

A year in the LGA

2019
2020

The national voice of local government

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Company information

Directors

The members of the LGA Board for the year were:

Conservative	James Jamieson [Chairman]	
	Izzi Seccombe OBE [Deputy-chairman]	
	John Fuller OBE [Deputy-chairman]	Appointed 25 July 2019
	Robert Alden [Deputy-chairman]	
	Teresa O'Neill OBE [Deputy-chairman]	Appointed 1 January 2020
	Lord Porter of Spalding CBE [Chairman]	Resigned 4 July 2019
	Paul Carter CBE [Deputy-chairman]	Resigned 4 July 2019
	David Simmonds CBE [Deputy-chairman]	Resigned 31 December 2019
Labour	Nick Forbes [Senior Vice-chair]	
	Michael Payne [Deputy-chair]	
	Anntoinette Bramble [Deputy-chair]	Appointed 18 June 2019
	Tudor Evans OBE [Deputy-chair]	Appointed 17 February 2020
	Georgia Gould [Deputy-chair]	Appointed 17 February 2020
	Lib Peck [Deputy-chair]	Resigned 1 June 2019
	Peter Box CBE [Deputy-chair]	Resigned 30 November 2019
Anne Western CBE [Deputy-chair]	Resigned 17 February 2020	
Liberal Democrat	Howard Sykes MBE [Vice-chair]	
	Ruth Dombey OBE [Deputy-chair]	
Independent	Marianne Overton MBE [Vice-chair]	
	Clive Woodbridge [Deputy-chair]	
Company Secretary	Claire Holloway	
Registered office	18 Smith Square, London, SW1P 3HZ	
Bankers	Barclays, UK Banking, 1 Churchill Place, London, E14 5HP	
Independent auditor	PKF Littlejohn LLP, 15 Westferry Circus, Canary Wharf, London, E14 4HD	
Company number	11177145	

Chief executive's report

Year ended 31 March 2020

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

We are a politically-led, cross-party organisation that receives funding from our member councils to ensure local government has a strong, credible voice with national government.

We aim to influence and set the political agenda on issues that matter to councils so they are able to deliver local solutions to national problems. We support councils through increasingly challenging times and focus our efforts where we can have most impact for our members.

We support councils to improve and help them to provide the best possible services to the people they serve. We play a leading role in improvement and innovation so that councils can continue to make a difference in their local areas and to the lives of their residents.

We work with every part of England and Wales, including county and district councils, metropolitan and unitary councils, London boroughs, Welsh unitary councils, fire and rescue and national park authorities.

In 2019/20 we had 408 member authorities in England and Wales. The 22 Welsh authorities were in corporate membership through the Welsh Local Government Association (WLGA).

Working with and on behalf of our membership we:

- influence critical legislative, financial and policy decisions and shape and develop the policies that local government needs to deliver effective services for their residents
- press for more powers to be devolved from Whitehall to local government
- shape emerging government thinking, ensuring councils' views are represented
- work with public, private, community and voluntary organisations to secure their support for local priorities
- campaign on behalf of our membership, promote local government and defend its reputation through the local, regional and national media
- ensure the voice of local government is heard in Parliament
- 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
- coordinate collective legal action on behalf of member councils
- deliver broader services to local government via our wholly owned companies and joint ventures such as Local Partnerships, Geoplace and Public Sector Audit Appointments.

The LGA Board regularly monitors the LGA Group's financial performance against the agreed budget. The LGA's leadership undertook 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, whose purpose is to diversify the LGA's sources of income. This strategy is now being implemented.

As an example, following an options appraisal of Layden House, Farringdon – the former headquarters of the Improvement and Development Agency for Local Government (IDeA) – of which the LGA Group has the freehold, the Board agreed to fund the refurbishment of the property with a view to increasing its rental and capital value. Work began in 2018 and was substantively completed by the 2019/20 year-end. Whilst COVID-19 restrictions temporarily halted work, the commercial market in Farringdon remains buoyant and the refurbished building is projected to bring significantly enhanced income to the Group in coming years.

The LGA Board has also reviewed the strategy for managing the pension costs of the LGA and the IDeA, in view of the c.£3.5 million additional contributions to reduce deficits over the past few years, which has contributed towards a vastly improved position reported in the Triennial Valuation as at 31 March 2019, leading to reduced contributions of less than £0.5 million annually for the next three years.

Review of the year

2020 has seen an unprecedented challenge for councils but in its response to COVID-19, local government has become a fourth emergency services. The LGA has supported local government in its response as well as promoting the work of councils to Government and the public.

Since the start of the country's response to COVID-19, we have refocused all of our work to support councils in their role as part of the national effort to protect and support local communities. One of the LGA's primary roles

in doing so has been to demonstrate, both publicly and to Government, the significant contribution councils have made to the national effort.

As well as protecting and enhancing the reputation of local government, we have also challenged Government, where needed, on behalf of councils. This has included work to highlight the significant additional costs and loss of income councils are facing, and to press for additional funding. To date, this has secured £4.1 billion in additional funding for councils.

While the pandemic response is rightly at the forefront of our current thinking, as these financial statements relate to the year 2019/20, it is also right to take the time to shine a light on all of the other valuable contributions the LGA has made over the past year.

Throughout 2019/20, the LGA continued to support and be an advocate for councils. Through our #CouncilsCan campaign we campaigned for a new settlement for English local government that gives councils and councillors the powers, freedoms, funding and certainty to transform lives and local economies, respond to climate change and lead the sustainable development agenda.

The following sets out just some of the work we delivered over the last 12 months.

LGA in the media

Over the past year the LGA was featured **38,443** times in national, trade, regional, broadcast and online media, including 1,887 LGA mentions in national newspapers, broadcast and online articles – that's an average of **36** times a week. On average, we have secured five national media hits every single day.

As well as a number of front page stories in national newspapers, our lead political spokespeople have been interviewed **156** times on national broadcast media.

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:

April 2019

- The maximum stake for **Fixed Odds Betting Terminals** was cut from £100 to £2 and the changes brought forward by six months after sustained LGA lobbying.

May 2019

- The Home Office announced increased funding to support **Unaccompanied Asylum-Seeking Children** to £114 for each day that they are in care.
- Government announced **£200 million** of funding to remove **unsafe cladding** from around 170 privately owned high-rise buildings.

June 2019

- The Secretary of State for Health and Social Care confirmed that public health services would remain with local government, citing the LGA's 'comprehensive, compelling and clear' case.
- Government announced a new Sector Deal for **Tourism**, offering five localities the chance to become tourism zones, with additional support to help grow tourism.

July 2019

- The 2019 LGA annual conference, attended by 1,600 senior delegates, saw the launch of our **Councils Can** report, calling for a new settlement for local government, including long term sustainable funding and a new localism bill to empower councils to take on greater responsibilities.

- Government announced extra funding for **suicide prevention** plans – an endorsement of councils' locally-driven approach to prevention and early intervention.
- The Prime Minister announced a series of policies aimed at 'levelling up' towns and regions, including through a **£3.6 billion fund**.

