

LGA COMMERCIAL SERVICES LIMITED

LGA COMMERCIAL SERVICES LIMITED

Company Registration No. 10990595

Report and Financial Statements

for the year ended 31 March 2019

LGA COMMERCIAL SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2019

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LGA COMMERCIAL SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Councillor Julian Bell (Chairman)	Appointed 16 August 2018
Councillor Andrew Proctor	Appointed 20 August 2018
Councillor David Neighbour	
Mayor Sir Stephen Bullock	Resigned 4 May 2018
Councillor Peter Fleming OBE	Resigned 17 August 2018
Councillor Clarence Barrett	Resigned 8 March 2019
Sarah Pickup, LGA Deputy Chief Executive	

SECRETARY

Vitaly Voytenko

REGISTERED OFFICE

18 Smith Square
London
SW1P 3HZ

BANKERS

Barclays
UK Banking
1 Churchill Place
London
E14 5HP

STATUTORY AUDITOR

PKF Littlejohn LLP
1 Westferry Circus
Canary Wharf
London
E14 4HD

LGA COMMERCIAL SERVICES LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 March 2019.

Principal activities

LGA Commercial Services Limited was incorporated as a company limited by share capital on 2 October 2017. It holds investments, sets up joint ventures and evaluates other discrete commercial opportunities on behalf of the Local Government Association, for the purpose of furthering the Association's objects.

The Company is wholly owned by the Local Government Association.

Business review

The Company's principal business in the period has been investing in setting up a joint venture to provide administrative services to the Local Government Mutual, which has been set up to provide additional insurance options for local authorities.

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

Future Developments

The Company will continue to investigate and evaluate commercial propositions that are of benefit to the Local Government Association group of companies and the wider sector.

Principal risks and uncertainties

The principal risk faced by the Company is that its income will be largely dependent in the short term on the success of incomes arising from the administrative support contract to the Insurance Mutual. Longer term, commercial streams of income have yet to be developed. The Company is reliant initially on funding from the Local Government Association group of entities. The broad range of commercial opportunities being investigated should reduce this risk through diversification. The Company is also managed within a wider business strategy appropriate for the group.

Employees

The Company has no employees.

Political and charitable contributions

The Company made no political or charitable donations, or incur any political expenditure during the year.

Dividends

No dividends are recommended for the current period.

Provision of information to Auditors

In the case of each of the persons who are directors at the time when the directors' report is approved, the following applies:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

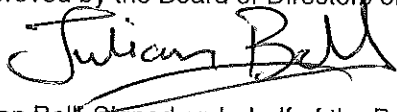
Auditors

PKF Littlejohn has expressed its willingness to continue in office. A resolution proposing the reappointment of PKF Littlejohn LLP will be proposed at the next Board Meeting.

Status of this Directors' Report

This report is prepared in accordance with the small companies' regime under the Companies Act 2006.

Approved by the Board of Directors on 24 June 2019.



Julian Bell, Signed on behalf of the Board of Directors

LGA COMMERCIAL SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (FRS 102).

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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

LGA COMMERCIAL SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LGA COMMERCIAL SERVICES LIMITED

Opinion

We have audited the financial statements of LGA Commercial Services Limited (the 'company') for the period ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the 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 company's affairs as at 31 March 2019 and of its deficit 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

LGA COMMERCIAL SERVICES LIMITED

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

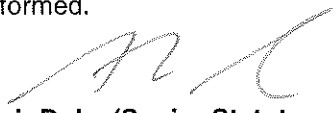
Auditor's responsibilities for the audit of the financial statements

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

Date:

1 July 2019

1 Westferry Circus
Canary Wharf
London E14 4HD

LGA COMMERCIAL SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH 2019

	Note	Year to 31 Mar 2019 £000	2 Oct 2017 to 31 Mar 2018 £000
Income	2	-	-
Administrative expenses		(1,042)	(424)
OPERATING DEFICIT BEFORE INTEREST	5	(1,042)	(424)
Interest receivable		-	-
Interest payable	6	(16)	-
Corporation Tax	7	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(1,058)	(424)

All amounts relate to continuing operations.

