

LOCAL GOVERNMENT ASSOCIATION

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2008

LOCAL GOVERNMENT ASSOCIATION  
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## LOCAL GOVERNMENT ASSOCIATION

REPORT OF THE CHIEF EXECUTIVE  
FOR THE YEAR ENDED 31 MARCH 2008

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### INTRODUCTION

The Local Government Association 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 voice for local government. As the national voice for local communities, the Association speaks for over 400 local authorities and nearly 500 member bodies in total, and seeks to promote the case for better local government and democratic local communities which are prosperous, safe, healthy and environmentally sustainable, and which provide equality of opportunity for all citizens.

### REVIEW OF THE YEAR AND FUTURE DEVELOPMENTS

At the General Assembly in July 2007, Sir Simon Milton set out the LGA's new agenda in *Our future - a prospectus for local government* and outlined his vision for the next three years – where councils and local people have greater power over housing, over economic development and over health and use them to deliver 500,000 more affordable homes by 2020, help create one million new jobs and 10,000 new businesses and create a Local Health Service alongside the National Health Service. The financial statements for the Association shows a surplus for the year of £103k, which is in line with expectation.

Last year (2006/7) we commissioned an independent review of the LGA, chaired by our president, Lord Best. The Independent Commission's report made recommendations on the development of the LGA's role and activities in the medium and longer term, to ensure it provides the leadership, representation and services that councils need to enable them to achieve their objectives. The LGA has listened to these messages and has taken active steps to address its over-riding message – that the LGA has built strong relationships and a positive reputation with central government and other key decision-makers but that it needs to get out more and reconnect itself with its membership.

Work to address these recommendations has begun and will continue next year through our *Raising our Game* programme. The objective of this programme is to deepen and strengthen relationships between the LGA, councils, government and partners and support continuous improvement across the sector.

## LOCAL GOVERNMENT ASSOCIATION

### REPORT OF THE CHIEF EXECUTIVE FOR THE YEAR ENDED 31 MARCH 2008

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Last year, we asked councils what the six issues were that mattered most to them and to the communities and people they serve. In response to their feedback, we launched six priority campaigns, under the banner of *Putting People First*. Through the six campaigns we are focusing our resources and our public affairs activity on the areas where we can really make a difference. The six campaigns are:

- Local Democracy: People can have greater influence over their lives through stronger and more lively local democracy;
- Small Change, Big Difference: People respond to effective council leadership on climate change;
- Fair Care: People can look forward to old age confident that the care they need will be available to them at a cost they can afford;
- Bringing people together: People live in safe and tolerant communities free from the dangers of extremism;
- Places you want to live: People live in homes which meet their needs in places which work as communities;
- My Council, why council: People believe that their councils provide value for money.

The back office functions of the LGA Group were transferred on 1 May 2008 to Liberata, one of the country's leading providers of outsourced business processes. The agreement is based around a ten year contract for a fixed price of £82.5 million. This sees a number of business support services for the LGA, LGE, IDeA, 4Ps and LACORS brought together to provide an effective, integrated and coherent service. The ten year contract should see savings of £29 million through efficiencies and investment made in the internal processes of the LGA and Central Bodies. The services which were transferred are:

- Finance and Accounting
- Human Resources and Payroll
- Design and Print
- ICT and Customer Services
- Facilities Management

Following the recommendations of the Best Commission and the publication of *Our future – a prospectus for local government*, the members of the LG Family have been developing more integrated approaches to our work with the aim of providing a better service to our customers and maximising efficiency. The LGA political leadership agreed in January 2008 to carry out a focussed review of the long-term business strategy and commissioning arrangements for the LG Family. To date, discussions have been held with elected members and officers across the LGA group including the Executive, and the boards of the LGE, IDeA, LACORS and 4Ps. Local authority representatives across the country have also been contacted for their views. It is already clear that there are a number of areas where we can organise ourselves better, work more efficiently and communicate more effectively with our customers and stakeholders. This review will be completed by June 2008 when the LGA Executive will consider any specific recommendations.