August 2019

- We published our annual report setting out what our **sector-led improvement programme** delivered in **2018/19**. Highlights included helping councils save more than £100 million, delivering **145** peer challenges, training **more than 800** councillors and recruiting **120** NGDP graduates. More than **95 per cent** of council leaders and chief executives said the support they received had a positive impact on their council.

September 2019

- The **2019 Spending Round** announcement included a funding package of more than £3.5 billion for vital local services.
- Government committed to bringing back the Domestic Abuse Bill in the next Queen's Speech – something the LGA had campaigned on through our #CouncilsCan campaign.

October 2019

- The Chancellor announced further funding for new **roads infrastructure**, the creation of a national bus strategy and £220 million to improve bus services.

November 2019

- More than 24,000 tweets from 8,000 contributors, reached more than 22.6 million people on Twitter alone, during the LGA-led **#OurDay**, celebrating local government.
- Our 2019 **National Children and Adult Services Conference** (NCAS) featured insightful discussions and lively debate. We launched a suite of publications which shared best practice and started the new thinking around building the case for long term, sustained investment in services

which support people of all ages. We also published a joint open letter on adult social care with a wide variety of organisations from across the care and support sector.

December 2019

- We led a successful defence of councils' interests in a High Court case that could have seen NHS trusts receive **£1.5 billion in business rates refunds** and ongoing reductions in councils' business rate income.

January 2020

- The Government allocated up to £165 million of new funding to the **Troubled Families** programme.
- We secured government recognition that height is only a crude determinant of **fire risk in buildings** and commitment to consult on lowering the combustible ban threshold and the height at which sprinklers are required in new buildings.

LGA in Parliament

We continue to deliver a full programme of parliamentary engagement, briefing for debates, influencing legislation and shaping parliamentary committee reports.

To help deliver this, we have briefed for **50** parliamentary debates, securing support from MPs and Peers for our campaigns and policy positions, influenced **12** parliamentary committee inquiries and helped shape two pieces of primary legislation agreed by Parliament whilst also proactively supporting the bringing forward of new laws such as those to prevent domestic abuse.

In the last financial year, the LGA has been quoted **205** times in the House of Commons, **101** in Westminster Hall debates and has received **69** mentions in written commons statements. In the House of Lords, the LGA has been mentioned **209** times and **26** times in Grand Committee debates, with **46** written answers.

February 2020

- The Prime Minister announced £236 million to help councils' efforts to tackle **rough sleeping** and get people into safe accommodation.

March 2020

- The **Budget 2020** signaled a shift towards more spending on local priorities, with significant and welcome investment in infrastructure and public services. There were announcements on issues including measures and funding to tackle the outbreak of coronavirus, a review of business rates, progress on devolution, funding for housing, building safety and infrastructure, and announcements that will help local leaders improve the environment.
- We moved rapidly to take on a pivotal role in the **national COVID-19 response**, refocusing our priorities to offer a comprehensive package of support to councils to support them in dealing with the COVID-19 crisis. We lobbied the Government on a number of immediate issues concerning councils, including on funding.
- Our concerted campaign for government to recognise the critical role of social care in the COVID-19 crisis received widespread media coverage and led to additional funding, access to protective equipment and testing for care home staff and residents and for deaths in care homes to be included in national statistics.

I am proud of the contribution the LGA has made to the promotion and success of local government in the past year. Looking ahead to the challenges in the coming year, I am confident we will continue to provide the support to our councils as and when they need us.



Mark Lloyd
Chief Executive
3 June 2020

Strategic Report

Year ended 31 March 2020

The Directors present their strategic report on the Group for the year ended 31 March 2020.

Principal activities

The Local Government Association (LGA) was incorporated on 30 January 2018. On 1 April 2019 the LGA took on the business, assets and liabilities of the unincorporated Local Government Association, which had been set up 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 2019/20 the LGA continued to streamline its merged operations with its subsidiaries – the Improvement and Development Agency for Local Government (IDeA), its two property companies The Local Government Management Board (LGMB) and Local Government Association (Properties), and its commercial company LGA Commercial Services Ltd.

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

Departure from United Kingdom Generally Accepted Accounting Principles (UKGAAP)

In line with prior years, the financial statements do not include a detailed note on the Association's defined benefit pension scheme, instead just showing the combined Group view.

The LGA Board do not believe that this exception results in the financial statements not showing a true and fair view.

Report of the business

This has been a successful year for the LGA with significant progress on all the priorities agreed by the LGA Executive Advisory Board. These priorities (set out below) 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 2019/20. From 1 April 2016, IDeA became the recipient of Direct Government Funding from the Ministry of Housing, Communities and Local Government (MHCLG) 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 Funding, other income including funded programmes rose such that overall income increased by a total of 7.5 per cent in 2019/20 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 significant payments towards their pension fund deficit.

As agreed by the LGA Board, the 2019/20 consolidated operating deficit has drawn down from the risk and contingency reserve in our balance sheet. This was created to 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.

The LGA 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.

Future developments

As with many other parts of the public sector, we are taking steps to ensure we develop new sources of income as well as continuing 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.

During 2020/21 the LGA's Financial Strategy for the property companies is to continue 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.

The LGA Board has taken the decision, having maintained membership subscriptions at the same level between 2013/14 and 2018/19 (a real terms reduction in subscription income of over 48 per cent over the last seven years in response to the financial challenges faced by member authorities), to increase membership subscriptions by an inflationary 2 per cent for 2020/21.

The impact of COVID-19 on the Group and Company's business has been assessed and has been determined to not be material. The IDeA receives grant funding from MHCLG. This funding is received on behalf of the LGA and its related bodies. The level of funding has been formally determined by parliament for the year to 31 March 2021 at the same level as the year to 31 March 2020. Funding for the Company's principal funded programmes has also been agreed by the funders. The majority of member subscription income has been received for the year.

Certain workstreams are being re-prioritised to COVID-19-centric initiatives, and other funding programme timelines may be deferred, but no funding has been withdrawn. For the investment property rental income streams, there is expected to be no interruption for 18 Smith Square, while the delay in securing tenants for Layden House may reduce income for the coming year, it is not expected to be material to that company or the Group.

Therefore, it is considered that the majority of the Group and Company's income for the foreseeable future is secure and the Directors have therefore adopted the going concern basis for the preparation of these accounts.

Our priorities

In October 2019, based on feedback from our member councils and agreed by our politicians, we launched a new three-year business plan that set out our priorities.

Funding for local government

Fair and sustainable funding enables councils to plan and deliver essential public services beyond the short term, to raise more funds locally and to promote greater collective working across local public services.

Adult social care, health and wellbeing

Sustainable funding and better integration with health services enable councils to continue to support people to live safe, healthy, active, independent lives and to promote wellbeing and resilience for all ages.

Children, education and schools

Councils have the powers and resources they need to bring partners together to deliver inclusive and high-quality education, help children and young people to fulfil their potential and offer lifelong learning opportunities for all.

Places to live and work

Councils lead the way in building the homes that people need, driving inclusive and sustainable economic growth and creating safe and resilient communities that are great places to live.

