

# **LOCAL GOVERNMENT ASSOCIATION**

## **LOCAL GOVERNMENT ASSOCIATION**

### **Report and Consolidated Financial Statements for the year ended 31 March 2019**

## **LOCAL GOVERNMENT ASSOCIATION**

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# **LOCAL GOVERNMENT ASSOCIATION**

## **CHIEF EXECUTIVE'S REPORT** **Year ended 31 March 2019**

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 the 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, London Boroughs, metropolitan and unitary councils, Welsh unitary councils, fire and rescue and national park authorities.

In 2018/19 we had 408 member authorities in England and Wales. The 22 Welsh authorities are in corporate membership through the Welsh Local Government Association (WLGA).

Working with and on behalf of our membership we:

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

# LOCAL GOVERNMENT ASSOCIATION

## CHIEF EXECUTIVE'S REPORT

Year ended 31 March 2019

### The year in focus

In 2018/19 councils have continued to confront the challenges facing local government as well as promote opportunities to do things differently. We have continued to focus on issues such as fair funding and fiscal devolution, adult social care, children's services, housing and preparing for Brexit.

Through our engagement with Whitehall and Parliament, our campaigning, our media work and our programme of events across the country, we have secured positive changes for local government.

At the same time, we continued to support councils. We have delivered 115 peer challenges in the last year and 800 councillors took part in our leadership programmes.

We continue to be the national voice of local government and central government is listening to us. In the Budget, our influence helped deliver more than £1 billion of short-term funding. This included new money for adults' and children's social care, road repairs, high streets regeneration and homelessness. Our focus will now turn to the Spending Review and longer-term, sustainable funding.

In July, the continued absence of the Government's social care Green Paper prompted the LGA to publish its own – 'The Lives We Want to Lead' – widely recognised as leading the debate on how we fund and deliver social care in the future and the basis for our continued campaigning in the coming year.

In October last year the housing borrowing cap was scrapped. This shows that Government has recognised that councils must be part of the solution to our chronic housing shortage and that only an increase of all types of housing – including affordable and those for social rent – will solve the housing crisis.

Our work to support councils as we leave the European Union secured extra funding to help councils prepare for our departure and a guarantee from Government that EU funded projects would continue to be funded by the Treasury to the end of 2020.

This February we launched our #CouncilsCan campaign, outlining to Government what local authorities want to see from the next Spending Review. Over the next year we will seek to build the strongest possible case for a long-term, sustainable funding solution for local government.

# **LOCAL GOVERNMENT ASSOCIATION**

## **CHIEF EXECUTIVE'S REPORT**

**Year ended 31 March 2019**

### **Our priorities**

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

#### **Funding for local government**

Reforms to the finance system and a fair and sustainable funding settlement to enable 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 and health**

Sustainable funding and more effective integration with health services enable councils to continue to support people to live safe, healthy, active lives and to remain at home and be independent for as long as possible.

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

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

#### **Housing**

Councils have a leading role in building the new homes that are needed and in creating strong and healthy communities that are great places to live.

#### **Inclusive growth, jobs and devolution**

Councils are central to revitalising local economies and providing decent life chances and safer communities for all residents. A radical re-think of local governance and accountability achieves a real shift in power to local people and a refocus on local democratic leadership.

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

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

#### **Supporting Councils**

Sector led improvement is based on the principle that councils are responsible for their own performance, effectiveness and efficiency, accountable before all else to their local communities. Our range of peer-based support helps councils continue to improve and meet the challenges they face.

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

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

# LOCAL GOVERNMENT ASSOCIATION

## CHIEF EXECUTIVE'S REPORT Year ended 31 March 2019

### **Our priority campaigns**

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

#### ***Funding to local government and fair funding***

Our campaign has continued to focus on the funding gap faced by local government. Our latest analysis estimates that councils will face an overall funding gap of £3.1 billion in 2019/20, rising to £8 billion by 2024/25 if no action is taken at the 2019 Spending Review.

We have continued calls on Government to accelerate work which allows councils to keep all of the £26 billion in business rates collected each year and have stepped up our campaigning on behalf of councils as we engage with the Fair Funding Review.

We officially launched the #CouncilsCan campaign in February this year specifically aimed at influencing the next Spending Review.

#### ***Adult social care***

We have continued to press for further funding to address ongoing pressures, working with partners to call on the Government to commit to addressing the £3.6 billion funding gap by 2025.

Following the delay to the Government care and support green paper, we published our own social care green paper 'The lives we want to lead' in the summer of 2018, which was followed by our findings, implications and recommendations for adult social care and wellbeing.

We have called on the Government not to further reduce essential prevention work and early intervention services.

#### ***Housing***

Our housing campaign has continued to highlight how councils can do more if they are given the right to keep 100 per cent of Right to Buy receipts to replace sold homes, certainty over future rents, powers to make sure developers build approved homes in a timely fashion, scrap rules around office to residential conversions and adequately fund planning departments so councils can cover the cost of processing applications.

To achieve our ambitions to end homelessness we are calling for councils to be given powers and funding to adapt welfare reforms and increase the supply of affordable housing.

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

With a funding gap for children's services of £3.1 billion by 2025, we have pressed for urgent action to be taken to reduce the financial pressures and a renewed focus on investing in early intervention.

## LOCAL GOVERNMENT ASSOCIATION

### CHIEF EXECUTIVE'S REPORT

Year ended 31 March 2019

We launched our Bright Futures Campaign in October 2017 and through this we continue to call for children's services to be properly funded and for children and adolescent mental health services to be prioritised.

#### ***'Work Local'***

Work Local is the LGA's campaign calling for the growing skills gap to be addressed and for local areas to be put at the heart of career and employment provision. We have campaigned for Government to begin the transfer of funding and powers to local areas, including apprenticeships in the upcoming Levy review.

We have championed our positive vision for jobs and skills provision which each year across a local area could result in 8,500 more people in work and 6,000 increasing their skills.

#### ***Leaving the European Union***

We are calling for powers and funding to go from Brussels to local areas, not to Westminster, giving local government a central role in deciding whether to keep amend or scrap EU laws once they are converted into domestic law.

We have worked with parliamentarians and stakeholders to ensure that decision-makers fully understand the legal and funding implications of their decisions for local government and raise the issue of areas needing £8.4 billion of EU funding replaced after Brexit.

#### **LGA in the media**

Over the past year the LGA was featured **72,821** times in national, trade, regional, broadcast and online media – that's an average of **1,400** times a week or **199** times a day. On average, we have secured **six** 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 **239** times on national broadcast media.

#### **LGA in Parliament**

In the last year, we briefed parliamentarians for **85** debates and provided evidence to more than **50** parliamentary inquiries.

We were quoted more than **500** times in Parliament on a range of subjects that are important to councils. In 2018/19 we were referenced in the House of Commons and House of Lords debates, in oral questions and during Prime Ministers Questions 404 times.

## LOCAL GOVERNMENT ASSOCIATION CHIEF EXECUTIVE'S REPORT

### At a glance

#### 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 2018** - The LGA-led Homelessness Prevention Task and Finish Group secured £30 million to help councils tackle rough sleeping.