**Paul Coen**

**Chief Executive**

## LOCAL GOVERNMENT ASSOCIATION

### STATEMENT OF RESOURCES PANEL'S RESPONSIBILITIES

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The Resources Panel of the Local Government Association ('the Resources Panel') have accepted responsibility for the preparation of these non-statutory accounts for the year ended 31 March 2008 which are intended by them to give a true and fair view of the state of affairs of the LGA and of the profit or loss for that period. They have decided to prepare the non-statutory accounts in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice).

In preparing these non-statutory accounts, the Resources Panel have:

- 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 non-statutory accounts; and
- prepared the non-statutory accounts on the going concern basis as they believe that the LGA will continue in business.

The Resources Panel have 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.

The list of members of the Resources Panel for 2007/8 is as follows:

Cllr Keith R Mitchell (Chairman)  
Cllr Sharon Taylor (Vice Chair)  
Cllr Keith Whitmore (Deputy Chair)  
Alderman Ian D Luder (Deputy Chair)  
Cllr Dr Mike Eddy  
Cllr Tony Martin  
Cllr Gordon Keymer  
Cllr Nicholas Skellett  
Cllr David M Caunt

LOCAL GOVERNMENT ASSOCIATION

REPORT OF KPMG LLP TO THE LOCAL GOVERNMENT ASSOCIATION

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We have audited the non-statutory accounts of the Local Government Association ('LGA') for the year ended 31 March 2008 which comprise the income and expenditure account, the balance sheet, the statement of recognised gains and losses, the cashflow and the related notes.

Our report has been prepared for the LGA solely in connection with our audit of the non-statutory accounts for the year ended 31 March 2008. It has been released to the LGA on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the LGA's own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the LGA determined by the LGA's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the LGA for any purpose or in any context. Any party other than the LGA who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

**Respective responsibilities of Resources Panel and KPMG LLP**

As described on page 5, the Resources Panel of the Local Government Association have accepted responsibility for the preparation of these non-statutory accounts in accordance with suitable accounting policies which it has applied consistently and has adopted UK Accounting Standards.

Our responsibility is to audit the non-statutory accounts in accordance with the terms of our engagement letter dated 9 April 2008 and International Standards on Auditing (UK and Ireland).

Under the terms of engagement we are required to report to you our opinion as to whether the non-statutory accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985, as if those requirements were to apply, with the exception of Financial Reporting Standard No 2 – Accounting for Subsidiary Undertakings. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the other information accompanying the non-statutory accounts and consider whether it is consistent with the audited non-statutory accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the non-statutory accounts. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the non-statutory accounts. It also includes an assessment of the significant estimates and judgements made by the Resources Panel in the preparation of the non-statutory accounts, and of whether the accounting policies are appropriate to the LGA's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the non-statutory accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the non-statutory accounts.

LOCAL GOVERNMENT ASSOCIATION

REPORT OF KPMG LLP TO THE LOCAL GOVERNMENT ASSOCIATION

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**Opinion**

In our opinion the non-statutory accounts give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Local Government Association's affairs as at 31 March 2008 and of its operating surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985, as if those requirements were to apply, with the exception of Financial Reporting Standard No 2 – Accounting for Subsidiary Undertakings.

