

Local Government Association (Properties) Limited
(a company limited by guarantee)

Report and Financial Statements
for the year ended 31 March 2014

**Local Government Association (Properties) Limited
(a company limited by guarantee)**

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Local Government Association (Properties) Limited
(a company limited by guarantee)

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Councillor Ian Swithenbank CBE (Chairman)

Councillor David Neighbour

Councillor Ken Thornber CBE

Appointed 4 June 2013

Councillor Keith Mitchell CBE

Resigned 1 May 2013

Carolyn Downs

Stephen Jones

Resigned 7 May 2013

SECRETARY

Carolyn G Downs

Helen J Platts

REGISTERED OFFICE

Local Government House

Smith Square

London

SW1P 3HZ

BANKERS

RBS

Holborn Circus

P O Box No 204

1 Hatton Garden

London

EC1P 1DU

STATUTORY AUDITOR

PKF Littlejohn LLP

1 Westferry Circus

Canary Wharf

London

E14 4HD

Local Government Association (Properties) Limited
(a company limited by guarantee)

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 March 2014.

Principal activities

Local Government Association (Properties) Ltd is a Company limited by guarantee. It owns property at Local Government House, Smith Square, London SW1 which is rented to the Local Government Association for the purposes of the Association's and its related entities' business and to third party tenants.

The Company is wholly owned by the Local Government Association.

Business review

The Company's principal business is the rental of the Local Government House property for use by entities controlled by the Local Government Association. A small part of the property is rented to third parties.

Future Developments

The Company is expected to continue its business in broadly the same manner as previously.

Principal risks and uncertainties

The principal risk faced by the Company is that its income is largely dependent on sources from within the Local Government Association group of entities. The Company is therefore managed within a wider business strategy appropriate for the group.

Employees

The Company has no employees.

Political and charitable contributions

The Company did not make any political or charitable donations and did not incur any political expenditure during the year.

Dividends

The articles of the Company do not permit the payment of a dividend.

Provision of information to Auditors

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

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

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

Auditors

PKF Littlejohn LLP (formerly 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 Board of Directors on 24th June 2014



Councillor Ian Swithenbank

Signed on behalf of the Board of Directors

Local Government Association (Properties) Limited
(a company limited by guarantee)

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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Local Government Association (Properties) Limited
(a company limited by guarantee)

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)
LIMITED

We have audited the financial statements of Local Government Association (Properties) Limited for the year ended 31 March 2014 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its surplus for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

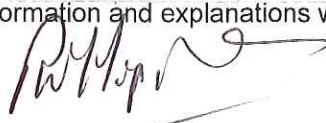
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Paul Hopper (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor


24 June 2014

1 Westferry Circus
Canary Wharf
London E14 4HD

Local Government Association (Properties) Limited
(a company limited by guarantee)

INCOME AND EXPENDITURE ACCOUNT

Year ended 31 March 2014

	Note	2014 £000	2013 £000
Income	2	2,298	2,135
Administrative expenses		(1,553)	(1,367)
SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST	5	<u>745</u>	<u>768</u>
Interest payable		(496)	(500)
SURPLUS OF INCOME OVER EXPENDITURE FOR THE YEAR BEFORE AND AFTER TAX	6, 13	<u>249</u>	<u>268</u>

A Statement of Total Recognised Gains and Losses has not been prepared as there have not been any recognised gains or losses other than the surplus for the year and the preceding year.

The accounting policies and notes on pages 10 to 14 form part of these financial statements.

Local Government Association (Properties) Limited
(a company limited by guarantee) - Company Number 03487186

BALANCE SHEET
As at 31 March 2014

	Note	2014 £000	2013 £000
FIXED ASSETS			
Tangible assets	7	17,105	17,494
CURRENT ASSETS			
Debtors	8	396	179
Short term Investments		885	800
Cash at bank and in hand		92	534
		<u>1,373</u>	<u>1,513</u>
CREDITORS: amounts falling due within one year	10	(2,521)	(999)
NET CURRENT (LIABILITIES) / ASSETS		<u>(1,148)</u>	<u>514</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,957</u>	<u>18,008</u>
CREDITORS: amounts falling due after more than one year	11	(14,080)	(16,380)
TOTAL NET ASSETS		<u><u>1,877</u></u>	<u><u>1,628</u></u>
ACCUMULATED FUNDS	13	<u><u>1,877</u></u>	<u><u>1,628</u></u>

These financial statements were approved by the Board of Directors on 24th June 2014

Ian Swithenbank

Councillor Ian Swithenbank

Signed on behalf of the Board of Directors

The accounting policies and notes on pages 10 to 14 form part of these financial statements.