There was no Other Comprehensive Income received in the current Financial Year or prior Financial Period.

The accounting policies and notes on pages 10 to 12 form part of these financial statements.

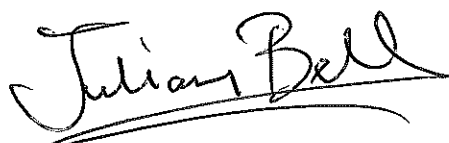
LGA COMMERCIAL SERVICES LIMITED
Company Number 10990595

BALANCE SHEET
AS AT 31 MARCH 2019

Company Registration No. 10990595

	Note	2019 £000	2018 £000
CURRENT ASSETS			
Short term investments	9	2,000	0
TOTAL CURRENT ASSETS		2,000	0
CREDITORS: amounts falling due within one year			
	10	(1,482)	(424)
NET CURRENT ASSETS / (LIABILITIES)		518	(424)
TOTAL ASSETS LESS CURRENT LIABILITIES		518	(424)
CREDITORS: amounts falling due after more than one year			
	11	(2,000)	0
TOTAL NET LIABILITIES		(1,482)	(424)
ACCUMULATED FUNDS			
General Reserve		(1,482)	(424)
		(1,482)	(424)

These financial statements were approved by the Board of Directors on 24 June 2019



Julian Bell

Signed on behalf of the Board of Directors

The accounting policies and notes on pages 10 to 12 form part of these financial statements.

LGA COMMERCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY Year ended 31 March 2019

	Retained Earnings £000	Other Reserves £000	Total £000
Balance at 2nd October 2017 (on incorporation)	-	-	-
Changes in equity for 2017/18			
(Deficit) / Surplus for the period	(424)	-	(424)
Gain on revaluation of investments	-	-	-
Total comprehensive income for the period	(424)	-	(424)
Balance as at 31st March 2018	(424)	-	(424)
<hr/>			
Balance as at 1st April 2018	(424)	-	(424)
Changes in equity for 2018/19			
(Deficit) / Surplus for the year	(1,058)	-	(1,058)
Gain on revaluation of investments	-	-	-
Total comprehensive income for the period	(1,058)	-	(1,058)
Balance as at 31st March 2019	(1,482)	-	(1,482)

LGA COMMERCIAL SERVICES LIMITED

STATEMENT OF CASH FLOWS Year ended 31 March 2018

	Note	Year to 31 Mar 2019 £000	02 Oct 2017 to 31 Mar 2018 £000
Cash flow from operating activities			
Operating Surplus		(1,058)	(424)
Adjustments for:			
Interest expense		16	-
Increase/(decrease) in creditors		1,058	424
		<hr/>	<hr/>
Cash generated from operations		16	-
Interest paid		(16)	-
Net cash (used)/generated from operating activities		<hr/>	<hr/>
		-	-
Cash flow from financing activities			
Borrowing from LGA		2,000	-
		<hr/>	<hr/>
Net Increase in cash		2,000	-
Cash and cash equivalents at start of the period		<hr/>	<hr/>
		-	-
Cash and cash equivalents at the end of the period		<hr/>	<hr/>
		2,000	-

The accounting policies and notes on pages 10 to 12 form part of these financial statements.

LGA COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year Ended 31 March 2019

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards, specifically Financial Reporting Standard (FRS102). The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Income

Income represents the amounts receivable as dividends, profit shares and management fees for services provided (exclusive of Value Added Tax) and is generated entirely in the UK.