*KPMG LLP*

KPMG LLP  
Chartered Accountants  
June 2008

LOCAL GOVERNMENT ASSOCIATION  
 INCOME AND EXPENDITURE ACCOUNT  
 FOR THE YEAR TO 31 MARCH 2008

	Notes	2008 Income £000	2008 Expenditure £000	2008 Net £000	2007 Net £000
<b>SUBSCRIPTIONS AND OTHER INCOME</b>					
Subscriptions		14,755	0	14,755	14,706
Conferences and seminars		3,580	2,116	1,464	1,391
Other		3,218	0	3,218	1,485
		<b>21,553</b>	<b>2,116</b>	<b>19,437</b>	<b>17,582</b>
<b>NET OPERATING EXPENSES</b>					
Staff costs	1	620	13,780	13,160	13,030
Accommodation		0	1,411	1,411	1,271
Communications		28	1,011	983	771
Services		0	3,270	3,270	2,781
Members		27	1,875	1,848	1,792
Shared Services		8,108	6,689	(1,419)	(1,524)
		<b>8,783</b>	<b>28,036</b>	<b>19,253</b>	<b>18,121</b>
Operating surplus				184	(539)
Bank interest receivable				483	393
Interest paid				(456)	(456)
Other finance expense	3			(108)	(111)
Surplus after interest				<b>103</b>	<b>(713)</b>
Transfer from Conference Reserve				0	200
<b>SURPLUS FOR THE FINANCIAL YEAR</b>				<b>103</b>	<b>(513)</b>

The association's income and expenses all relate to continuing operations.  
 The deficit for the year has been calculated on the historical cost basis.  
 The notes on pages 14 to 22 form part of these financial statements.



LOCAL GOVERNMENT ASSOCIATION  
STATEMENT OF RECOGNISED GAINS AND LOSSES  
FOR THE YEAR TO 31 MARCH 2008

	Notes	2008 £'000s	2007 £'000s
Surplus/(deficit) for the financial year		103	(513)
Actuarial gain/(loss) recognised in respect of the pension fund	9	(10,162)	3,941
Total recognised gains and losses relating to the year		<u>(10,059)</u>	<u>3,428</u>

The notes on pages 14 to 22 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION  
BALANCE SHEET  
as at 31st March 2008

	Notes	2008 £'000s	2007 £'000s
<b>FIXED ASSETS</b>			
Tangible Assets	5	0	576
<b>CURRENT ASSETS</b>			
Stock		39	51
Debtors	6	6,297	7,748
Cash at bank and in hand		3,985	3,432
<b>Total Current Assets</b>		<b>10,321</b>	<b>11,231</b>
<b>CREDITORS</b>			
Amounts falling due in one year	7	(4,943)	(6,522)
<b>NET CURRENT ASSETS</b>		<b>5,378</b>	<b>4,709</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>Provisions for Liabilities and Charges</b>	8		
Net Assets before pensions		5,378	5,285
Pension asset		62,927	61,808
Pension liability		(92,549)	(81,278)
Net Pension liability		(29,622)	(19,470)
<b>NET LIABILITIES</b>		<b>(£ 24,244)</b>	<b>(£ 14,185)</b>
<b>CAPITAL AND RESERVES</b>			
Balance b/fwd as at 1 April 2007	9	(14,185)	(17,413)
Conference adjustment		0	(200)
(Deficit)/surplus for the financial year		103	(513)
Actuarial gain/(loss) in respect of the pension fund		(10,162)	3,941
<b>NET LIABILITIES</b>		<b>(£ 24,244)</b>	<b>(£ 14,185)</b>

approved  
and signed on its behalf

*Keith Mitchell*

Keith Mitchell  
Chairman

The notes on pages 14 to 22 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION  
 CASH FLOW STATEMENT  
 as at 31 MARCH 2008

	Notes	2008 £'000s	2007 £'000s
NET CASH INFLOW FROM OPERATING ACTIVITIES	11	<b>1,151</b>	<b>(1,123)</b>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		483	393
Finance discounts for former AMA authorities		(456)	(456)
Net cash outflow from returns on investments & servicing of finance		<b>27</b>	<b>(63)</b>
INVESTING ACTIVITIES			
Purchase of tangible assets		(625)	(477)
Net cash outflow from investing activities		<b>(625)</b>	<b>(477)</b>
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING	12	<b>553</b>	<b>(1,663)</b>
<b>(Decrease)/Increase in cash</b>		<b>553</b>	<b>(1,663)</b>
RECONCILIATION OF NET CASH TO MOVEMENT IN NET DEBT (note 13)			
Increase / (Decrease) in cash		553	(1,663)
Change in net debt		553	(1,663)
Net debt at 1 April 2007		3,432	5,095
Net debt at 31 March 2008		<b>3,985</b>	<b>3,432</b>