Following sustained LGA lobbying, the Government pledged a crackdown on fly-tipping.

**May 2018** - The Department for Education announced £8.5 million for a new Early Years Social Mobility Peer Review programme, supporting councils working together to improve outcomes for the most disadvantaged children.

Following a sustained campaign for change, the Government announced a reduction in the maximum stakes on fixed odds betting terminals from £100 to £2.

**June 2018** - As part of our Bright Futures campaign, aimed at securing additional funding for children's services, the LGA hosted an exhibition in Parliament showcasing councils' early intervention and prevention work to support children and young people struggling with mental health issues.

The LGA's National Graduate Development Programme, which attracts new talent into local government, ranked 25th in the Guardian UK 300 top employers, as voted by graduates.

**July 2018** - LGA Annual Conference, attended by 1,600 senior delegates, saw the launch of our Spending Review preparation – '[Moving the conversation on](#)' – setting out why the Government must work with councils and focus on funding for local services and demonstrating how councils can be the solution to the challenges facing the country.

In the absence of the long-awaited Government green paper, the LGA launched its own nationwide consultation on adult social care, 'The lives we want to lead', which received hundreds of responses.

**August 2018** - The LGA launched its 'Speeding Up Delivery' work highlighting distinctive projects and practices from councils which are increasing the delivery of houses.

The LGA's warnings of the critical challenges councils face in meeting their statutory duties to support children with high needs or disabilities were widely reported in the national media.

**September 2018** - Every council in England completed the LGA-led cyber security stock take – part of a major drive to ensure that all local authorities have robust arrangements in place to keep their digital data secure.

The LGA launched phase four of our Behavioural Insights Programme, making up to £25,000 matched funding available to councils for behavioural change work.

**October 2018** - The Prime Minister announced that the housing borrowing cap was to be scrapped – something the LGA, and our Chairman Lord Porter in particular, had long campaigned for.



## **LOCAL GOVERNMENT ASSOCIATION CHIEF EXECUTIVE'S REPORT**

### **At a glance**

Following sustained work – both publicly and behind the scenes with ministers and officials – the Chancellor announced more than £1 billion in short term funding for councils in 2019/20 in the Autumn budget.

**November 2018** - Almost 34,000 tweets were sent during the LGA-led *#OurDay*, reaching 26 million people globally.

The LGA released its winter readiness survey, highlighting councils' preparedness for bad weather.

**December 2018** - Following sustained campaigning, the provisional local government settlement included an additional £240 million for social care services in 2018/19 and £650 million in 2019/20.

Following LGA lobbying, a ban on combustible materials on high-rise residential buildings came into force and the Ministry of Housing, Communities and Local Government (MHCLG) set out plans for implementing the Hackitt Review recommendations to improve fire safety and make buildings safer.

**January 2019** - The LGA set out the key funding issues for councils, including Business Rates Retention, the Fair Funding Review and the 2019 Spending Review, at our sell-out Finance Conference attended by the Secretary of State for Housing, Communities and Local Government, the Shadow Secretary of State for Communities and Local Government and the Chief Secretary to the Treasury.

The Department of Transport announced £23 million in funding for eight councils to trial new materials for road surface and potholes.

**February 2019** - The LGA published research showing that with the funding gap for concessionary fares now at an estimated £650 million, nearly half of all bus routes were under threat.

Following sustained LGA lobbying, Government pledged to introduce national minimum standards and new legislation to update taxi licensing. This will build on the LGA's sector-led work to introduce a national register of licence refusals and revocations.

After continued LGA lobbying, Government announced a consultation into whether businesses and manufacturers will be required to pay for the cost of recycling and disposing of packaging. Government is also consulting on greater consistency in how and what materials are collected for recycling.

**March 2019** - Government announced £26 million for local authorities to help with rough sleeping as part of the 2019/20 phase of the Government's Rapid Rehousing Pathway programme.

Government announced a £1.6 billion Stronger Towns Fund to improve towns in England post-Brexit.

Following our engagement with Government, councils are set to receive £56.6 million in new resources to assist in Brexit preparedness. Despite the lack of clarity and gaps in information, councils have taken the lead on preparations with their local partners and are as prepared as they can be for Brexit.

# **LOCAL GOVERNMENT ASSOCIATION**

## **STRATEGIC REPORT**

**Year ended 31 March 2019**

### **Principal Activities**

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

During 2018/19 the LGA continued to streamline its merged operations with those of its associated organisations – the Improvement and Development Agency (IDeA), its two property companies Local Government Management Board (LGMB) and LGA (Properties) Ltd, and its new commercial company LGA Commercial Services Ltd, all four of which are subsidiaries of the LGA.

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

### **In year performance**

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

Despite further reductions in our core funding, we have delivered a satisfactory financial outcome in 2018/19. From 1 April 2016, IDeA became the recipient of Direct Government Grant from the Ministry of Housing, Communities and Local Government ("MHCLG Grant") to pay for improvement services to councils, replacing Revenue Support Grant ("RSG top slice"). Despite our income from subscriptions remaining steady, and a further reduction in MHCLG Grant, other income including grants rose such that overall income increased by a total of 1.8 per cent in 2018/19 as compared with the previous year. We continued to keep costs down and invested in reducing costs of back office services, at the same time as continuing to deliver on our key priorities and deliver direct support to councils. Both the LGA and the IDeA continued to make significant payments towards their pension fund deficit.

### **Future Developments**

As with many other parts of the public sector, we face possible reductions in our core funding over the medium term and are taking steps to ensure we develop new sources of income as well as 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. As agreed by the Leadership Board, the 2018/19 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 3 Year plan included in the LGA's Financial Strategy.

## LOCAL GOVERNMENT ASSOCIATION

### STRATEGIC REPORT

Year ended 31 March 2019

During 2019/20 the LGA's Financial Strategy for the property companies is to develop the assets to provide capital growth to offset the liabilities arising from our pension funds, as well as reducing costs and delivering additional commercial income to maximise the level of support we deliver to our members. We continue to review the Group's corporate structures to ensure that we are set up in the most efficient way. On 1 April 2019 we transferred the assets, liabilities and business of the LGA to a new incorporated unlimited company.

#### Principal risks and uncertainties

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

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

Our principal liabilities other than those arising in ordinary day to day business relate to our combined pension deficit and three main liabilities: structural interest free debt of £8.2 million due to the predecessor Local Authority Associations and related to the purchase of the Smith Square property; bank debt of £3.12 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 of £0.27 million per annum until 2020 for funding the District Councils' Network (DCN), financed from cash received from the predecessor Local Authority Association.

The valuation of our combined pension deficit was £133.85 million at 31 March 2019 (£115.50 million deficit at 31 March 2018). In order to pay off the pension deficit and liabilities for past employees, we are currently making additional contributions averaging over £4 million per annum. Actuarial advice indicates that on reasonable long term assumptions, these contributions will be sufficient to eliminate the deficit over a period of 22 years for the LGA and 15 years for the IDeA. The LGA's Leadership Board has commissioned further work to investigate ways in which the management of the pension deficit can be improved and has agreed to the refurbishment of Layden House from 2018 as part of this strategy.