Expenditure

All expenditure is accounted for on an accruals basis. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider that the going concern basis is appropriate because the Local Government Association and the related entities from which the Company's income derives have agreed budgets and financial plans which will ensure under present arrangements that the Company recovers the full costs of its operations. During 2019/20 the company may not fully recover in-year costs as a result of reduced income while the investment in the joint venture establishes its business. These net costs will be recovered in subsequent years via income from the joint venture.

2. INCOME

The Company had no turnover in the period.

3. DIRECTORS' EMOLUMENTS

No directors received emoluments during the current financial period in respect of their services to the Company.

4. STAFF INFORMATION

The Company did not have any employees during the current financial period.

5. OPERATING DEFICIT

	Year to 31 Mar 2019 £000	2 Oct 2017 to 31 Mar 2018 £000
Operating deficit is after charging:		
Auditors' remuneration		
- audit fee	4	4

LGA COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year Ended 31 March 2019

6. INTEREST PAYABLE

	Year to 31 Mar 2019 £000	2 Oct 2017 to 31 Mar 2018 £000
Local Government Association intercompany funding	16	-
	<u>16</u>	<u>-</u>

7. TAXATION

The Company as a trading entity has no exemption enjoyed by the Local Government Association (which is exempt from tax on its income and gains by virtue of its status as a Local Authority Association under Section 519(3) of the Taxes Act 1988 and is exempt from capital gains tax under Section 271(3) of the Taxation of Chargeable Gains Act 1992)).

Deferred taxation:

The Company has carried forward trading losses of £1.482 million. Assuming these losses are able to be offset against future trading profits, there is a potential deferred tax asset of £0.267 million at the prevailing rate of Corporation Tax (2019: 18%). There is insufficient certainty regarding the timing and availability of any recovery of this potential deferred tax asset to recognise on the Balance Sheet in the current year.

8. INVESTMENTS: JOINT VENTURES

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

Distributable profits are allocated 20% to LGA Commercial Services Limited and 70% to Regis Mutual Management Limited, after the initial return of investment expenditure which is allocated on a 50:50 basis.

LGM Management commenced trading on 3 May 2018, but has not yet traded profitably.

9. SHORT TERM INVESTMENTS

Surplus cash balances held by the Company, the companies it controls and related parties are pooled and lent to financial institutions on the Company'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 Company's Investment Strategy. The Company'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 Company does not expect any losses on short term investments.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £000	2018 £000
Accounts payable and accruals	-	190
Other creditors	-	-
Owed to Related Companies	1,482	234
	<u>1,482</u>	<u>424</u>

LGA COMMERCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS Year Ended 31 March 2019

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £000	2018 £000
Owed to Related Companies	2,000	-
	<u>2,000</u>	<u>-</u>

On 2 January 2019, an unsecured loan of £2 million was issued by LGA bearing interest of 3.24% per annum. The Loan is repayable on 31 December 2036.

12. CONTROLLING ENTITY

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

On 1 April 2019 the assets, liabilities and business of the parent undertaking, Local Government Association, an unincorporated association, were transferred via a transfer agreement to Local Government Association, an unlimited company (Company number 11177145).

13. CAPITAL AND OTHER COMMITMENTS

	2019 Number	2018 Number
Share Capital: Number of Ordinary Shares Issued	1	1
	2019 £	2018 £
Share Capital: Issued and Fully Paid Up Ordinary Shares	1	1

14. RELATED PARTIES

The Company had the following transactions with related parties:

	Value of related party transactions in year 2019 exp / (inc) £000	Outstanding balance at 31 March 2019 dr / (cr) £000	Value of related party transactions in period 2018 exp / (inc) £000	Outstanding balance at 31 March 2018 dr / (cr) £000
Local Government Association	3,058	(3,482)	424	(424)

The transactions between these companies are a result of day to day activity recharges.

15. POST BALANCE SHEET EVENTS

On 1 April 2019 the assets, liabilities and business of the parent undertaking, Local Government Association, an unincorporated association, were transferred via a transfer agreement to Local Government Association, an unlimited company (Company number 11177145).

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