The notes on pages 14 to 22 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 MARCH 2008

**A BASIS OF ACCOUNTING**

The Local Government Association is an unincorporated association governed by its constitution. The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards with the exception of FRS2; accounting for subsidiary undertakings.

**B GOING CONCERN**

The financial statements have been prepared on a going concern basis.

The Association has net liabilities, after accounting for the defined benefit pension scheme deficits of £24,244k as at 31 March 2008. This position includes an actuarial estimate of the pension liabilities at the balance sheet date. The Association pays amounts into the schemes, as prescribed by the actuaries (note 10), in order to eliminate this deficit over 25 years.

The unfunded pension deficits are being repaid over the remaining lives of the pensioners concerned as detailed in note 10. The payments are being financed from subscriptions.

In view of these arrangements the resources panel expect that the Association will have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis. However, in the event of dissolution, the Association's unsecured liabilities would be underwritten, under the terms of the Association's constitution, by a guarantee from all member authorities, past and present.

**C Related Parties**

The LGA is the controlling entity for the following organisations.

	Value of related party transactions in year 2008 exp (inc)/£	Outstanding balance at 31 March 2008 dr (cr)/£	Value of related party transactions in year 2007 exp (inc)/£	Outstanding balance at 31 March 2007 dr (cr)/£
LGA (Properties) Ltd	1,411,295	331,544	1,175,469	697,608
Improvement & Development Agency	(5,483,697)	(372,942)	(3,915,853)	373,037
Local Government Employers	(1,974,283)	149,670	(1,226,095)	189,005
Local Government Management Board	526,000	403,087	0	1,499,233
Local Government International Bureau	(1,461,864)	0	(597,290)	261,004
Centre for Public Scrutiny	(36,032)	0	(13,748)	0
LACORS	(817,172)	(77,917)	(601,530)	205,384
LGIH	(4,584)	0	0	0
4Ps	(551,434)	287,721	(303,505)	7,711

**D FIXED ASSETS AND DEPRECIATION**

Depreciation of tangible fixed assets is set aside on the basis of providing in equal annual instalments for the cost, less estimated residual value, over the estimated useful lives of these assets, as follows:-

Fixtures & fittings	15 years
Furniture	10 years
Equipment & information systems	5 years
Computer systems	3 years

A full years depreciation is applied on the year of acquisition. No depreciation is charged in the year of disposal

**E INCOME AND EXPENDITURE**

Subscriptions and other income are accounted for on a receivable basis, but voluntary contributions to specific funds are recorded on a received basis. Expenditure is accounted for on an accruals basis.

**F PENSIONS**

New employees are entitled to membership of the Merseyside defined benefit pension scheme. Existing staff remain members of either the Merseyside or the West Sussex schemes. Under the defined benefit plans, pension 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 income and expenditure account.

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. 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.

**G TAXATION STATUS**

The income and chargeable gains of the association are exempt from corporation tax under section 519 of the Income and Corporation Taxes Act 1988, which grants exemption to local authority associations.

