORT TERM INVESTMENTS

Surplus cash balances held by the Association, the companies it controls and related parties are pooled and lent to financial institutions on the Association's approved counterparty list. Investments are typically for periods not exceeding twelve months and as such the loan amount is a reasonable assessment of fair value. The counterparty list is currently restricted to financial institutions that meet agreed credit ratings criteria and subject to the cash limits (per counterparty) as shown in the Association's Investment Strategy. The Association's Investment Strategy strictly applies credit limits for all financial institutions on the approved counterparty list to ensure that investments are diversified. No credit limits were exceeded during the year and the Association does not expect any losses on short term investments

### 13. CREDITORS

	CONSOLIDATED		ASSOCIATION	
	2018	2017	2018	2017
	£000	£000	£000	£000
<b>Amounts falling due within one year</b>				
Accounts payable and accruals	5,605	3,982	1,180	543
Income received in advance	3,375	3,735	784	601
Other creditors	1,673	1,697	800	891
Owed to related entities	-	-	459	372
	<u>10,653</u>	<u>9,414</u>	<u>3,223</u>	<u>2,407</u>
<b>Amounts falling due beyond one year</b>				
1 to 2 years	200	270	200	270
2 to 5 years	1,761	1,840	212	280
More than 5 years	10,429	11,223	11,000	11,000
	<u>12,390</u>	<u>13,333</u>	<u>11,412</u>	<u>11,550</u>

In 2011/12 the Association received a distribution of £2,707,612 from the liquidation of A.D.C. Trustees Ltd, the company that had held the property and assets for the Association of District Councils. The Leadership Board of the Association has determined that funds from this distribution should be applied, to provide support of £217,945 p.a. for ten years to the District Councils Network, a special interest group of the Association; secondly to provide a new additional discount from 1 April 2013 at a rate of 1.5 per cent on the subscriptions of non-metropolitan unitary authorities. The current rate of support has been increased to £270,000 p.a., with creditors payable after more than one year including an amount of £211,724 representing the final two instalments of the support due for the District Councils Network.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

### 13. CREDITORS (continued)

Included within the consolidated amounts falling due beyond one year are the following loans to LGA Properties:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Bank loans	3,120	3,640
Loan from ACC (Properties) Limited	2,000	2,000
Loan from AMA (Properties) Limited	6,200	6,200
Barclays Swap Liability	669	943
	<u>11,989</u>	<u>12,783</u>

The above swap agreement liability is the value on the balance sheet as at 31 March 2018 that would be payable if the loan was repaid. The £188,000 loss as a result of this liability reducing has been credited to the Statement of Consolidated Income. The bank loans and the Barclays Swap Liability are secured against 18 Smith Square partly valued as a property asset in note 7 at £16.1 million and partly as investment property asset at £4.4 million.

The loans from ACC (Properties) Ltd and AMA (Properties) Ltd are only repayable in the event of the sale of 18 Smith Square. There is no intention to dispose of the property in the foreseeable future. The loan from ACC (Properties) Ltd bears compound interest at 1.5 per cent above the base rate with payment conditional upon the disposal of the property. The accumulated interest to date on the loan is £2.780 million.

Under an agreement dated 22 January 1998 made between Association of Metropolitan Authorities (Properties) Ltd, Local Government Association (Properties) Ltd and the Association, the AMA property company contributed the net sale proceeds of its former property in Great Smith Street to the purchase of 18 Smith Square by Local Government Association (Properties) Ltd. In recognition of this, authorities in membership of the Local Government Association that were formerly members of the Association of Metropolitan Authorities receive a discount on their membership subscriptions (See Note 5).

On 1 January 2017, a loan of £11m was issued from the IDeA bearing interest of 2.94 per cent per annum. The loan is repayable on 31 December 2036.

LOCAL GOVERNMENT ASSOCIATION  
**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 March 2018

**14. PROVISION FOR ORGANISATION RESTRUCTURING**

	CONSOLIDATED		ASSOCIATION	
	2018 £000	2017 £000	2018 £000	2017 £000
Balance at 1 April	468	468	-	22
Arising during year	283	222	-	-
Utilised during year	(468)	(468)	-	(22)
Balance at 31 March	283	222	-	-

The provision for the year to 31 March 2018 relates to actual redundancy costs and provision has been set up to cover further cost of redundancies. There is no LGA provision for 2016/17 or 2017/18.

**15. PENSION COMMITMENTS**

The Local Government Association and companies under the Association's control are admitted bodies to two local government pension funds: the Merseyside Pension Fund, administered by Wirral Metropolitan Borough Council; and the London Borough of Camden Pension Fund. These funds are administered in accordance with the Local Government Pension Scheme Regulations 1997. Details of the calculation of the deficit relating to each fund are given below.

In addition, the Association and its predecessor bodies have incurred pension liabilities that are outside the funded benefits provided by the relevant pension schemes. These other unfunded liabilities were estimated by an actuary at 31 March 2018 as £1.621 million (2017 £1.652 million). The unfunded liabilities are being paid annually over the remaining lives of the pensioners concerned.