Strong local democracy

A refocus on local democratic leadership and a shift in power to local communities leads to greater diversity of elected representatives, high standards of conduct and strong, flexible local governance.

Sustainability and climate action

Councils take the lead in driving urgent actions in their local areas to combat climate change and its impacts and to deliver zero net carbon by 2030.

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 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 £2.60 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; £20.0 million from Westminster City Council which we are using to fund the development of our properties; and a liability until 2022 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 £93.12 million at 31 March 2020 (£133.85 million deficit at 31 March 2019). In order to pay off the pension deficit and liabilities for past employees, we have been making additional contributions averaging over £4 million per annum. Following the Triennial Valuation as at 31 March 2019, these contributions have reduced to under £0.5 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 19 years for the LGA and 15 years for the IDeA. The LGA Board has

commissioned further work to investigate ways in which the management of the pension deficit can be improved.

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 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 in 2019/20, 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 2017 we carried out a survey of our members which gave us important information about customer satisfaction with 73 per cent of members indicating that they were satisfied overall with the work of the LGA. 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 member 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 375 employees in the year ended 31 March 2020 (a rise from a low of 331 employees at 31 March 2018). We continue to monitor employee absence through the implementation of better recording methods (self-service) for staff and this has remained fairly stable from an average annual number of sick days per employee of 3.2 days in March 2019 to 3.3 days in March 2020 which is still well below national averages for sickness (8.0 days for public sector – Source: CIPD Health & Wellbeing at Work Survey 31 March 2020).

We continue to pay close attention to the collection of outstanding debt. The percentage of debtors over 12 months was 1 per cent of the total trade debtors at March 2020 (2 per cent 2019).

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), is considered at the latest valuation in March 2020 to be £50.8 million (2019 £48.1 million) with a net increase of £2.7 million in the year reflecting rental market conditions in the Westminster area. In the Group accounts 34 per cent (2018/19 34 per cent) 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 £17.7 million.

Layden House, which is owned by The Local Government Management Board, is classified as an investment property and included in these financial statements at its market value at 31 March 2020 of £64.4 million (2019 £39.0 million), an increase of £25.4 million as the refurbishment of Layden House was substantially complete at the year end.

Environmental matters – minimising the impact of climate change

At the General Assembly in July 2019, the LGA declared a climate emergency, and aligned our priorities to the United Nations Sustainable Development Goals.

The LGA is committed to minimising the environmental impacts of its activities, reducing pollution and CO2 emissions and contributing to a healthy future for all.

Flexible working

Our flexible working policy allows staff to work from home up to two days per week, subject to the needs of the business. This means less journeys to work, a better work-life balance and has enabled us to reduce by a third the amount of office space that we occupy.

Our ICT is designed to support flexible working, enabling staff to log in from home on the days they are not in the office or from public transport when they are on the move.

Head office – 18 Smith Square

Secure cycle facilities and showers are provided for those who prefer to cycle or run to work.

All lights are energy efficient LEDs, with motion sensors that ensure they are switched off when not needed. Windows which are not part of the conservation area are triple glazed to reduce energy loss. Recycling bins are provided on every floor.

Travel

Staff and members are encouraged to use public transport wherever practicable to help reduce the impact of the LGA's business travel arrangements on the environment.

Meetings

All meeting rooms at 18 Smith Square have access to telephone and/or video conferencing facilities, enabling members and staff to join meetings remotely and reducing the need for lengthy journeys to Westminster.

Procurement

The LGA has a robust procurement policy and process, which underpins the importance of all our contractors being able to demonstrate a commitment to sustainability and combatting climate change. Our procurement documentation states: 'In adhering to our commitments, the contractor should have systems in place to account for and minimise environmental impacts in all areas of contract delivery'.

Community and social issues, respect for human rights

2020 marks the 75th anniversary of the liberation of Nazi concentration and extermination camps. At their meeting on 11 March 2020, the LGA Board agreed to adopt the International Holocaust Remembrance Alliance definition of antisemitism.

The LGA's public duties and volunteering policy makes provision for colleagues to take time off for approved public and community activities.

A significant strand of our policy work is targeted at improving social cohesion, adult and children's social care, and enhancing communities.

Anti-fraud, bribery and corruption matters

The LGA has an anti-fraud, bribery and corruption policy and response plan which is reviewed annually. The Audit Committee receives an annual report on any instances of fraud, bribery or corruption. No instances were reported in the past year.

Section 172 statement

Section 172(1) of the Companies Act 2006 states that directors of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term
- the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of the company's operations on the community and the environment

- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

At the commencement of all board meetings, directors are reminded of their responsibilities in regard to this requirement, and agree to abide by it in their decision making.

By Order of the Board

A handwritten signature in black ink, appearing to read 'James Jamieson', written in a cursive style.

James Jamieson

LGA Chairman and Chairman of the LGA Board
3 June 2020

Directors' report

Year ended 31 March 2020

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 March 2020.

Future developments

Future developments are set out in the Strategic Report.

Dividends

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

Directors

The Directors of the Company during the year ended 31 March 2020 were:

Conservative	James Jamieson [Chairman]	
	Izzi Seccombe OBE [Deputy-chairman]	
	John Fuller OBE [Deputy-chairman]	Appointed 25 July 2019
	Robert Alden [Deputy-chairman]	
	Teresa O'Neill OBE [Deputy-chairman]	Appointed 1 January 2020
	Lord Porter of Spalding CBE [Chairman]	Resigned 4 July 2019
	Paul Carter CBE [Deputy-chairman]	Resigned 4 July 2019
	David Simmonds CBE [Deputy-chairman]	Resigned 31 December 2019
Labour	Nick Forbes [Senior Vice-chair]	
	Michael Payne [Deputy-chair]	
	Anntoinette Bramble [Deputy-chair]	Appointed 18 June 2019
	Tudor Evans OBE [Deputy-chair]	Appointed 17 February 2020
	Georgia Gould [Deputy-chair]	Appointed 17 February 2020
	Lib Peck [Deputy-chair]	Resigned 1 June 2019
	Peter Box CBE [Deputy-chair]	Resigned 30 November 2019
Anne Western CBE [Deputy-chair]	Resigned 17 February 2020	

Liberal Democrat	Howard Sykes MBE [Vice-chair] Ruth Dombey OBE [Deputy-chair]
Independent	Marianne Overton MBE [Vice-chair] Clive Woodbridge [Deputy-chair]

Directors' indemnity

The company has provided qualifying third-party indemnities for the benefit of its directors. These were provided during the year and remain in force at the date of this report.

Financial instruments

The Group operates a centralised treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the Group's activities.

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.

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 Board.

Political and charitable contributions

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

Branches outside the UK

The Group has a branch in Brussels.

Post balance sheet events

The impact of COVID-19 on the Group's business interests are set out in the Strategic Report.

On 3 June 2020, The Local Government Management Board re-registered as an unlimited company, with no change in name. The Local Government Association remains its only member.

The directors are not aware of any other post balance sheet events.

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 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. Directors receive periodic updates on staff performance measures, and the results of biennial staff surveys.