LOCAL GOVERNMENT ASSOCIATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR TO 31 MARCH 2008

<b>1 STAFF COSTS</b>	2008	2007
	£'000s	£'000s
Association and Group		
Employment costs and related expenses		
All employees:		
Salaries	9,461	9,015
Employer's social security costs	884	862
Employer's pension costs cash paid into scheme (see note 10)	1,512	1,291
Pension scheme current service cost less contributions (FRS 17)	118	447
	<b>11,975</b>	<b>11,615</b>
Less: Income from secondments	(620)	(1,045)
Transfers to political support groups	(501)	(476)
	<b>(1,121)</b>	<b>(1,521)</b>
	<b>10,854</b>	<b>10,094</b>
Other staff costs:		
Agency, freelance & secondment costs	1,208	1,192
Recharges re unfunded pension liabilities	484	1,269
Travel, subsistence and staff expenses	292	146
Recruitment costs	167	230
Training costs	139	85
Other personnel costs	16	14
	<b>2,306</b>	<b>2,936</b>
Total staff costs	<b>13,160</b>	<b>13,030</b>

The average number of employees during the year was 243 (2006/07: 240).

**2 WELSH LOCAL GOVERNMENT ASSOCIATION**

The Local Government Association receives an annual subscription for the services provided to the Welsh Local Government Association.

<b>3 OTHER FINANCE EXPENSE</b>	2008	2007
	£'000s	£'000s
Expected return on pension scheme assets	4,259	3,771
Interest on pension scheme liabilities	(4,367)	(3,882)
	<b>(108)</b>	<b>(111)</b>

<b>4 Operating profit is after charging:</b>	2008	2007
	£	£
Auditors remuneration	10,500	12,000

LOCAL GOVERNMENT ASSOCIATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR TO 31 MARCH 2008 (CONTINUED)

**5 TANGIBLE FIXED ASSETS**

	Computers & Information Systems £'000s	Equipment £'000s	Furniture & Fittings £'000s	Total 2008 £'000s	Total 2007 £'000s
<b>COST</b>					
At start of year	1,193	79	0	1,272	1,736
Additions	594	0	31	625	477
Disposals	(1,787)	(79)	(31)	(1,897)	(941)
At end of year	0	0	0	0	1,272
<b>DEPRECIATION</b>					
At start of year	655	41	0	696	994
Charge for the year	596	16	3	615	459
Disposals	(1,251)	(57)	(3)	(1,311)	(757)
At end of year	0	0	0	0	696
<b>NET BOOK VALUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>576</b>

**6 DEBTORS**

	<b>2008</b> <b>£'000s</b>	<b>2007</b> <b>£'000s</b>
Accounts receivable (less provision for doubtful debts)	3,954	6,460
Prepayments	227	287
Accrued income	179	
Other debtors	820	334
Amounts owed by related party	1,117	667
	<b>6,297</b>	<b>7,748</b>

**7 CREDITORS**

	<b>2008</b> <b>£'000s</b>	<b>2007</b> <b>£'000s</b>
Amounts falling due within one year		
Bank loans and overdrafts	0	469
Accounts payable and accruals	4,431	4,895
Income received in advance	97	247
PAYE and national insurance	0	416
Project balances (see note below)	114	130
Other creditors	301	365
	<b>4,943</b>	<b>6,522</b>

**PROJECT BALANCES**

Analysis of changes in balances during the year:

	As at 1 April 2007	Income	Expenditure	As at 31 March 2008
National Highways Street Works Manager	130	6	22	114
	<b>130</b>	<b>6</b>	<b>22</b>	<b>114</b>

LOCAL GOVERNMENT ASSOCIATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR TO 31 MARCH 2008 (CONTINUED)

<b>8 PROVISION FOR LIABILITIES AND CHARGES</b>	<b>2008</b>	<b>2007</b>
	<b>£'000s</b>	<b>£'000s</b>
Pension provisions:		
Balance brought forward	19,470	22,853
Increase / (reduction) in provisions	10,152	(3,383)
	29,622	19,470

The pension provision brought forward was the actuarial estimate of the unfunded pension liabilities of the LGA and predecessor associations.