Local Government Association (Properties) Limited
(a company limited by guarantee)

CASH FLOW STATEMENT
Year ended 31 March 2014

	Note	2014 £000	2013 £000
Net cash inflow from operating activities	i	939	1,102
Returns on investments and servicing of finance			
Interest Paid		(496)	(500)
Financing			
Repayment of Borrowings		(800)	(800)
Loan from Local Government Association		-	1,500
		<u>(800)</u>	<u>700</u>
Acquisitions and disposals			
Acquisition of Fixed Assets		-	(5)
Management of liquid resources			
increase in short term investments		(85)	(800)
Net movement in cash		<u>(442)</u>	<u>497</u>
Net funds at the start of the year		534	37
Net funds at the end of the year	ii	<u>92</u>	<u>534</u>

NOTES TO THE CASH FLOW STATEMENT
Year ended 31 March 2014

i. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 £000	2013 £000
Operating surplus	745	768
Depreciation	389	389
Decrease/(Increase) in current assets:		
- debtors	(217)	1,097
(Decrease)/Increase in current liabilities:		
- creditors (other than loan creditors)	22	(1,152)
Net cash inflow from operating activities	<u>939</u>	<u>1,102</u>

ii Changes in Cash and Cash Equivalents

Analysis of movement in balances	2014 £000	2013 £000	Change in year £000
Cash at bank and in hand	92	534	(442)

iii Analysis of Net Funds

	As at beginning of Year £000	Cash flow £000	Other non cash changes £000	As at end of year £000
Cash at bank and in hand	534	(442)	-	92

The accounting policies and notes on pages 10 to 14 form part of these financial statements.

Local Government Association (Properties) Limited
(a company limited by guarantee)

NOTES TO THE ACCOUNTS
Year Ended 31 March 2014

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are held at historical cost, net of depreciation and provisions for impairment.

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 and fittings	15 years

Income

Income represents the amounts receivable as rents and services provided (exclusive of Value Added Tax).

Derivative financial instruments

Interest rate swap agreements, caps and collars are used to manage long-term interest rate exposures. Amounts payable or receivable in respect of these derivatives are recognised as adjustments to the interest expense over the period of the contracts.

Company Status

The Company is limited by guarantee and has no share capital. In the event of a winding up of the company, each member's contribution towards the liabilities is limited to £1.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider that the going concern basis is appropriate because the Local Government Association and the related entities from which the Company's income derives have agreed budgets and financial plans which will ensure under present arrangements that the Company recovers the full costs of its operations through recharges and will continue to do so for the foreseeable future.

2. INCOME

The Company's turnover comprises rent on its freehold building receivable from its controlling entity, the Local Government Association, the LGA's associated company the Improvement & Development Agency (IDeA) and also from external tenants. In accordance with the original lease dated 21 January 2000, the rent charged to the Local Government Association is the greater of £50,000 and the amount required to cover the cost of insuring and servicing the mortgage loans on it.

3. DIRECTORS' EMOLUMENTS

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

4. STAFF INFORMATION

The Company did not have any employees during the current or preceding financial year.

Local Government Association (Properties) Limited
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NOTES TO THE ACCOUNTS
Year Ended 31 March 2014

5. OPERATING SURPLUS

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Operating surplus is after charging:		
Depreciation	389	389
Auditors' remuneration - audit fee	1	1

6. TAXATION

The Company is exempt from tax on its income and gains by virtue of its status as a Local Authority Association under Section 519(3) of the Taxes Act 1988. It is exempt from capital gains tax under Section 271(3) of the Taxation of Chargeable Gains Act 1992.

7. TANGIBLE FIXED ASSETS

	Freehold Property £000	Fixtures and fittings £000	Total £000
Cost			
At 1 April 2013	20,011	1,900	21,911
Additions	-	-	-
At 31 March 2014	20,011	1,900	21,911
Depreciation			
At 1 April 2013	(3,544)	(873)	(4,417)
Charge for year	(262)	(127)	(389)
At 31 March 2014	(3,806)	(1,000)	(4,806)
Net book value			
At 31 March 2014	16,205	900	17,105
At 31 March 2013	16,467	1,027	17,494

No depreciation has been charged on freehold land and the residual value of the building totalling £13.4 million.

The Company's interest in the property was externally valued at £25.5 million on 6th March 2013 by Farebrother Chartered Surveyors. The market value of the freehold interest in the property was arrived at primarily after consideration of market evidence for similar properties. The Directors have concluded that there is no need to impair the asset.