Staff are provided with relevant information on the Group's activities, and are encouraged to be involved in the Group's performance, by being invited to regular informal engagement opportunities such as the monthly Employee Forum (which include an annual update on financial performance), and the staff sounding board, by sitting on panels such as the Commercial Ideas Lab and IT Strategy Board, as well as receiving updates through the intranet and associated bulletins. Managers are encouraged to have regular one-to-one updates with their direct reports. Our HR team meets with union representatives monthly.

Applications for employment by disabled persons are guaranteed an interview subject to meeting the minimum eligibility criteria, bearing in mind the aptitudes and abilities of the applicant concerned. Our applicant tracking system highlights those with a declared disability. 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, with the professional guidance and support of our occupational health provider. It is our policy that the training, career development and promotion opportunities are equal for all of our staff. The Group offers apprenticeship and leadership development programme opportunities, and all staff have personal training and development plans. The LGA is a Disability Confident Leader.

Statement of engagement with suppliers, customers and others in a business relationship with the Company

The LGA Executive Advisory Board comprises representative Members to ensure its 'customers' are at the heart of its decision making on policy decision. Councillors' Forum and the General Assembly/Annual Conference also make sure that the customer views are regularly canvassed.

The LGA follows all public procurement rules (including OJEU where required) to ensure that suppliers and others in a business relationship are treated fairly and transparently. A list of the largest spend by supplier is available on the company website. The LGA expects its suppliers to pay their employees the London Living Wage, have in place a modern slavery policy, and to support the LGA in achieving the United Nations Strategic Development Goals.

The LGA voluntarily follows the Government Prompt Payment Policy, with the aim of ensuring that 100 per cent of all undisputed and valid invoices are paid within 30 days, with the Strategic Management Team receiving quarterly Key Performance Indicators on adherence.

Statement of corporate governance arrangements

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

The LGA Board has considered these accounts in the light of a report from the LGA Audit Committee, chaired by Councillor Roy Perry, whose membership is independent of the LGA's other Boards and Panels.

This report was approved by the Board on 3 June 2020 and signed on its behalf.



James Jamieson

LGA Chairman and Chairman of the LGA Board

Provision of information to auditors

So far as each of the directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditors are unaware: and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

Statement of directors' responsibilities

Year ended 31 March 2020

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- selected suitable Accounting Policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of

the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE LOCAL GOVERNMENT ASSOCIATION

Year ended 31 March 2020

Opinion

We have audited the financial statements of the Local Government Association (the 'Association') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Consolidated and Association Statements of Comprehensive Income, the Consolidated and Association Balance Sheets, the Consolidated and Association Statements of Changes in Equity, the Consolidated Statement 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 applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2020 and of the Group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 group and parent 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.

Emphases of matter

We draw attention to note 1 of the financial statements, which describes the company's assessment of the COVID-19 impact on its ability to continue as a going concern. The company has explained that the events arising from the COVID-19 outbreak do not impact its use of the going concern basis of preparation nor do they cast significant doubt about the company's ability to continue as a going concern for a period of at least 12 months from the date when the financial statements are authorised for issue.

We also draw attention to note 8 of the financial statements, which describes the material valuation uncertainty which the investment property valuer included in their valuation reports on the investment properties at 31 March 2020.

Our opinion is not modified in respect of either of these matters.

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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company'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 annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 group and parent company financial statements, the directors are responsible for assessing the group's and the parent company'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 directors either intend to liquidate the group or the parent company 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. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's 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

15 Westferry Circus
Canary Wharf
London E14 4HD

Date: 25 August 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2020

	Note	2020 £000	2019 £000
Income: Group and share of joint ventures' income		64,045	59,549
Less share of joint ventures' income		(9,837)	(9,075)
Group Income	2	54,208	50,474
Administrative expenses		(62,298)	(62,450)
GROUP OPERATING DEFICIT BEFORE INTEREST AND TAX	4	(8,090)	(11,976)
Interest receivable and similar income		72	332
Interest payable		(550)	(405)
Share of operating surplus of joint ventures	9	2,968	2,540
Dividend and profits share from Joint Ventures		1,915	2,206
Finance discounts allowed	5	(604)	(604)
Share of joint ventures distribution to members		(1,750)	(2,125)
Unrealised gain on revaluation in respect of investment property	8	17,668	1,719
GROUP OPERATING SURPLUS / (DEFICIT) BEFORE TAX		11,629	(8,313)
Corporation Tax		-	2
GROUP OPERATING SURPLUS / (DEFICIT) FOR THE FINANCIAL YEAR		11,629	(8,311)
Other Comprehensive Income:			
Actuarial (loss)/gain recognised in respect of the pension fund		45,050	(16,177)
GROUP TOTAL COMPREHENSIVE INCOME FOR THE YEAR		56,679	(24,488)

All amounts relate to continuing operations.

The accounting policies and notes in pages 29 to 49 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	Note	2020 £000	2019 £000
Income	2	24,229	22,937
Administrative expenses		(26,875)	(23,472)
OPERATING (DEFICIT) / SURPLUS BEFORE INTEREST	4	(2,646)	(535)
Interest receivable and similar income		1,364	829
Contract restructuring costs		-	-
Finance discounts allowed	5	(604)	(604)
Dividend and profits share from Joint Ventures	9	165	81
OPERATING (DEFICIT) / SURPLUS FOR THE FINANCIAL YEAR		(1,721)	(229)
Other Comprehensive Income:			
Actuarial gain/(loss) recognised in respect of the pension fund		5,450	(3,792)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,729	(4,021)

All amounts relate to continuing operations.

The accounting policies and notes in pages 29 to 49 form part of these financial statements.

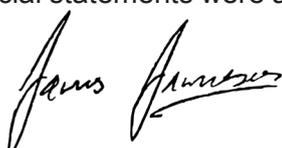
LOCAL GOVERNMENT ASSOCIATION

CONSOLIDATED BALANCE SHEET

As at 31 March 2020	Note	2020 £000	2019 £000
FIXED ASSETS			
Tangible assets	7	18,690	18,927
Investment Properties	8	81,655	55,329
Intellectual Copyright Assets		1	1
Investments - MBA	9	4	4
Investments in Joint Ventures:			
Share of gross assets of joint ventures	9	7,786	6,464
Share of gross liabilities of joint ventures	9	(2,001)	(1,461)
		<u>106,285</u>	<u>79,264</u>
LONG TERM DEBTORS	10	150	-
CURRENT ASSETS			
Debtors	11	7,453	8,202
Short term Investments	12	1,479	14,637
Cash at bank and in hand		5,011	2,673
		<u>13,943</u>	<u>25,512</u>
CREDITORS: amounts falling due within one year	13	(9,693)	(8,972)
		<u>4,250</u>	<u>16,540</u>
NET CURRENT ASSETS			
		<u>110,535</u>	<u>95,804</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year	13	(30,811)	(31,590)
PROVISIONS FOR LIABILITIES			
Provision for organisation restructuring	14	(250)	(250)
Pension Fund deficit	15	(93,115)	(133,848)
NET LIABILITIES		<u>(13,641)</u>	<u>(69,884)</u>
ACCUMULATED FUNDS			
General Reserve		19,060	21,218
Revaluation Reserve		60,414	42,746
Risk & Contingency Reserve		-	-
Pension Deficits Reserve			
- Pension Fund Assets		290,384	307,489
- less Defined Liabilities		(383,499)	(441,337)
		<u>(13,641)</u>	<u>(69,884)</u>

The accounting policies and notes in pages 29 to 49 form part of these financial statements.