The summary of pension provision is:-	<b>2008</b>	<b>2007</b>
	<b>£'000s</b>	<b>£'000s</b>
Unfunded pension deficit	(2,167)	(1,767)
West Sussex pension deficit	(10,526)	(10,086)
Merseyside pension deficit	(16,929)	(7,617)
<b>TOTAL PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>(29,622)</b>	<b>(19,470)</b>

<b>9 RESERVES</b>	Accum. Surplus	Pension Reserve	Major Reps & Maintenance fund	Pension Deficits	Total
As at 1 April 2007	585	4,525	175	(19,470)	(14,185)
Surplus for the year	93	0	0	10	103
Actuarial gain/(loss)	0	0	0	(10,162)	(10,162)
As at 31 March 2008	678	4,525	175	(29,622)	(24,244)

	Unfunded Pension Deficit	West Sussex Pension Deficit	Merseyside Pension Deficit	Total
As at 1 April 2007	(1,767)	(10,086)	(7,617)	(19,470)
Surplus for the year	100	164	(254)	10
Actuarial gain/(loss)	(500)	(604)	(9,058)	(10,162)
As at 31 March 2008	(2,167)	(10,526)	(16,929)	(29,622)

Further reserves have been set up for the purpose of setting aside funds for major repairs and cyclical maintenance to Local Government House.



## 10 PENSIONS

### Current Pension Schemes

The Local Government Association is an admitted body to two local government pension funds: the Merseyside Pension Fund, which was transferred from the Association of Metropolitan Authorities and is administered by the Metropolitan Borough of Wirral, and the West Sussex County Council Fund. Both funds are administered in accordance with the Local Government Pension Scheme Regulations 1997.

Financial Reporting Standard, FRS 17 – Retirement Benefits, requires the financial statements for the year ending 31 March 2008 to reflect at fair value the assets and liabilities arising from the associations's retirement benefit obligations and related funding.

### Merseyside Pension Fund

The most recent formal actuarial review in relation to the Merseyside Pension Fund was at 31 March 2007. 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.

For past service liabilities, it was assumed that the investment return, pre retirement, would be 6.4% per annum compound and, post retirement would be 5.4% compound, and that post-retirement pensions would increase at 3.1% per annum compound. For future service liabilities, it was assumed that the investment return would be 6.5% per annum compound, salaries would increase at 4.0% per annum compound, and post-retirement pensions would increase at 2.75% compound.

The actuarial valuation at 31 March 2007 did not report separately on the LGA's element of the fund. On the basis of valuation used and the requirements of regulation P6 the fund showed a deficit of £1,063 million on a total valuation of £4,301 million. The regulations require a target funding level of 100% for past service liabilities.

On the basis of the above results the actuary recommended, with effect from April 2008, that the contribution rate be increased to 19.2% (2007/8 rate is 17.1%).

On the basis prescribed by the Income and Corporation Taxes Act 1988 the actuarial value of the assets of the fund does not exceed 105% of the fund's liabilities. This means no remedial action is required under the provisions of this legislation.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR TO 31 MARCH 2008 (CONTINUED)

The major assumptions used by the actuary were as follows:

	At 31 March 2008	At 31 March 2007	At 31 March 2006
Rate of increase in salary	4.85%	4.35%	4.15%
Rate of increase in pensions in payment	3.60%	3.10%	2.90%
Discount rate	6.10%	5.40%	4.90%
Inflation assumption	3.60%	3.10%	2.90%

The assets in the scheme and the expected rate of return were:

	Long-term Rate of Return Expected at 31/03/08	Value at 31/03/08 £'000	Long-Term rate of return expected at 31/03/07	Value at 31/03/07 £'000	Long-Term rate of return expected at 31/03/06	Value at 31/03/06 £'000
Equities	7.50%	18,111	7.50%	15,637	7.00%	14,158
Government bonds	4.60%	5,071	4.70%	4,506	4.30%	3,899
Other bonds	6.10%	1,858	5.40%	1,582	4.90%	1,114
Property	6.50%	2,740	6.50%	2,628	6.00%	1,161
Other	5.25%	3,716	5.25%	2,467	4.50%	2,878
<b>Total Scheme Assets</b>		<b>31,496</b>		<b>26,820</b>		<b>23,210</b>
Present value of scheme liabilities						
Funded		(47,558)		(33,951)		(31,396)
Unfunded		(867)		(486)		(506)
<b>Deficit in the Scheme</b>		<b>(16,929)</b>		<b>(7,617)</b>		<b>(8,692)</b>