The most recent formal actuarial reviews in relation to the funds were at 31 March 2018. The actuarial assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. The assumptions made by the actuaries (Mercer Ltd (M) for the Merseyside fund and Hymans Robertson (HR) for the Camden funds) are stated below.

**Investment returns**

The investment returns on the funds used in calculating the year end assets were in the range 7.2 per cent to 12.37 per cent (2017, 1.2 per cent to 12.37 per cent).

LOCAL GOVERNMENT ASSOCIATION  
**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 March 2018

**15. PENSION COMMITMENTS (continued)**

Major categories of plan assets as a percentage of total plan assets were in the ranges

	<b>31 March 2018</b>	<b>31 March 2017</b>
Equities	52.7% to 78.0%	53.6% to 78.0%
Bonds (HR)	11.0%	11.0%
Government Bonds (M)	3.6%	4.0%
Other Bonds (M)	12.4%	11.4%
Property	8.9% to 10.0%	7.8% to 9.0%
Cash	1.0% to 2.7%	2.0% to 3.4%
Other (M)	19.7%	19.8%

**a) Actuarial assumptions**

Full actuarial valuations were carried out at 31 March 2017 and updated to 31 March 2018 by qualified independent actuaries. The next Triennial valuation will be as at 31 March 2019.

The range of assumptions used by the actuaries was:

	<b>31 March 2018</b> <b>% per annum</b>	<b>31 March 2017</b> <b>% per annum</b>
Pension increase rate	2.1% to 2.4%	2.3% to 2.4%
Salary increase rate	3.0% to 3.6%	3.0% to 3.8%
Discount rate	2.6% to 2.7%	2.5% to 2.6%
Inflation assumption	2.1% to 2.2%	2.3%
	<b>31 March 2018</b> <b>Years</b>	<b>31 March 2017</b> <b>Years</b>
Mortality Rates*		
Current Pensioners – Male	21.9 to 22	22 to 22.5
Current Pensioners – Female	24.1 to 24.7	21.9 to 24.1
Future Pensioners – Male	23.9 to 24.9	23.9 to 24.9
Future Pensioners – Female	26.1 to 27.7	24.9 to 26.1

\*Mortality rate is the assumption of the life expectancy of a current pensioner aged 65 or of a future pensioner (now aged 45) in 20 years' time.

LOCAL GOVERNMENT ASSOCIATION  
**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 March 2018

**15. PENSION COMMITMENTS (continued)**

**b) Scheme assets**

The deficit in the schemes and the range of expected rates of return were:

	<b>Fair value at 31 March 2018 £000</b>	<b>Fair value at 31 March 2017 £000</b>
<b>Fair value of employer assets</b>		
Equities	73,960	73,867
Bonds (HR)	-	-
Government Bonds (M)	5,052	5,512
Other Bonds (M)	17,402	15,711
Property	12,490	10,749
Cash	3,789	4,686
Other (M)	27,647	27,287
<b>Total Market Value of Assets</b>	<b>140,340</b>	<b>137,812</b>

The above asset values are at bid value as required under FRS102.

<b>Balance sheet</b>	<b>31 March 2018 £000</b>	<b>31 March 2017 £000</b>
Fair value of employer assets	290,931	283,283
Present value of funded liabilities	(393,620)	(394,588)
Net underfunding in funded plans	(102,689)	(111,305)
Present value of unfunded liabilities	(12,811)	(13,686)
<b>Net liability</b>	<b>(115,500)</b>	<b>(124,991)</b>

<b>Recognition in the statement of Comprehensive Income</b>	<b>Year to 31 March 2018 £000</b>	<b>Year to 31 March 2017 £000</b>
Current service cost	(1,099)	(603)
Interest cost	8,144	8,981
Expected return on employer assets	(9,452)	(9,826)
Administration expenses	-	37
Past service cost	-	-
Losses on curtailments and settlements	(2)	118
<b>Total</b>	<b>(2,049)</b>	<b>(1,293)</b>
Actual return on plan assets	<b>3,441</b>	<b>21,107</b>

LOCAL GOVERNMENT ASSOCIATION  
**NOTES TO THE FINANCIAL STATEMENTS**

As at 31 March 2018

**15. PENSION COMMITMENTS (continued)**

<b>Reconciliation of defined benefit obligation</b>	<b>2018 £000</b>	<b>2017 £000</b>
Opening defined benefit obligation	408,274	318,805
Current service cost	5,651	3,409
Interest cost	10,383	11,026
Contribution by members	1,427	1,353
Actuarial (gains)/losses	(10,231)	84,027
Past service costs	2	32
Losses on curtailments	0	150
Estimated unfunded benefits paid	(583)	(606)
Estimated benefits paid	(8,492)	(9,922)
<b>Closing defined benefit obligation</b>	<b>406,431</b>	<b>408,274</b>