These financial statements were approved by the LGA Board on 3 June 2020 and signed on their behalf by



James Jamieson

LOCAL GOVERNMENT ASSOCIATION

ASSOCIATION BALANCE SHEET

For the year ended 31 March 2020

	Note	2020 £000	2019 £000
FIXED ASSETS			
Tangible Assets	7	352	-
Investments	9	804	804
LONG TERM DEBTORS			
	10	42,650	42,000
CURRENT ASSETS			
Debtors	11	5,815	4,868
Short term Investments	12	1,231	1,794
Cash at bank and in hand		29	25
		<u>7,074</u>	<u>6,687</u>
CREDITORS: amounts falling due within one year	13	(3,798)	(3,078)
NET CURRENT ASSETS		<u>3,276</u>	<u>3,609</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>47,082</u>	<u>46,413</u>
CREDITORS: amounts falling due after more than one year	13	(36,121)	(36,266)
PROVISIONS FOR LIABILITIES			
Provision for Organisation restructuring	14	-	-
Pension Fund deficit	15	(34,401)	(37,317)
NET LIABILITIES		<u>(23,440)</u>	<u>(27,170)</u>
ACCUMULATED FUNDS			
General Reserve		7,091	7,091
Risk & Contingency Reserve		3,869	3,056
Pension Deficits Reserve			
- Pension Fund Assets		142,588	147,196
- less Defined Liabilities		(176,989)	(184,513)
		<u>(23,441)</u>	<u>(27,170)</u>

The accounting policies and notes in pages 29 to 49 form part of these financial statements.

These financial statements were approved by the LGA Board on 3 June 2020 and signed on their behalf by



James Jamieson

LOCAL GOVERNMENT ASSOCIATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020

	Risk & Contingency Reserve	Revaluation Reserve	Pensions Deficit Reserve	Retained Earnings	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2018	831	41,027	(115,500)	28,264	(45,378)
Changes in equity for 2018/19					
Income for the year	-	-	-	(8,311)	(8,311)
Pensions Adjustments in Statement of Consolidated income	-	-	(2,171)	2,171	-
Actuarial gains/(losses) on defined benefit plans	-	-	(16,177)	-	(16,177)
Unrealised gain on revaluation in respect of investment property	-	1,719	-	(1,719)	-
Total comprehensive income for the year	-	1,719	(18,348)	(7,859)	(24,488)
Movement on Joint Venture Reserves	-	-	-	(18)	(18)
Transfer to Risk and Contingency reserve (LGA and IDEA only)	(831)	-	-	831	-
Balance as at 31 March 2019	-	42,746	(133,848)	21,218	(69,884)
Balance at 1 April 2019	-	42,746	(133,848)	21,218	(69,884)
Changes in equity for 2019/20					
Income for the year	-	-	-	11,629	11,629
Pensions Adjustments in Statement of Consolidated income	-	-	(4,317)	4,317	-
Actuarial gains (losses) on defined benefit plans	-	-	45,050	-	45,050
Unrealised gain on revaluation in respect of investment property	-	17,668	-	(17,668)	-
Total comprehensive income for the year	-	17,668	40,733	(1,753)	56,679
Movement on Joint Venture Reserves	-	-	-	(436)	(436)
Transfer to Risk and Contingency reserve (LGA and IDEA only)	-	-	-	-	-
Balance as at 31 March 2020	-	60,414	(93,115)	19,060	(13,641)

LOCAL GOVERNMENT ASSOCIATION

ASSOCIATION STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020

	Risk & Contingency Reserve	Pensions Deficit Reserve	Retained Earnings	Total
	£000	£000	£000	£000
Balance at 1 April 2018	2,777	(33,017)	7,091	(23,149)
Changes in equity for 2018/19				
Operating Deficit for the year	-	-	(229)	(229)
Pension adjustment included in Operating Surplus / Deficit for the year	-	(508)	508	-
Actuarial gains/(losses) on defined benefit plans	-	(3,792)	-	(3,792)
Total comprehensive income for the year	-	(4,300)	279	(4,021)
Transfer to Risk and Contingency reserve	279	-	(279)	-
Balance as at 31 March 2019	3,056	(37,317)	7,091	(27,170)
Balance at 1 April 2019	3,056	(37,317)	7,091	(27,170)
Changes in equity for 2019/20				
Operating Deficit for the year	-	-	(1,721)	(1,721)
Pension adjustment included in Operating Surplus / Deficit for the year	-	(2,534)	2,534	-
Actuarial gains/(losses) on defined benefit plans	-	5,450	-	5,450
Total comprehensive income for the year	-	2,916	813	3,729
Transfer to Risk and Contingency reserve	813	-	(813)	-
Balance as at 31 March 2020	3,869	(34,401)	7,091	(23,441)

LOCAL GOVERNMENT ASSOCIATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	2020 £000	2019 £000
Net cash outflow from operating activities			
Surplus/(Deficit)		11,629	(8,311)
Adjustments for:			
FRS17 Pension adjustments		4,317	2,171
Investment and dividend Income		(1,987)	(2,538)
Revaluation gains on Investment Properties		(17,668)	(1,719)
Joint Venture Non Cash Adjustments		(1,217)	(415)
Finance discounts for former members of AMA		604	604
Interest expense		550	405
Depreciation		602	534
Decrease/(increase) in debtors		748	(594)
(Decrease)/increase in creditors		721	(1,682)
(Decrease)/Increase in provisions		-	(33)
(Decrease)/Increase in creditors due after one year		(779)	19,200
Cash generated from operations		<u>(2,480)</u>	<u>7,622</u>
Interest paid		(550)	(405)
Net cash generated from operating activities		<u>(3,030)</u>	<u>7,217</u>
Cash flow from investing activities			
Interest received		72	332
Loan to UKMBA		(150)	-
Impairment of investment in the UKMBA		-	496
Investment in redevelopment of Property, Plant and Equipment		(366)	291
Investment in redevelopment of Investment Properties		(8,658)	1,347
Distribution from Joint Venture		1,915	2,206
		<u>(7,187)</u>	<u>4,672</u>
Cash flow from financing activities			
Finance discounts for former members of AMA		(603)	(603)
		<u>(603)</u>	<u>(603)</u>
Cash flow from Taxation activities			
Corporation Tax paid		-	-
		<u>-</u>	<u>-</u>
Net (Decrease)/ Increase in cash		(10,820)	11,286
Cash and cash equivalents at the start of the year		17,310	6,024
Cash and cash equivalents at the end of the year	16	<u>6,490</u>	<u>17,310</u>

The accounting policies and notes in pages 29 to 49 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2020

1. ACCOUNTING POLICIES

On 1 April 2019 the assets, liabilities and business of the Local Government Association ('Old LGA'), an unincorporated association, transferred to the Local Government Association ('New LGA'), an incorporated unlimited company, via a business transfer agreement (see Note 19). Prior to 1 April 2019, 'New LGA' was dormant. To better reflect the substance of the business transfer, the comparatives presented throughout the Financial Statements are those of the 'Old LGA', rather than the dormant 'New LGA'.