#### *Price risk*

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

#### *Credit risk*

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

# **LOCAL GOVERNMENT ASSOCIATION**

## **STRATEGIC REPORT**

**Year ended 31 March 2019**

### *Liquidity risk*

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

### *Cash flow risk*

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

### **Key performance indicators**

We have reviewed the impact of our work and the delivery of our priorities through robust performance management which has included regular reports to the LGA's Leadership Board. In addition we have reviewed our own efficiency and effectiveness through a number of key indicators. These include the number of organisations in membership, which has remained static in 2018/19, 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 few years employee numbers have fallen from 529 employees in the year ended March 2012 to 363 employees in the year ended 31 March 2019 (a rise from 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 fallen slightly from an average annual number of sick days per employee of 3.3 days in March 2018 to 3.2 days in March 2019 which is still well below national averages for sickness.

We continue to pay close attention to the collection of outstanding debt. The percentage of debtors over 12 months was 2 per cent of the total trade debtors at March 2019 (6 per cent 2018).

### **Market Value of Land and Buildings**

The market value of 18 Smith Square (formerly known as Local Government House), which is owned by LGA (Properties) Ltd, is considered at the latest valuation – post refurbishment – in March 2019 to be £48.1 million (2018 £53.6 million) with a net decrease of £5.5 million in the year reflecting rental market conditions in the Westminster area. In the Group accounts 34% (2017/18 34%) of the above market value is reflected as an investment in the Group's balance sheet. The remainder is held as an operational asset at the current net book value of £18.3 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 of £39.0

# **LOCAL GOVERNMENT ASSOCIATION**

## **STRATEGIC REPORT** **Year ended 31 March 2019**

million (£36.8 million 2018). As mentioned above, the refurbishment of Layden House is currently underway and due to complete in December 2019.

### **Environment**

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

- continually reduce waste and increase our recycling rate;
- reduce paper use;
- ensure that procurement of goods and services adheres to our green purchasing and procurement policy;
- champion and mainstream consideration of environmental sustainability throughout our outward facing work programmes and services; and
- comply with all applicable legislation, regulation and with other relevant requirements relating to our environmental impacts.

### **Employees**

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

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

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

### **Political and charitable contributions**

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

### **Dividends**

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

**Mark Lloyd**  
**Chief Executive**



5 June 2019

# **LOCAL GOVERNMENT ASSOCIATION**

## **REPORT OF THE CHAIRMAN OF THE LEADERSHIP BOARD**

**Year ended 31 March 2019**

### **Business Review**

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

The Leadership Board has taken the decision to maintain membership subscriptions at the same level between 2013/14 and 2018/19, following 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.

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

### **Governance**

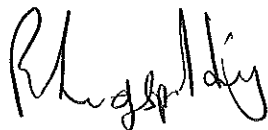
The Leadership Board oversees management of the LGA's financial and other resources, and the financial and accommodation strategies for the wider group.

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

Lord Porter of Spalding CBE

LGA Chairman and Chairman of the LGA Leadership Board

5 June 2019



## LOCAL GOVERNMENT ASSOCIATION

### MEMBERSHIP OF THE LEADERSHIP BOARD

The members of the Leadership Board for the year were:

#### Conservative

Lord Porter of Spalding CBE [Chairman]	
James Jamieson [Vice-chairman]	Appointed 3 July 2018
David Simmonds CBE [Deputy-chairman]	
Izzi Seccombe OBE [Deputy-chairman]	
Paul Carter CBE [Deputy-chairman]	
Robert Alden [Deputy-chairman]	Appointed 3 July 2018
Peter Fleming OBE [Deputy-chairman]	Resigned 3 July 2018
Sean Anstee [Deputy-chairman]	Resigned 3 July 2018

#### Labour

Nick Forbes [Senior Vice-chair]	
Michael Payne [Deputy-chair]	
Peter Box CBE [Deputy-chair]	
Anne Western CBE [Deputy-chair]	Appointed 3 July 2018
Sue Murphy CBE [Deputy-chair]	Resigned 3 July 2018
Lib Peck [Deputy-chair]	Appointed 3 July 2018
	Resigned 28 February 2019

#### Liberal Democrat

Howard Sykes MBE [Vice-chair]
Ruth Dombey OBE [Deputy-chair]

#### Independent

Marianne Overton MBE [Vice-chair]	
Clive Woodbridge [Deputy-chair]	Appointed 3 July 2018

## **LOCAL GOVERNMENT ASSOCIATION**

### **STATEMENT OF LEADERSHIP BOARD'S RESPONSIBILITIES**

**Year ended 31 March 2019**

The Leadership Board of the Local Government Association (LGA) has accepted responsibility for the preparation of these financial statements for the year ended 31 March 2019. The Leadership Board has decided to prepare these financial statements in accordance with UK Generally Accepted Accounting Practice.

In preparing these financial statements, the Leadership Board has:

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

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

#### **Provision of information to Auditor**

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

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

#### **Auditors**

PKF Littlejohn LLP 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.

**Approved** by the Leadership Board and signed on their behalf on 5 June 2019



Lord Porter of Spalding CBE  
Chair of the LGA Leadership Board



## **LOCAL GOVERNMENT ASSOCIATION**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LOCAL GOVERNMENT ASSOCIATION Year ended 31 March 2019**

#### **Opinion**

We have audited the financial statements of the Local Government Association (LGA) for the year ended 31 March 2019 which comprise the Consolidated and Association Statements of Comprehensive Income, Balance Sheets, Statements of Changes in Equity, Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is as set out in Note 1 to these financial statements.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2019 and of the Group's and Association's deficit for the year then ended; and
- have been properly prepared in accordance with the basis of preparation and accounting policies set out in Note 1 to the accounts.

#### **Basis for opinion**

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

#### **Emphasis of matter – basis of preparation**

In forming our opinion on the financial statements, we have considered the adequacy of the disclosure in the accounting policies in respect of the basis of preparation. The financial statements have not been prepared on the going concern basis as the assets, liabilities and activities have been transferred to a new entity immediately after the year end.

Our opinion is not modified in respect of this matter.

#### **Other information**

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

## LOCAL GOVERNMENT ASSOCIATION

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

We have nothing to report in this regard.