<b>Reconciliation of fair value of employer assets</b>	<b>2018 £000</b>	<b>2017 £000</b>
Opening fair value of employer assets	283,283	224,054
Expected return on assets	7,213	7,781
Contributions by members	1,427	1,353
Contributions by the employer	6,130	5,257
Contributions in respect of unfunded benefits	891	606
Administrative expenses	(38)	(37)
Actuarial (losses)/gains	1,408	54,797
Unfunded Benefits paid	(420)	(440)
Benefits paid	(8,963)	(10,088)
<b>Closing fair value of employer assets</b>	<b>290,931</b>	<b>283,283</b>

**Amounts for the current and previous accounting periods**

	<b>2018 £000</b>	<b>2017 £000</b>	<b>2016 £000</b>	<b>2015 £000</b>	<b>2014 £000</b>
Fair value of employer assets	290,931	283,283	224,054	226,675	202,130
Present value of defined benefit obligation	(406,431)	(408,274)	(318,805)	(339,535)	(294,067)
<b>Deficit</b>	<b>(115,500)</b>	<b>(124,991)</b>	<b>(94,751)</b>	<b>(112,860)</b>	<b>(91,937)</b>
Experience gains/(losses) on assets	1,408	(54,797)	(8,102)	6,224	977
Experience gains/(losses) on liabilities	-	-	-	1,451	(13,075)

The total of employer pension contributions estimated to be payable in 2018/19 is £6.311 million (£2.420 million of which relates to the Association).

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

### 16. CONTINGENT LIABILITIES

LGA Properties has a loan from ACC (Properties) Ltd that bears compound interest at 1.5 per cent above the base rate, with payment conditional on the disposal of the property. The accumulated interest to date on the loan is £2.780 million.

On 18 January 2018, the LGA issued a letter of comfort to the UK Municipal Bonds Agency Plc (UKMBA), effective for 10 years, confirming that the LGA will stand behind the Agency in meeting its commitments and its non-financing related liabilities going forward to ensure that the UKMBA has adequate support to ensure its business continuity.

### 17. RELATED ENTITIES

The Association exercises control of the following entities, all companies limited by guarantee (except where noted below), by virtue of rights to appoint members of the company and all or a majority of the Board of Directors of the company:

Improvement & Development Agency for Local Government (IDeA)

Local Government Management Board

Local Government Association (Properties) Ltd

LGA Commercial Services Ltd (incorporated on 02 October 2017) – limited by shares

The IDeA has a provision in its Memorandum of Association stating that, in the event of dissolution of the company, any surplus of assets over liabilities is to be transferred to the Local Government Association or some other local authority association having similar objects. The provisions relating to Local Government Association (Properties) Ltd are that any surplus arising on winding up is to be distributed to local authorities in equal shares. The provisions relating to Local Government Management Board and LGA Commercial Services Ltd are that any surplus arising on winding up is to be transferred to the Local Government Association.

On 30 January 2018, the Association became a founding Member of LGA Unlimited, an incorporated unlimited company. Members of the Association are being invited to become members of LGA unlimited.

The Association is a 50 per cent owner (£1 ordinary share) of LGA Digital Services.

The Association is a member of Local Partnerships LLP, a limited liability partnership, owning 50 per cent. The other members of Local Partnerships LLP are HM Treasury (45 per cent) and the Welsh Local Government Association (5 per cent). The members share profits and losses proportionally.

Improvement & Development Agency for Local Government is a member of GeoPlace LLP, a limited liability partnership. The other member of GeoPlace LLP is Ordnance Survey. Both members have equal rights as regards the operation of the LLP and appointments to its Board of Directors, but Improvement & Development Agency for Local Government takes a 25 per cent share of profits and losses, with the balance going to Ordnance Survey.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 20188

### **18. EXCEPTIONAL ITEM**

During 2017/18 there were no exceptional items to report.

### **19. POST BALANCE SHEET EVENTS**

On 1 May 2018, LGAM Limited, a Mutual company limited by guarantee was incorporated to provide an alternative to the existing insurance market for local authorities. The guarantee is currently held 100 per cent by LGA unlimited as Founding Member. Other Founding Member authorities will be able to formally join in the coming months. LGAM is expected to be run independently of the LGA Group and it is not anticipated that its results will be consolidated.

On 3 May 2018, LGA Commercial Services Limited entered into a joint venture agreement with Regis Mutual Management Limited to bid for an administrative support services contract to the Insurance Mutual company. LGA Commercial Services Limited owns 49 per cent on the joint venture vehicle LGM Management Services Limited (a company registered in England and Wales, Company number 11344946).

The Leadership Board is not aware of any other material post balance sheet events.

### **20. CONTROLLING ENTITY**

The controlling entity of the Local Government Association is the LGA Leadership Board and the registered office is 18 Smith Square, London, SW1P 3HZ.



**Local Government Association**

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