	31/03/08 £'000	31/03/07 £'000	31/03/06 £'000
<b>Analysis of amount recognised in STRGL</b>			
Actual return less expected return on pension scheme assets	(2,636)	(9)	3,002
Experience gains and losses arising on the scheme liabilities	(5,018)	0	(731)
Changes in assumptions underlying the present value of the scheme liabilities	(1,404)	1,991	(2,871)
<b>Actuarial gain/(loss) reported in STRGL</b>	<b>(9,058)</b>	<b>1,982</b>	<b>(600)</b>

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<b>Movement in deficit during year</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deficit in scheme at beginning of the year	(7,617)	(8,692)	(8,185)
Movement in the year:			
Current service cost	(1,022)	(1,447)	(1,055)
Contributions	1,270	1,310	1,395
Past service/curtailment/settlement (loss)/gain	(398)	(601)	0
Net interest/return on assets	(104)	(169)	(247)
Actuarial gain/(loss)	(9,058)	1,982	(600)
<b>Deficit in scheme at end of year</b>	<b>(16,929)</b>	<b>(7,617)</b>	<b>(8,692)</b>

**History of experience gains and losses**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Difference between the expected and actual return on scheme assets: amount				
Amount	(2,636)	1,451	3,002	892
Percentage of scheme assets	(8.4%)	5.41%	12.90%	4.90%
Experience gains and losses on scheme liabilities				
Amount	(5,018)	(1,620)	(731)	(1,501)
Percentage of the present value of scheme liabilities	10.4%	4.71%	2.30%	5.70%
Total amount recognised in statement of total recognised gains and losses:				
Amount	(9,058)	(2,048)	(600)	(5,640)
Percentage of the pv of scheme liabilities	18.7%	5.95%	1.90%	21.50%

**West Sussex County Council Pension Fund**

The Local Government Association was admitted to the West Sussex County Council Fund on 1 April 1997. The most recent formal actuarial valuation of the fund was undertaken as at 31 March 2007.

The actuarial assumptions used for the calculation of the contribution rate are that the investment rate of return would be 6.1% per annum compound, salaries would increase at 4.7% per annum compound, and post-retirement pensions would increase at 3.2% per annum compound. The notional share of LGA pooled assets in the total fund was £33,996k (2.2%). The pooled liabilities were valued at £39,721k indicating a funding level of 85.6%.

On the basis of the above results the actuary recommended, with effect from April 2008, that the contribution rate be increased to 50.3% (2007/8 rate is 43.3%). This is made up of a future service funding rate of 18.7% plus a deficit adjustment payment of 31.6% to eliminate the deficit in the fund over a 20 year spreading period.

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The major assumptions used by the actuary were as follows:

				At 31 March 2008	At 31 March 2007	At 31 March 2006
Rate of increase in salary				5.1%	4.7%	4.6%
Rate of increase in pensions in payment				3.6%	3.2%	3.1%
Discount rate				6.9%	5.4%	4.9%
Inflation assumption				3.6%	3.2%	3.1%
	Long-term Rate of Return Expected at 31/03/08	Value at 31/03/08 £'000	Long-Term rate of return expected at 31/03/07	Value at 31/03/07 £'000	Long-Term rate of return expected at 31/03/06	Value at 31/03/06 £'000
Equities	7.70%	22,462	7.80%	26,908	7.40%	26,776
Government bonds	5.70%	5,323	4.90%	4,677	4.60%	4,277
Property	5.70%	2,483	5.80%	2,769	5.50%	2,262
Other	4.80%	1,163	4.90%	634	4.60%	1,319
<b>Total Scheme Assets</b>		<b>31,431</b>		<b>34,988</b>		<b>34,634</b>
Present value of scheme liabilities						
Funded		(38,358)		(42,727)		(44,501)
Unfunded		(3,599)		(2,347)		(2,387)
<b>Deficit in the Scheme</b>		<b>(10,526)</b>		<b>(10,086)</b>		<b>(12,254)</b>