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

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

### Responsibilities of the Leadership Board

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

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

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

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

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

### Use of our report

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



**Alastair Duke (Senior Statutory Auditor)**

**For and on behalf of PKF Littlejohn LLP**

**Statutory Auditor**

Date:

*1 July 2019*

1 Westferry Circus  
Canary Wharf  
London E14 4HD

## LOCAL GOVERNMENT ASSOCIATION

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year ended 31 March 2019

	Note	2019 £000	2018 £000
Income: Group and share of joint ventures' income		59,549	58,465
Less share of joint ventures' income		(9,075)	(8,641)
Group Income	2	50,474	49,824
Administrative expenses		(62,450)	(56,171)
<b>GROUP OPERATING DEFICIT BEFORE INTEREST AND TAX</b>	4	<b>(11,976)</b>	<b>(6,347)</b>
Interest receivable and similar income		332	195
Interest payable		(405)	7
Contract restructuring costs		-	-
Share of operating surplus of joint ventures	9	2,540	2,143
Dividend and profits share from Joint Ventures		2,206	1,730
Finance discounts allowed	5	(604)	(526)
Share of joint ventures distribution to members		(2,125)	(1,627)
Unrealised gain on revaluation in respect of investment property	8	1,719	18,994
<b>GROUP OPERATING (DEFICIT) / SURPLUS BEFORE TAX</b>		<b>(8,313)</b>	<b>14,569</b>
Corporation Tax		2	(71)
<b>GROUP OPERATING (DEFICIT) / SURPLUS FOR THE FINANCIAL YEAR</b>		<b>(8,311)</b>	<b>14,498</b>
<b>Other Comprehensive Income:</b>			
Actuarial (loss)/gain recognised in respect of the pension fund		(16,177)	11,639
<b>GROUP TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(24,488)</b>	<b>26,137</b>

All amounts relate to continuing operations.

The accounting policies and notes in pages 26 to 46 form part of these financial statements.

# LOCAL GOVERNMENT ASSOCIATION

## ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	Note	2019 £000	2018 £000
Income	2	22,937	21,010
Administrative expenses		(23,472)	(20,833)
<b>OPERATING (DEFICIT) / SURPLUS BEFORE INTEREST</b>	4	<b>(535)</b>	<b>177</b>
Interest receivable and similar income		829	534
Contract restructuring costs		-	-
Finance discounts allowed	5	(604)	(526)
Dividend and profits share from Joint Ventures	9	81	105
<b>OPERATING (DEFICIT) / SURPLUS FOR THE FINANCIAL YEAR</b>		<b>(229)</b>	<b>290</b>
<b>Other Comprehensive Income:</b>			
Actuarial (loss)/gain recognised in respect of the pension fund		(3,792)	6,143
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(4,021)</b>	<b>6,433</b>

All amounts relate to continuing operations.

The accounting policies and notes in pages 26 to 46 form part of these financial statements.

# LOCAL GOVERNMENT ASSOCIATION

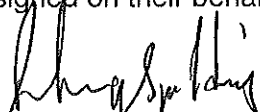
## CONSOLIDATED BALANCE SHEET

As at 31 March 2019

	Note	2019 £000	2018 £000
<b>FIXED ASSETS</b>			
Tangible assets	7	18,927	19,752
Investment Properties	8	55,329	54,956
Intellectual Copyright Assets		1	1
Investments - MBA	9	4	500
Investments in Joint Ventures:			
Share of gross assets of joint ventures	9	6,464	6,064
Share of gross liabilities of joint ventures	9	(1,461)	(1,458)
		<u>79,264</u>	<u>79,815</u>
<b>LONG TERM DEBTORS</b>	10	-	-
<b>CURRENT ASSETS</b>			
Debtors	11	8,202	7,608
Short term Investments	12	14,637	343
Cash at bank and in hand		2,673	5,682
		<u>25,512</u>	<u>13,633</u>
<b>CREDITORS: amounts falling due within one year</b>	13	(8,972)	(10,653)
		<u>16,540</u>	<u>2,980</u>
<b>NET CURRENT ASSETS</b>			
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>95,804</u>	<u>82,795</u>
<b>CREDITORS: amounts falling due after more than one year</b>	13	(31,590)	(12,390)
<b>PROVISIONS FOR LIABILITIES</b>			
Provision for organisation restructuring	14	(250)	(283)
Pension Fund deficit	15	(133,848)	(115,500)
<b>NET LIABILITIES</b>		<u>(69,884)</u>	<u>(45,378)</u>
<b>ACCUMULATED FUNDS</b>			
General Reserve		21,218	28,264
Revaluation Reserve		42,746	41,027
Risk & Contingency Reserve		-	831
Pension Deficits Reserve			
- Pension Fund Assets		307,489	290,931
- less Defined Liabilities		(441,337)	(406,431)
		<u>(69,884)</u>	<u>(45,378)</u>

The accounting policies and notes in pages 26 to 46 form part of these financial statements.

These financial statements were approved by the LGA Leadership Board on 5 June 2019 and signed on their behalf by



Lord Porter of Spalding CBE

# LOCAL GOVERNMENT ASSOCIATION


## ASSOCIATION BALANCE SHEET

As at 31 March 2019

	Note	2019 £000	2018 £000
<b>FIXED ASSETS</b>			
Tangible Assets	7	-	-
Investments	9	804	1,300
<b>LONG TERM DEBTORS</b>	10	42,000	15,000
<b>CURRENT ASSETS</b>			
Debtors	11	4,868	3,624
Short term Investments	12	1,794	4,569
Cash at bank and in hand		25	10
		6,687	8,203
<b>CREDITORS: amounts falling due within one year</b>	13	(3,078)	(3,223)
<b>NET CURRENT ASSETS</b>		3,609	4,980
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		46,413	21,280
<b>CREDITORS: amounts falling due after more than one year</b>	13	(36,266)	(11,412)
<b>PROVISIONS FOR LIABILITIES</b>			
Provision for Organisation restructuring	14	-	-
Pension Fund deficit	15	(37,317)	(33,017)
<b>NET LIABILITIES</b>		(27,170)	(23,149)
<b>ACCUMULATED FUNDS</b>			
General Reserve		7,091	7,091
Risk & Contingency Reserve		3,056	2,777
Pension Deficits Reserve			
- Pension Fund Assets		147,196	140,340
- less Defined Liabilities		(184,513)	(173,357)
		(27,170)	(23,149)

The accounting policies and notes in pages 26 to 46 form part of these financial statements.

These financial statements were approved by the LGA Leadership Board on 5 June 2019 and signed on their behalf by

  
Lord Porter of Spalding CBE

# LOCAL GOVERNMENT ASSOCIATION

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Risk & Contingency Reserve	Revaluation Reserve	Pensions Deficit Reserve	Retained Earnings	Total
	£000	£000	£000	£000	£000
<b>Balance at 1 April 2017</b>	<b>3,447</b>	<b>22,033</b>	<b>(124,991)</b>	<b>28,264</b>	<b>(71,247)</b>
<b>Changes in equity for 2017/18</b>					
Income for the year	-	-	-	14,498	14,498
Pensions Adjustments in Statement of Consolidated income	-	-	(2,148)	2,148	-
Actuarial gains/(losses) on defined benefit plans	-	-	11,639	-	11,639
Unrealised gain on revaluation in respect of investment property	-	18,994	-	(18,994)	-
Total comprehensive income for the year	-	18,994	9,491	(2,348)	26,137
Movement on Joint Venture Reserves	-	-	-	(268)	(268)
Transfer to Risk and Contingency reserve (LGA and IDEA only)	(2,617)	-	-	2,617	-
<b>Balance as at 31 March 2018</b>	<b>831</b>	<b>41,027</b>	<b>(115,500)</b>	<b>28,264</b>	<b>(45,378)</b>
<b>Balance at 1 April 2018</b>	<b>831</b>	<b>41,027</b>	<b>(115,500)</b>	<b>28,264</b>	<b>(45,378)</b>
<b>Changes in equity for 2018/19</b>					
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	-
<b>Balance as at 31 March 2019</b>	<b>-</b>	<b>42,746</b>	<b>(133,848)</b>	<b>21,218</b>	<b>(69,884)</b>