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 and the use of the unincorporated LGA comparative figures throughout. The LGA 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 £13.7 million as at 31 March 2020. 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.

The impact of COVID-19 on the Group and Company's business has been assessed and has been determined to not be material. The IDeA receives grant funding from the Ministry for Housing, Communities and Local Government (MHCLG). This funding is received on behalf of the Local Government Association and its related bodies. The level of funding has been formally determined by parliament for the year to 31 March 2021 at the same level as the year to 31 March 2020. Funding for the Company's principal funded programmes has also been agreed by the funders.

Certain workstreams are being re-prioritised to COVID-19-centric initiatives, and other funding programme timelines may be deferred, but no funding has been withdrawn. For the investment property rental income streams, there is expected to be no interruption for 18 Smith Square, while the delay in securing tenants for Layden House may reduce income for the coming year, it is not expected to be material to that company or the Group.

Therefore it is considered that the majority of the Group and Company's income for the foreseeable future is secure and the Directors have therefore adopted the going concern basis for the preparation of these accounts.

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 FRS 102.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2020

1. ACCOUNTING POLICIES (Continued)

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 2020. 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 18 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.

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 2019/20 66 per cent (2018/19) 66 per cent) of 18 Smith Square 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 2019/20 34 per cent (2018/19) 34 per cent) of 18 Smith Square 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'.

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.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2020

1. ACCOUNTING POLICIES (Continued)

Note 9 provides details of the Association's investments in Local Partnerships LLP, UK 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 Funding

Funding and 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2020

1. ACCOUNTING POLICIES (Continued)

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.

2. INCOME

CONSOLIDATED	2020	2019
	£000	£000
Group		
Subscriptions	9,932	9,957
Conferences and seminars	2,180	1,707
Government Grants	31,132	33,408
Shared Services – external to group	895	544
Other income	10,069	4,858
	<u>54,208</u>	<u>50,474</u>
Joint Ventures	9,837	9,075
	<u>64,045</u>	<u>59,549</u>
ASSOCIATION	2020	2019
	£000	£000
Subscriptions	9,932	9,957
Conferences and seminars	1,765	1,341
Shared Services	6,265	6,076
Other income	6,267	5,563
	<u>24,229</u>	<u>22,937</u>

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2020

3. EMPLOYEES AND DIRECTORS

Employees

The average monthly number of persons employed and staff costs employed during the year was:

	CONSOLIDATED		ASSOCIATION	
	2020	2019	2020	2019
Average number of persons employed	374	331	182	131
Staff costs	£000	£000	£000	£000
Wages and salaries	22,319	20,692	10,837	10,048
Social security costs	2,430	2,286	1,167	1,084
Pension costs – employer payments	3,005	2,821	1,012	934
Pension costs – employer deficit payments	3,547	3,577	1,198	449
Pension costs – current service costs less contributions	(627)	(317)	(94)	(317)
<u>Less</u> income from secondments	(903)	(833)	(582)	(386)
	<u>29,771</u>	<u>28,226</u>	<u>13,538</u>	<u>11,812</u>
Staff related costs				
Agency, freelance and secondment costs	1,286	1,040	538	348
Redundancy costs & provision	137	1,194	8	1,155
Travel, subsistence and staff expenses	1,621	1,654	668	752
Recruitment costs	53	54	35	21
Training costs	151	141	103	122
Other personnel costs	65	71	40	42
	<u>3,313</u>	<u>4,154</u>	<u>1,392</u>	<u>2,440</u>
Total staff costs	<u>33,084</u>	<u>32,380</u>	<u>14,930</u>	<u>14,252</u>

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2020

3. EMPLOYEES AND DIRECTORS (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 2020 figures include five staff (2019: six staff) seconded to other organisations, of which four were employed by the Association.

CONSOLIDATED	2020		2019	
	Remuneration including redundancy	Remuneration excluding redundancy	Remuneration including redundancy	Remuneration excluding redundancy
£50,000 - £54,999	34	34	37	37
£55,000 - £59,999	11	11	7	7
£60,000 - £64,999	18	17	20	20
£65,000 - £69,999	18	18	9	9
£70,000 - £74,999	22	22	27	27
£75,000 - £79,999	34	34	25	25
£80,000 - £84,999	2	2	6	6
£85,000 - £89,999	9	9	10	10
£90,000 - £94,999	3	3	1	1
£95,000 - £99,999	2	2	3	3
£100,000 - £104,999	7	7	9	9
£105,000 - £109,999	3	3	2	2
£110,000 - £114,999	1	1	2	2
£115,000 - £119,999	1	1	1	1
£120,000 to £124,999	-	-	3	3
£125,000 to £129,999	3	3	-	-

ASSOCIATION	2020		2019	
	Remuneration including redundancy	Remuneration excluding redundancy	Remuneration including redundancy	Remuneration excluding redundancy
£50,000 - £54,999	12	12	13	13
£55,000 - £59,999	5	5	4	4
£60,000 - £64,999	7	7	8	8
£65,000 - £69,999	5	5	3	3
£70,000 - £74,999	8	8	10	10
£75,000 - £79,999	15	15	10	10
£80,000 - £84,999	-	-	-	-
£85,000 - £89,999	4	4	7	7
£90,000 - £94,999	3	3	-	-
£95,000 - £99,999	1	1	3	3
£100,000 - £104,999	3	3	2	2
£105,000 - £109,999	1	1	1	1
£110,000 - £114,999	1	1	2	2
£115,000 - £119,999	-	-	1	1
£120,000 - £124,999	-	-	1	1
£125,000 - £129,999	2	2	-	-

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2020

3. EMPLOYEES AND DIRECTORS (continued)

Directors

The directors received emoluments during the year in respect of their services was as follows:

	CONSOLIDATED		ASSOCIATION	
	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Total emoluments	1,766	-	1,697	-
Emolument of the chairman and highest paid director	60	-	60	-

There are no comparatives for 2019 as there is no equivalent under the old LGA.

Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	CONSOLIDATED		ASSOCIATION	
	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Salaries and other short-term benefits	876	852	634	618
Post-employment benefits	99	96	53	52
Total key management compensation	975	948	687	670

4. OPERATING DEFICIT

	CONSOLIDATED		ASSOCIATION	
	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Operating deficit is after charging:				
Depreciation and amortisation	602	534	32	-
Loss on disposal of fixed assets	-	-	-	-
Auditor's remuneration				
- audit fee	43	42	15	15
- non audit services	3	3	-	-

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2020

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 2019 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 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 during 2016/17 and 2017/18, 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.