Local Government Association (Properties) Limited
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NOTES TO THE ACCOUNTS
Year Ended 31 March 2014

8. DEBTORS

	2014	2013
	£000	£000
Trade debtors	53	12
Due from related entities	339	167
Other Debtors	4	-
	<u>396</u>	<u>179</u>

9. SHORT TERM INVESTMENTS

Surplus cash balances are lent to borrowers on the Local Government Association's approved list. The Company's investments are pooled with those of other entities that have adopted the LGA Investment Strategy. Investments are typically for periods of up to twelve months and as such the loan amount is a reasonable assessment of fair value. The counterparty list is currently restricted to major UK financial institutions, the larger UK building societies, and AAA-rated money market funds. The LGA Investment Strategy strictly applies credit limits for all of the above financial institutions to ensure that deposits are spread across a number of its approved counterparties. No credit limits were exceeded during the year and the Company does not expect any losses on short term investments.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£000	£000
Accounts payable and accruals	103	94
Other creditors	93	96
Income received in advance	25	9
Bank loans -see note 12	700	700
Loan from Local Government Association	1,600	100
	<u>2,521</u>	<u>999</u>

A loan agreement was created in March 2013 of £1.5 million with the Local Government Association. The loan is fully in March 2015. This loan bears interest at an interest rate of 2.5% p.a. over base rate.

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

	2014	2013
	£000	£000
Bank loans	5,560	6,260
Loan from ACC (Properties) Limited	2,000	2,000
Loan from AMA (Properties) Limited	6,200	6,200
Loan from Local Government Association	320	1,920
	<u>14,080</u>	<u>16,380</u>

The loans from ACC (Properties) Ltd and AMA (Properties) Ltd are only repayable in the event of the sale of Local Government House. 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 £2,509 million.

Local Government Association (Properties) Limited
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NOTES TO THE ACCOUNTS
Year Ended 31 March 2014

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 Local Government House 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. The discount, originally at the rate of £6,000 per authority, currently stands at £7,965 and increases every five years in line with inflation.

Following a review of the external debt commitments of the Local Government Association and its related entities, a loan agreement was created in July 2010 for £820,000 then due by the Company to the Local Government Association. The loan is repayable in bi-annual instalments of £50,000 over a period of just under 8 years, with a final repayment of £70,000 on 31 March 2018. This loan bears interest at 5% p.a.

12. BANK LOAN AGREEMENT

The Barclays Bank plc loans of £6.26 million are secured against Local Government House. The original loan of £13 million, taken out in 2000, is repayable over 25 years in bi-annual instalments of £260,000. In 2007 the Company took out a further loan of £1.8m with Barclays Bank plc. This loan is repayable over 10 years in bi-annual instalments of £90,000 and interest on it is payable at a fixed rate. Accordingly, instalments totalling £700,000 are included under the heading 'creditors falling due within one year', with the balance of £5.56 million included under the heading 'creditors falling due after more than one year'.

The interest rate strategy of the Company is to align its interest payments with its business structure. As the Company's income is not influenced by changes in short term interest rates, the Company made arrangements for around two-thirds of its original debt to be subject to hedging at a fixed rate and one-third to be hedged at a floating rate within a collar.

The hedging facilities for the two loan tranches originally of £10 million and £3 million were valued at 31 March 2014 as follows:

Instrument	Notional Amount	Maturity Date	Trade Date	Mark to Market Value Notional (Gain)/Loss
Tranche 1	£000			£000
CAP/CMPLX	1,467	21/01/2025	27/01/2000	284
SWAP	2,933	21/01/2025	27/01/2000	672
Total	4,400		Net Notional Loss	956
Tranche 2	£000			£000
CAP/CMPLX	440	21/01/2025	13/07/2000	83
SWAP	880	21/01/2025	13/07/2000	194
Total	1,320		Net Notional Loss	277
Combined total	5,720		Net Notional Loss	1,233

Local Government Association (Properties) Limited
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NOTES TO THE ACCOUNTS
Year Ended 31 March 2014

13. STATEMENT OF MOVEMENTS ON ACCUMULATED FUNDS

	2014	2013
	£000	£000
Balance as at 1 April	1,628	1,360
Surplus of income over expenditure for the year	249	268
Balance at 31 March	<u>1,877</u>	<u>1,628</u>

14. CONTROLLING ENTITY

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

15. RELATED PARTIES

The Company had the following transactions with related parties:

	Value of related party transactions in year 2014 exp / (inc) £000	Outstanding balance at 31 March 2014 dr / (cr) £000	Value of related party transactions in year 2013 exp / (inc) £000	Outstanding balance at 31 March 2013 dr / (cr) £000
Local Government Association	(1,106)	339	(101)	167
Local Government Association - Loans	-	(1,920)	-	(2,020)
Local Government Management Board	-	-	(3)	-
Local Partnerships	-	-	(42)	-

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

16. POST BALANCE SHEET EVENTS

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