# LOCAL GOVERNMENT ASSOCIATION

## ASSOCIATION STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Risk & Contingency Reserve	Pensions Deficit Reserve	Retained Earnings	Total
	£000	£000	£000	£000
<b>Balance at 1 April 2017</b>	<b>1,705</b>	<b>(38,378)</b>	<b>7,091</b>	<b>(29,582)</b>
<b>Changes in equity for 2017/18</b>				
Operating Deficit for the year	-	-	290	290
Pension adjustment included in	-	(782)	782	-
Operating Surplus / Deficit for the year				
Actuarial gains/(losses) on defined benefit plans	-	6,143	-	6,143
Total comprehensive income for the year	-	<b>5,361</b>	<b>1,072</b>	<b>6,433</b>
Transfer to Risk and Contingency reserve	1,072	-	(1,072)	-
<b>Balance as at 31 March 2018</b>	<b>2,777</b>	<b>(33,017)</b>	<b>7,091</b>	<b>(23,149)</b>
<b>Balance at 1 April 2018</b>	<b>2,777</b>	<b>(33,017)</b>	<b>7,091</b>	<b>(23,149)</b>
<b>Changes in equity for 2018/19</b>				
Operating Deficit for the year	-	-	(229)	(229)
Pension adjustment included in	-	(508)	508	-
Operating Surplus / Deficit for the year				
Actuarial gains/(losses) on defined benefit plans	-	(3,792)	-	(3,792)
Total comprehensive income for the year	-	<b>(4,300)</b>	<b>279</b>	<b>(4,021)</b>
Transfer to Risk and Contingency reserve	279	-	(279)	-
<b>Balance as at 31 March 2019</b>	<b>3,056</b>	<b>(37,317)</b>	<b>7,091</b>	<b>(27,170)</b>



# LOCAL GOVERNMENT ASSOCIATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 £000	2018 £000
<b>Net cash outflow from operating activities</b>		
Surplus/(Deficit)	(8,311)	14,498
Adjustments for:		
FRS17 Pension adjustments	2,171	2,148
Investment and dividend Income	(2,538)	(1,925)
Revaluation gains on Investment Properties	(1,719)	(18,994)
Joint Venture Non Cash Adjustments	(415)	(516)
Finance discounts for former members of AMA	604	526
Interest expense	405	(6)
Depreciation	-	3,938
Loss on Disposal of Fixed Asset	534	766
Decrease/(increase) in debtors	(594)	(1,489)
(Decrease)/increase in creditors	(1,682)	1,239
(Decrease)/Increase in provisions	(33)	61
(Decrease)/Increase in creditors due after one year	19,200	(942)
<b>Cash generated from operations</b>	<u>7,622</u>	<u>(696)</u>
Interest paid	(405)	6
<b>Net cash generated from operating activities</b>	<u>7,217</u>	<u>(690)</u>
<b>Cash flow from investing activities</b>		
Interest received	332	195
Repayment of Loan Capital from Local Partnerships	-	70
Impairment of investment in the Local Capital Finance Company	496	
Investment in redevelopment of Property, Plant and Equipment	291	(8,252)
Investment in redevelopment of Investment Properties	1,347	(4,650)
Distribution from Joint Venture	2,206	1,730
	<u>4,672</u>	<u>(10,907)</u>
<b>Cash flow from financing activities</b>		
Finance discounts for former members of AMA	(603)	(526)
	<u>(603)</u>	<u>(526)</u>
<b>Cash flow from Taxation activities</b>		
Corporation Tax paid	-	-
	<u>-</u>	<u>-</u>
 Net (Decrease)/ Increase in cash	 11,286	 (12,123)
<b>Cash and cash equivalents at the start of the year</b>	<u>6,024</u>	<u>18,147</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>17,310</u></u>	<u><u>6,024</u></u>

The accounting policies and notes in pages 26 to 46 form part of these financial statements.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

### 1. ACCOUNTING POLICIES

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

The Association is considered to be a public benefit entity.

#### Going Concern

On 1 April 2019 the assets, liabilities and business of the LGA transferred to the Local Government Association, an incorporated unlimited company via a business transfer agreement (see Note 19). The LGA ceased to trade on 1 April 2019. These financial statements have been prepared on the basis that the LGA is no longer a going concern. No material adjustments arise as a result of ceasing to apply 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 £69.9 million as at 31 March 2019. The valuation of net liabilities includes actuarial estimates of pension scheme liabilities at the balance sheet date. The Association and certain of its related entities pay amounts into the schemes, as prescribed by the actuaries, in order to eliminate this deficit over a period between 15 and 22 years, and unfunded pension liabilities are being cleared over the remaining lives of the pensioners concerned, as disclosed in Note 15. Payments to clear pension deficits are financed from the Association's and related entities' general income. In view of these arrangements the Leadership Board expects that the ongoing Association and entities under its control will have adequate resources to continue in operational existence for the foreseeable future. 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.

#### 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 2019. They also consolidate the group's share of the results and post-acquisition reserves of joint ventures under the gross equity accounting method. The profits and losses of group undertakings and joint ventures are consolidated from the date of acquisition to the date of disposal using the acquisition method of accounting. Uniform accounting policies are used for all group companies. Profits or losses on intragroup transactions are eliminated on consolidation. Note 17 gives details of the companies under the control of the Association and the Association's other related entities.

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

## LOCAL GOVERNMENT ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

#### 1. ACCOUNTING POLICIES (Continued)

##### **Tangible Fixed Assets and Depreciation**

Tangible fixed assets are held at historical cost net of depreciation and provisions for impairment. Under FRS102 mixed use property must be separated between investment property and tangible fixed assets. In the Group Accounts for the Financial Year 2018/19 66% (2017/18 66%) 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 2018/19 34% (2017/18 34%) 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".