As a result of the application FRS 102 for the Financial Year 2019/20 66 per cent (2018/19)66 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.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2020

7. FIXED ASSETS (continued)

TANGIBLE FIXED ASSETS

CONSOLIDATED	Freehold land and buildings £000	Fixtures, fittings and equipment £000	Total £000
Cost			
At 1 April 2019	22,316	754	23,070
Additions	-	384	384
Disposals	(18)	-	(18)
At 31 March 2020	22,298	1,138	23,436
Depreciation			
At 1 April 2019	4,043	101	4,144
Charge for year	520	82	602
Disposal in year	-	-	-
At 31 March 2020	4,563	182	4,746
Net book value			
At 31 March 2020	17,735	955	18,690
At 31 March 2019	18,273	654	18,927
ASSOCIATION			
Cost			
At 1 April 2019		-	-
Additions		384	384
At 31 March 2020		384	384
Depreciation			
At 1 April 2019		-	-
Charge for year		32	32
At 31 March 2020		32	32
Net book value			
At 31 March 2020		352	352
At 31 March 2019		-	-

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2020

8. INVESTMENT PROPERTIES

CONSOLIDATED	2020	2019
	£000	£000
Brought forward valuation	55,329	54,957
Capital Expenditure	8,658	2,962
Unrealised gain on revaluation	17,668	(2,590)
	<hr/>	<hr/>
Carried forward valuation	81,655	55,329
	<hr/> <hr/>	<hr/> <hr/>

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 during 2018/19 and 2019/20.

As a result of the requirements of FRS102, in the Group Accounts for the Financial Year 2019/20 34 per cent (2018/19 34 per cent) of 18 Smith Square House valuation have been accounted for as Investment Property Assets to reflect the area of the building available for occupation by third 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 2020 by an independent professional valuer, Cushman & Wakefield Chartered Surveyors.

The Valuation report included the following additional wording:

COVID-19 – material valuation uncertainty

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this Property under frequent review.

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. This clause is a disclosure, not a disclaimer. It is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2020

9. INVESTMENTS IN JOINT VENTURES - GROUP

LOCAL PARTNERSHIPS LLP

Balance Sheet	31 March 2020 £000	31 March 2019 £000
Current Assets	5,359	4,785
Share of gross assets	<u>5,359</u>	<u>4,785</u>
Liabilities due within one year or less	(967)	(806)
Other	-	-
Loans and other Debts due to members	<u>-</u>	<u>-</u>
Share of gross liabilities	<u>(967)</u>	<u>(806)</u>
Share of net assets	<u>4,392</u>	<u>3,979</u>

The operating results for Local Partnerships LLP are shown below:

Profit and Loss Summary	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Revenue	10,530	9,941
Operating costs	(9,537)	(9,347)
Interest Receivable	34	31
Operating profit	<u>1,027</u>	<u>625</u>
Share of operating profit	<u>513</u>	<u>313</u>

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 per cent 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 2018/19 Local Partnerships LLP paid dividends to both parties of £81,000 no dividends have been paid in 2019/20 to the Association or HM Treasury.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2020

9. INVESTMENTS IN JOINT VENTURES – GROUP (continued)

GEOPLACE LLP

Balance Sheet	31 March 2020 £000	31 March 2019 £000
Fixed Assets	-	-
Intangible Assets	18	31
Current Assets	1,922	1,439
Share of gross assets	<u>1,940</u>	<u>1,470</u>
Liabilities due within one year or less	(547)	(490)
Share of gross liabilities	<u>(547)</u>	<u>(490)</u>
Share of net assets	<u>1,393</u>	<u>980</u>

The operating results for Geoplace LLP are shown below:

Profit and Loss Summary	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Revenue	15,593	14,805
Operating costs	(5,773)	(5,898)
Interest Receivable and Payable	-	-
Operating profit	<u>9,820</u>	<u>8,907</u>
Share of operating profit	<u>2,455</u>	<u>2,227</u>

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 2020.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2020

9. INVESTMENTS IN JOINT VENTURES – GROUP (continued)

LGA DIGITAL SERVICES

Balance Sheet	31 March 2020 £000	31 March 2019 £000
Fixed Assets	-	-
Intangible Assets	95	125
Current Assets	392	40
Share of gross assets	<u>487</u>	<u>165</u>
Liabilities due within one year or less	<u>(487)</u>	<u>(165)</u>
Share of gross liabilities	<u>(487)</u>	<u>(165)</u>
Share of net assets	<u>-</u>	<u>-</u>

The operating results for LGA Digital Services are shown below:

Profit and Loss Summary	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Revenue	1,348	806
Operating costs	(1,348)	(806)
Operating profit	<u>-</u>	<u>-</u>
Share of operating profit	<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 2019.

9. INVESTMENTS – ASSOCIATION

LGA

Investment in UK Municipal Bonds Agency PLC (MBA)	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Opening balance	4	500
Invested in year	-	-
Impairment in year	-	(496)
Closing Value	<u>4</u>	<u>4</u>

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2020

9. INVESTMENTS – ASSOCIATION (Continued)

	Equity £000	Debt £000	Total £000
Investment in Local Partnerships LLP			
Year ended 31 March 2019			
Opening balance	800	-	800
Repaid in year	-	-	-
Closing value	800	-	800
Year ended 31 March 2020			
Opening balance	800	-	800
Repaid in year	-	-	-
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

In 2019/20 there has been an increase in loans. The value of the unsecured loans are now:

- £20 million loan (2018/19 £9 million) between the LGA and Local Government Management Board
- £20 million loan (2018/19 £6 million) between LGA and Local Government Association (Properties) to finance the refurbishment of the buildings.

These loans are due to mature on 31 December 2038 and interest is charged at 3.24 per cent p.a.

There has also been an additional loan of £2.5 million (2018/19 £2.0 million) between the LGA and LGA Commercial Services Ltd (repayable on 31 December 2038) to cover the set up and running costs as they have not started trading yet. Interest will be charged at the same rate as the property companies.

An unsecured Convertible Loan Facility of £150,000 was issued by the LGA to the UKMBA on 1 August 2019 (subsequently increased to a Facility of £400,000 on 1 November 2019), repayable on 18 January 2028 with interest charged at 3.24 per cent p.a.. At the year end, £150,000 had been drawn down by the UKMBA in two tranches.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2020

11. DEBTORS

	CONSOLIDATED		ASSOCIATION	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade debtors	2,332	5,633	967	685
Due from related entities	16	109	3,288	3,683
Other debtors	1,069	114	1,100	97
Prepayments and accrued income	4,036	2,346	460	403
	7,453	8,202	5,815	4,868

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	
	2020 £000	2019 £000	2020 £000	2019 £000
Amounts falling due within one year				
Accounts payable and accruals	4,830	4,644	1,118	947
Income received in advance	3,131	2,966	363	168
Other creditors	1,732	1,362	835	666
Owed to related entities	-	-	1,482	1,297
	9,693	8,972	3,798	3,078
Amounts falling due beyond one year				
1 to 2 Years	121	266	121	266
2 to 5 years	1,560	1,560	-	-
More than 5 years	29,130	29,764	36,000	36,000
	30,811	31,590	36,121	36,266

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2020

13. CREDITORS (continued)

In 2011/12 the Association received a distribution of £2,707,612 from the liquidation of ADC 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 10 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. In 2019, the rate of repayment to the District Councils Network was adjusted to spread the payments over a longer period of time. Creditors payable after more than one year includes an amount of £121,324 representing the final instalments of the support due for the District Councils Network.