# **LOCAL GOVERNMENT ASSOCIATION**

## **NOTES TO THE FINANCIAL STATEMENTS**

**As at 31 March 2019**

### **1. ACCOUNTING POLICIES (Continued)**

#### **Investments**

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

Note 9 provides details of the Association's investments in Local Partnerships LLP, 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 Grants**

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

##### **Debtors**

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

##### **Provisions**

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

## **LOCAL GOVERNMENT ASSOCIATION**

### **NOTES TO THE FINANCIAL STATEMENTS**

**As at 31 March 2019**

#### **1. ACCOUNTING POLICIES (Continued)**

##### **Employee benefits**

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

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

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

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

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

##### **Reserves**

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

##### **Status of the Association**

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

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

### 2. INCOME

<b>CONSOLIDATED</b>	<b>2019 £000</b>	<b>2018 £000</b>
<b>Group</b>		
Subscriptions	9,957	9,947
Conferences and seminars	1,707	1,941
Government Grants	33,408	31,705
Shared Services – external to group	544	1,005
Other income	4,858	5,226
	<u>50,474</u>	<u>49,824</u>
<b>Joint Ventures</b>	9,075	8,641
	<u>59,549</u>	<u>58,465</u>
<b>ASSOCIATION</b>	<b>2019 £000</b>	<b>2018 £000</b>
Subscriptions	9,957	9,947
Conferences and seminars	1,341	1,616
Shared Services	6,076	5,935
Other income	5,563	3,512
	<u>22,937</u>	<u>21,010</u>

### 3. STAFF INFORMATION

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

	<b>2019</b>		<b>2018</b>	
	Salary	Employer pension contribution	Salary	Employer pension contribution
	£	£	£	£
<b>Senior staff currently employed by the Association and associated organisations</b>				
Mark Lloyd – Chief Executive	207,820	23,842	203,720	23,375
Sarah Pickup – Deputy Chief Executive	166,480	-	163,216	1,551

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

### 3. STAFF INFORMATION (continued)

	CONSOLIDATED		ASSOCIATION	
	2019	2018	2019	2018
<b>Average number of persons employed</b>	363	331	177	168
<b>Staff costs</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Wages and salaries	20,692	18,770	10,048	9,779
Social security costs	2,286	2,073	1,084	1,032
Pension costs – employer payments	2,821	2,545	934	881
Pension costs – employer deficit payments	3,577	4,019	449	1,589
Pension costs – current service costs less contributions	(317)	(1,024)	(317)	(149)
<u>Less</u> income from secondments	(833)	(744)	(386)	(369)
	28,226	25,639	11,812	12,763
<b>Staff related costs</b>				
Agency, freelance and secondment costs	1,040	1,180	348	386
Redundancy costs & provision	1,194	110	1,155	17
Travel, subsistence and staff expenses	1,654	1,296	752	562
Recruitment costs	54	87	21	33
Training costs	141	53	122	34
Other personnel costs	71	54	42	29
	4,154	2,780	2,440	1,061
<b>Total staff costs</b>	32,380	28,419	14,252	13,824

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

### 3. STAFF INFORMATION (continued)

The numbers of other staff who received remuneration of £50,000 or more are stated in the table below. Remuneration excludes employer pension contributions but includes redundancy and all taxable benefits paid to or receivable by the employee. The 2019 figures include 5 staff (2018: 6 staff) seconded to other organisations, of which 4 were employed by the Association.

CONSOLIDATED	2019	2019	2018	2018
	Remuneration including redundancy	Remuneration excluding redundancy	Remuneration including redundancy	Remuneration excluding redundancy
£50,000 - £54,999	37	37	8	8
£55,000 - £59,999	7	7	7	7
£60,000 - £64,999	20	20	16	16
£65,000 - £69,999	9	9	13	13
£70,000 - £74,999	27	27	39	39
£75,000 - £79,999	25	25	9	9
£80,000 - £84,999	6	5	2	2
£85,000 - £89,999	10	10	3	3
£90,000 - £94,999	1	1	2	2
£95,000 - £99,999	3	3	3	3
£100,000 - £104,999	9	9	5	5
£105,000 - £109,999	2	2	4	4
£110,000 - £114,999	2	2	1	1
£115,000 - £119,999	1	1	-	-
£120,000 to £124,999	3	3	3	3
£135,000 to £139,999	-	-	-	-

ASSOCIATION	2019	2019	2018	2018
	Remuneration including redundancy	Remuneration excluding redundancy	Remuneration including redundancy	Remuneration excluding redundancy
£50,000 - £54,999	13	13	4	4
£55,000 - £59,999	4	4	2	2
£60,000 - £64,999	8	8	7	7
£65,000 - £69,999	3	3	3	3
£70,000 - £74,999	10	10	13	13
£75,000 - £79,999	10	10	5	5
£80,000 - £84,999	-	-	-	-
£85,000 - £89,999	7	7	3	3
£90,000 - £94,999	-	-	2	2
£95,000 - £99,999	3	3	-	-
£100,000 - £104,999	2	2	1	1
£105,000 - £109,999	1	1	2	2
£110,000 - £114,999	2	2	1	1
£115,000 - £119,999	1	1	-	-
£120,000 - £124,999	1	1	1	1



## LOCAL GOVERNMENT ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

#### 4. OPERATING DEFICIT

	CONSOLIDATED		ASSOCIATION	
	Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2019	Year ended 31 March 2018
	£000	£000	£000	£000
<b>Operating deficit is after charging:</b>				
Depreciation and amortisation	534	766	-	219
Loss on disposal of fixed assets	-	-	-	-
Auditor's remuneration				
- audit fee	42	42	15	15
- non audit services	3	3	-	-

#### 5. FINANCE DISCOUNTS

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

The discount increases every five years in line with inflation. Originally at the rate of £6,000 per authority, the discount was increased to £7,965 with effect from 1 April 2012. After the year end, the discount was increased to £9,156 with effect from 1 April 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 2018/19 66% (2017/18 66%) 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.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

### 7. FIXED ASSETS (continued)

#### TANGIBLE FIXED ASSETS

<b>CONSOLIDATED</b>	<b>Freehold land and buildings £000</b>	<b>Fixtures, fittings and equipment £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 April 2018	22,607	754	23,361
Additions	(291)	-	(291)
Disposals	-	-	-
<b>At 31 March 2019</b>	<b>22,316</b>	<b>754</b>	<b>23,070</b>
<b>Depreciation</b>			
At 1 April 2018	3,559	50	3,609
Charge for year	484	50	534
Disposal in year	-	-	-
<b>At 31 March 2019</b>	<b>4,043</b>	<b>100</b>	<b>4,143</b>
<b>Net book value</b>			
At 31 March 2019	18,273	654	18,927
At 31 March 2018	19,048	704	19,752

### 8. INVESTMENT PROPERTIES

<b>CONSOLIDATED</b>	<b>2019 £000</b>	<b>2018 £000</b>
Brought forward valuation	54,957	31,137
Capital Expenditure	2,962	4,825
Unrealised (loss)/gain on revaluation	(2,590)	18,994
Carried forward valuation	<b>55,329</b>	<b>54,956</b>

Until May 2011, the Improvement and Development Agency for Local Government operated from The Stills (formerly known as Layden House), Farringdon, London EC1, a building owned by Local Government Management Board. The Stills 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 2018/19 34% (2017/18 34%) 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 3rd parties.

The freehold land and buildings The Stills and 18 Smith Square, were valued at open market value on a commercial rental use basis. The valuations were performed as at 31 March 2019 by an independent professional valuer, Farebrother Chartered Surveyors.

## LOCAL GOVERNMENT ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

#### 9. INVESTMENTS IN JOINT VENTURES - GROUP

##### LOCAL PARTNERSHIPS LLP

Balance Sheet	31 March 2019 £000	31 March 2018 £000
Current Assets	4,785	4,342
Share of gross assets	4,785	4,342
Liabilities due within one year or less	(806)	(879)
Other	-	-
Loans and other Debts due to members	-	-
Share of gross liabilities	(806)	(879)
<b>Share of net assets</b>	<b>3,979</b>	<b>3,463</b>

The operating results for Local Partnerships LLP are shown below:

Profit and Loss Summary	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Revenue	9,941	9,805
Operating costs	(9,347)	(9,494)
Interest Receivable	31	15
Operating profit	625	326
<b>Share of operating profit</b>	<b>313</b>	<b>163</b>

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% Convertible Loan Stock, repayable at par on 31 March 2029. An identical investment was made by Partnerships UK plc.

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

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

In the Financial Year 2017/18 Local Partnerships LLP paid dividends to both parties of £81,000 no dividends have been paid in 2018/19 to the Association or HM Treasury.

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

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

#### GEOPLACE LLP

Balance Sheet	31 March 2019 £000	31 March 2018 £000
Fixed Assets	-	-
Intangible Assets	31	70
Current Assets	1,439	1,501
Share of gross assets	<u>1,470</u>	<u>1,571</u>
Liabilities due within one year or less	(490)	(428)
Share of gross liabilities	<u>(490)</u>	<u>(428)</u>
<b>Share of net assets</b>	<u><b>980</b></u>	<u><b>1,143</b></u>

The operating results for GeoPlace LLP are shown below:

Profit and Loss Summary	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Revenue	14,805	13,656
Operating costs	(5,898)	(5,736)
Interest Receivable and Payable	-	-
Operating profit	<u>8,907</u>	<u>7,920</u>
<b>Share of operating profit</b>	<u><b>2,227</b></u>	<u><b>1,980</b></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% to IDeA and 75% to Ordnance Survey.

GeoPlace LLP commenced trading on 1 April 2011 and has traded profitably in the years to 31 March 2019.

## LOCAL GOVERNMENT ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

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

##### LGA DIGITAL SERVICES

<b>Balance Sheet</b>	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>
Fixed Assets	-	-
Intangible Assets	125	98
Current Assets	40	53
Share of gross assets	<u>165</u>	<u>151</u>
Liabilities due within one year or less	(165)	(151)
Share of gross liabilities	<u>(165)</u>	<u>(151)</u>
<b>Share of net assets</b>	<u>-</u>	<u>-</u>

The operating results for LGA Digital Services are shown below:

<b>Profit and Loss Summary</b>	<b>Year ended 31 March 2019 £000</b>	<b>Year ended 31 March 2018 £000</b>
Revenue	806	648
Operating costs	(806)	(648)
Operating profit	<u>-</u>	<u>-</u>
<b>Share of operating profit</b>	<u>-</u>	<u>-</u>

In July 2015 a new Joint Venture Company limited by guarantee with the London Borough of Brent was created to provide ICT Services to the LGA or the London Borough of Brent. The company has been set up to provide common services to both shareholders within the objective of minimising costs to the shareholders rather than marketing external activity and delivering commercial returns to either of the parties. The LGA service agreement was signed on 29 January 2018.

#### 9. INVESTMENTS

##### LGA

<b>Investment in UK Municipal Bonds Agency PLC (MBA)</b>	<b>Year ended 31 March 2019 £000</b>	<b>Year ended 31 March 2018 £000</b>
Opening balance	500	500
Invested in year	-	-
Impairment in year	(496)	-
<b>Closing Value</b>	<u>4</u>	<u>500</u>

## LOCAL GOVERNMENT ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

#### 9. INVESTMENTS (continued)

##### LGA

	Equity £000	Debt £000	Total £000
<b>Investment in Local Partnerships LLP</b>			
<b>Year ended 31 March 2018</b>			
Opening balance	800	70	870
Repaid in year	-	(70)	(70)
Closing value	800	-	800
<b>Year ended 31 March 2019</b>			
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% shareholding reflecting a £1 ordinary shareholding matched by the London Borough of Brent.

#### 10. LONG TERM DEBTORS

In 2018/19 there has been an increase in loans. The value of the loans are now: £20 million loan (2017/18 £9 million) between the LGA and Local Government Management Board; and a £20 million loan (2017/18 £6 million) between LGA and Local Government Association (Properties) Ltd to finance the refurbishment of the buildings. These unsecured loans are due to mature in 20 years (31 December 2036) and interest is charged at 3.24% p.a. There has also been an additional loan of £2 million between the LGA and Local Government Commercial Services Ltd 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.

#### 11. DEBTORS

	CONSOLIDATED		ASSOCIATION	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade debtors	5,633	5,127	685	987
Due from related entities	109	189	3,683	1,563
Other debtors	114	652	97	349
Prepayments and accrued income	2,346	1,640	403	725
	8,202	7,608	4,868	3,624

## LOCAL GOVERNMENT ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

#### 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	
	2019	2018	2019	2018
	£000	£000	£000	£000
<b>Amounts falling due within one year</b>				
Accounts payable and accruals	4,644	5,605	947	1,180
Income received in advance	2,966	3,375	168	784
Other creditors	1,362	1,673	666	800
Owed to related entities	-	-	1,297	459
	8,972	10,653	3,078	3,223
<b>Amounts falling due beyond one year</b>				
1 to 2 Years	266	200	266	200
2 to 5 years	1,560	1,761	-	212
More than 5 years	29,764	10,429	36,000	11,000
	31,590	12,390	36,266	11,412

In 2011/12 the Association received a distribution of £2,707,612 from the liquidation of A.D.C. Trustees Ltd, the company that had held the property and assets for the Association of District Councils. The Leadership Board of the Association has determined that funds from this distribution should be applied, to provide support of £217,945 p.a. for ten years to the District Councils Network, a special interest group of the Association; secondly to provide a new additional discount from 1 April 2013 at a rate of 1.5% on the subscriptions of non-metropolitan unitary authorities. The current rate of support has been increased to £270,000p.a., with creditors payable after more than one year including an amount of £266,324 representing the final instalments of the support due for the District Councils Network.

## LOCAL GOVERNMENT ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

#### 13. CREDITORS (continued)

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:

	2019	2018
	£000	£000
Bank loans	2,600	3,120
Loan from ACC (Properties) Limited	2,000	2,000
Loan from AMA (Properties) Limited	6,200	6,200
Barclays Swap Liability	524	669
Loan from Westminster City Council	20,000	-
	<u>31,324</u>	<u>11,989</u>

The above Swap agreement liability is the value on the balance sheet as at 31 March 2019 that would be payable if the loan was repaid. The £188,000 loss as a result of this liability reducing has been credited to the Statement of Consolidated Income. The Bank Loans and the Barclays Swap Liability are secured against 18 Smith Square partly valued as a Property asset in note 7 at £16.1 million and partly as Investment Property Asset at £4.4 million.