Included within the consolidated amounts falling due beyond one year are the following loans to LGA Properties and a loan to LGA from Westminster City Council:

	2020	2019
	£000	£000
Bank loans	2,080	2,600
Loan from ACC (Properties) Limited	2,000	2,000
Loan from AMA (Properties) Limited	6,200	6,200
Barclays Swap Liability	410	524
Loan from Westminster City Council	20,000	20,000
	<u>30,690</u>	<u>31,324</u>

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.

The above Swap agreement liability is the value on the balance sheet as at 31 March 2020 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.

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. The 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 22 November 2018 the LGA received a loan from Westminster City Council for £20 million bearing an initial interest rate of 3.03 per cent per annum. The loan capital is repayable at a rate of £1 million per year from March 2022, with the remainder due to be repaid in November 2033.

On 1 January 2018, a loan of £11 million was issued from the IDeA bearing interest of 2.94 per cent per annum. The loan is repayable on 31 December 2038. This value was increased to £16 million. On 2 January 2019 a loan of £5 million was issued from the IDeA bearing interest of 2.94 per cent per annum. The loan is repayable on 31 December 2038.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2020

14. PROVISION FOR ORGANISATION RESTRUCTURING

	CONSOLIDATED		ASSOCIATION	
	2020	2019	2020	2019
	£000	£000	£000	£000
Balance at 1 April	250	283	-	-
Arising during year	-	250	-	-
Utilised during year	-	(283)	-	-
Balance at 31 March	250	250	-	-

The provision for the year to 31 March 2020 relates to potential redundancy costs. There is no LGA provision for 2018/19 or 2019/20.

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 2020 as £1.224 million (2019 £1.418 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 2020. 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 - 2.55 per cent to -6.8 per cent (2019, 3.6 per cent to 7.2 per cent).

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2020

15. PENSION COMMITMENTS (continued)

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

	31 March 2020	31 March 2019
Equities	51.8% to 76.0%	49.2% to 79.0%
Bonds (HR)	11.0%	1.0%
Government Bonds (M)	8.4%	3.6%
Other Bonds (M)	5.2%	12.2%
Property	9.4% to 12.0%	9.5% to 10.0%
Cash	1.0% to 1.9%	1.0% to 2.9%
Other (M)	23.3%	22.6%

a) Actuarial assumptions

Full actuarial valuations were carried out at 31 March 2019 and updated to 31 March 2020 by qualified independent actuaries. The next Triennial valuation will be as at 31 March 2022.

The range of assumptions used by the actuaries was:

	31 March 2020 % per annum	31 March 2019 % per annum
Pension increase rate	1.9% to 2.2%	2.2% to 2.5%
Salary increase rate	2.3% to 3.6%	3.1% to 3.7%
Discount rate	2.2% to 2.4%	2.3% to 2.4%
Inflation assumption	2.1%	2.3% to 2.4%

Mortality Rates*	31 March 2020 Years	31 March 2019 Years
Current Pensioners – Male	21.8 to 22.5	22 to 22
Current Pensioners – Female	23.9 to 25.9	24.1 to 24.8
Future Pensioners – Male	20.9 to 23.2	23.9 to 25
Future Pensioners – Female	24 to 25.9	26.1 to 27.8

*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.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2020

15. PENSION COMMITMENTS (continued)

b) Scheme assets

Balance sheet	31 March 2020 £000	31 March 2019 £000
Fair value of employer assets	290,384	307,489
Present value of funded liabilities	(372,341)	(428,597)
Net underfunding in funded plans	(81,957)	(121,108)
Present value of unfunded liabilities	(11,158)	(12,740)
Net liability	(93,115)	(133,848)

Recognition in the statement of Comprehensive Income	Year to 31 March 2020 £000	Year to 31 March 2019 £000
Current service cost	(1,944)	(2,112)
Interest cost	(1,761)	(1,838)
Expected return on employer assets	325	445
Losses on curtailments and settlements	1,705	-
Total	(1,675)	(3,505)
Actual return on plan assets	(3,751)	8,747

Reconciliation of defined benefit obligation	2020 £000	2019 £000
Opening defined benefit obligation	441,337	406,431
Current service cost	7,012	6,460
Interest cost	10,581	10,738
Contribution by members	1,644	1,522
Actuarial (gains)/losses	(68,126)	26,434
Past service costs	-	-
Losses on curtailments	1,791	-
Estimated unfunded benefits paid	(582)	(567)
Estimated benefits paid	(10,158)	(9,681)
Closing defined benefit obligation	383,499	441,337

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2020

15. PENSION COMMITMENTS (continued)

Reconciliation of fair value of employer assets	2020 £000	2019 £000
Opening fair value of employer assets	307,489	290,931
Expected return on assets	7,385	7,695
Contributions by members	1,644	1,522
Contributions by the employer	7,144	6,805
Contributions in respect of unfunded benefits	582	567
Administrative Expenses	(44)	(40)
Actuarial (losses)/gains	(23,076)	10,257
Unfunded Benefits paid	(432)	(430)
Benefits paid	(10,308)	(9,818)
Closing fair value of employer assets	290,384	307,489

Amounts for the current and previous accounting periods

	2020 £000	2019 £000	2017 £000	2016 £000	2015 £000
Fair value of employer assets	290,384	307,489	290,931	283,283	224,054
Present value of defined benefit obligation	(383,499)	(441,337)	(406,431)	(408,274)	(318,805)
Deficit	(93,115)	(133,848)	(115,500)	(124,991)	(94,751)
Experience gains/(losses) on assets	(23,076)	10,257	1,408	(54,797)	(8,102)
Experience gains/(losses) on liabilities	-	-	-	-	-

The total of employer pension contributions estimated to be payable in 2019/20 is £3.992 million (£2.565 million of which relates to the Association).

16. CASHFLOW: RECONCILIATION OF CASH AND CASH EQUIVALENTS

Reconciliation of cash and cash equivalents	2020 £000	2019 £000
Short Term Investments	1,479	14,637
Cash at bank and in hand	5,011	2,673
Cash and cash equivalents	6,490	17,310

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2020

17. 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.

18. 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 and Development Agency for Local Government (IDeA)
- The Local Government Management Board
- Local Government Association (Properties) – unlimited with share capital.
- LGA Commercial Services Ltd (incorporated on 02 October 2018) – 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) are that any surplus arising on winding up is to be distributed to local authorities in equal shares. The provisions relating to The 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.

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

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 and 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.

19. EXCEPTIONAL ITEM

During 2019/20 there were no exceptional items to report.

20. POST BALANCE SHEET EVENTS

On 3 June 2020, the Local Government Management Board re-registered as an unlimited company, with no change in name.

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

21. CONTROLLING ENTITY

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



Local Government Association

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REF 9.138