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

Under an agreement dated 22 January 1998 made between Association of Metropolitan Authorities (Properties) Ltd, Local Government Association (Properties) Ltd and the Association, the AMA property. 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 2019 the LGA received a loan from Westminster City Council for £20 million bearing an initial interest rate of 3.03% 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, an unsecured loan of £11m was issued from the IDeA bearing interest of 2.94% per annum. The loan is repayable on 31 December 2036. This value was increased to £16m. On 2 January 2019 an unsecured loan of £5m was issued from the IDeA bearing interest of 2.94% per annum. The loan is repayable on 31 December 2036.



## LOCAL GOVERNMENT ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

#### 14. PROVISION FOR ORGANISATION RESTRUCTURING

	CONSOLIDATED		ASSOCIATION	
	2019	2018	2019	2018
	£000	£000	£000	£000
Balance at 1 April	283	468	-	-
Arising during year	250	283	-	-
Utilised during year	(283)	(468)	-	-
Balance at 31 March	250	283	-	-

The provision for the year to 31 March 2019 relates actual redundancy costs and provision has been set up to cover further cost of redundancies. There is no LGA provision for 2017/18 or 2018/19.

#### 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 2019 as £1.418 million (2018 £1.471 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 2019. 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 3.6% to 7.2% (2018, 7.2% to 12.37%).

## LOCAL GOVERNMENT ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

#### 15. PENSION COMMITMENTS (continued)

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

	31 March 2019	31 March 2018
Equities	49.2% to 79.0%	52.7% to 78.0%
Bonds (HR)	1.0%	11.0%
Government Bonds (M)	3.6%	3.6%
Other Bonds (M)	12.2%	12.4%
Property	9.5% to 10.0%	8.9% to 10.0%
Cash	1.0% to 2.9%	1.0% to 2.7%
Other (M)	22.6%	19.7%

##### a) Actuarial assumptions

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

The range of assumptions used by the actuaries was:

	31 March 2019 % per annum	31 March 2018 % per annum
Pension increase rate	2.2% to 2.5%	2.1% to 2.4%
Salary increase rate	3.1% to 3.7%	3.0% to 3.6%
Discount rate	2.3% to 2.4%	2.6% to 2.7%
Inflation assumption	2.3% to 2.4%	2.1% to 2.2%

Mortality Rates*	31 March 2019 Years	31 March 2018 Years
Current Pensioners – Male	22 to 22	21.9 to 22
Current Pensioners – Female	24.1 to 24.8	24.1 to 24.7
Future Pensioners – Male	23.9 to 25	23.9 to 24.9
Future Pensioners – Female	26.1 to 27.8	26.1 to 27.7

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

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

### 15. PENSION COMMITMENTS (continued)

#### b) Scheme assets

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

	Fair value at 31 March 2019 £000	Fair value at 31 March 2018 £000
<b>Fair value of employer assets</b>		
Equities	72,420	73,960
Bonds (HR)	-	-
Government Bonds (M)	5,299	5,052
Other Bonds (M)	17,958	17,402
Property	13,984	12,490
Cash	4,269	3,789
Other (M)	33,266	27,647
<b>Total Market Value of Assets</b>	<b>147,196</b>	<b>140,340</b>

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

Balance sheet	31 March 2019 £000	31 March 2018 £000
Fair value of employer assets	307,489	290,931
Present value of funded liabilities	(428,597)	(393,620)
Net underfunding in funded plans	(121,108)	(102,689)
Present value of unfunded liabilities	(12,740)	(12,811)
<b>Net liability</b>	<b>(133,848)</b>	<b>(115,500)</b>

# LOCAL GOVERNMENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

### 15. PENSION COMMITMENTS (continued)

Recognition in the statement of Comprehensive Income	Year to 31 March 2019 £000	Year to 31 March 2018 £000
Current service cost	(2,112)	(1,099)
Interest cost	(1,838)	8,144
Expected return on employer assets	445	(9,452)
Administration expenses	-	-
Past service cost	-	-
Losses on curtailments and settlements	-	(2)
<b>Total</b>	<b>(3,505)</b>	<b>(2,049)</b>
Actual return on plan assets	<b>8,747</b>	<b>3,441</b>
<b>Reconciliation of defined benefit obligation</b>	<b>2019 £000</b>	<b>2018 £000</b>
Opening defined benefit obligation	406,431	408,274
Current service cost	6,460	5,651
Interest cost	10,738	10,383
Contribution by members	1,522	1,427
Actuarial (gains)/losses	26,434	(10,231)
Past service costs	-	2
Losses on curtailments	-	-
Estimated unfunded benefits paid	(567)	(583)
Estimated benefits paid	(9,681)	(8,492)
<b>Closing defined benefit obligation</b>	<b>441,337</b>	<b>406,431</b>

## LOCAL GOVERNMENT ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2019

#### 15. PENSION COMMITMENTS (continued)

Reconciliation of fair value of employer assets	2019 £000	2018 £000
Opening fair value of employer assets	290,931	283,283
Expected return on assets	7,695	7,213
Contributions by members	1,522	1,427
Contributions by the employer	6,805	6,130
Contributions in respect of unfunded benefits	567	891
Administrative Expenses	(40)	(38)
Actuarial (losses)/gains	10,257	1,408
Unfunded Benefits paid	(430)	(420)
Benefits paid	(9,818)	(8,963)
<b>Closing fair value of employer assets</b>	<b>307,489</b>	<b>290,931</b>

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

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Fair value of employer assets	307,489	290,931	283,283	224,054	226,675
Present value of defined benefit obligation	(441,337)	(406,431)	(408,274)	(318,805)	(339,535)
<b>Deficit</b>	<b>(133,848)</b>	<b>(115,500)</b>	<b>(124,991)</b>	<b>(94,751)</b>	<b>(112,860)</b>
Experience gains/(losses) on assets	10,257	1,408	(54,797)	(8,102)	6,224
Experience gains/(losses) on liabilities	-	-	-	-	1,451

The total of employer pension contributions estimated to be payable in 2019/20 is £6.456 million (£2.565 million of which relates to the Association).

#### 16. CONTINGENT LIABILITIES

LGA Properties has a loan from ACC (Properties) Ltd that bears compound interest at 1.5% 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.

## **LOCAL GOVERNMENT ASSOCIATION**

### **NOTES TO THE FINANCIAL STATEMENTS**

**As at 31 March 2019**

#### **17. RELATED ENTITIES**

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

Improvement and Development Agency for Local Government (IDeA)

The Local Government Management Board

Local Government Association (Properties) Ltd

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) Ltd 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.

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

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

The Association is a member of Local Partnerships LLP, a limited liability partnership, owning 50%. The other members of Local Partnerships LLP are HM Treasury (45%) and the Welsh Local Government Association (5%). 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% share of profits and losses, with the balance going to Ordnance Survey.

#### **18. EXCEPTIONAL ITEM**

During 2018/19 there were no exceptional items to report.

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

On 1 April 2019 the LGA transferred its assets, liabilities and business to Local Government Association an incorporated unlimited company (Company Number 11177145) under a transfer agreement of a Going Concern (TOGC).

On 3 April 2019, Local Government Association (Properties) Ltd reregistered as an unlimited company. On 6 April 2019 a single share was issued to the LGA unlimited company.

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

#### **20. CONTROLLING ENTITY**

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