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	2008 £'000	2007 £'000	2006 £'000
<b>Analysis of amount recognised in STRGL</b>			
Actual return less expected return on pension scheme assets	(3,385)	(663)	4,935
Experience gains and losses arising on the scheme liabilities	(2,333)	3	-
Changes in assumptions underlying the present value of the scheme liabilities	5,114	2,619	(3,902)
<b>Actuarial (loss)/gain reported in STRGL</b>	<b>(604)</b>	<b>1,959</b>	<b>1,033</b>

	2008 £'000	2007 £'000	2006 £'000
<b>Movement in deficit during the year</b>			
Deficit in scheme at beginning of the year	(10,086)	(12,254)	(13,309)
Movement in the year:			
Current service cost	(182)	(314)	(336)
Employer Contributions	374	530	458
Other Income	239	127	124
Past Service Costs	(62)	0	-
Impact of settlements and curtailments	(201)	(192)	-
Net return on assets	(4)	58	(224)
Actuarial gain	(604)	1,959	1,033
<b>Deficit in scheme at end of year</b>	<b>(10,526)</b>	<b>(10,086)</b>	<b>(12,254)</b>

**History of experience gains and losses**

	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Difference between the expected and actual return on scheme assets:				
Amount	(3,385)	(663)	4,935	1,251
Percentage of scheme assets	(10.8%)	(1.9%)	14.20%	4.30%
Experience gains and losses on scheme liabilities				
Amount	(2,333)	3	0	499
Percentage of the pv of scheme liabilities	(5.6%)	0.00%	0.00%	1.20%
Total amount recognised in statement of total recognised gains and losses:				
Amount	(604)	1,959	1,033	1,232
Percentage of the pv of scheme liabilities	(1.4%)	4.30%	2.20%	2.90%

**Unfunded Pension Liabilities**

The LGA and predecessor organisations has incurred pension liabilities which were outside the funded benefits provided by the pension schemes involved, which were therefore unfunded. These liabilities were estimated by an actuary at 31 March 2008 at £5.0m (2007 £4.6m). The LGA had previously made provision for these liabilities, some of which were included in the valuations of the Merseyside and West Sussex schemes. As the deficits in those two schemes have now been provided for in the balance sheet under the requirements of FRS 17 the balance of the unfunded liabilities, outside the two schemes, has now been shown separately as £2,167k (2007 £1,767k). The unfunded liabilities are being paid annually over the remaining lives of the pensioners concerned.

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	2008 £'000	2007 £'000
<b>Analysis of the amount charged to operating profit</b>		
Current service cost	(1,204)	(1,761)
Past service cost/curtailment loss	(460)	(601)
<b>Total operating charge</b>	<b>(1,664)</b>	<b>(2,362)</b>

**NOTES ON CASH FLOW STATEMENT**

**11 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOWS FROM OPERATING ACTIVITIES**

	2008 £'000	2007 £'000
Operating surplus	184	(539)
Depreciation (including disposals)	1,201	643
Non cash adjustment on pension scheme	(118)	447
Decrease/(Increase) in stock	12	(51)
Decrease/(Increase) in debtors	1,451	(4,557)
(Decrease)/Increase in creditors	(1,579)	2,934
<b>Net cash inflow from operating activities</b>	<b>1,151</b>	<b>(1,123)</b>

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	At 1 April 2007 £'000	Cashflows £'000	Other Changes £'000	At 31 Mar 2008 £'000
Cash at bank	3,432	553	0	3,985
	<b>3,432</b>	<b>553</b>	<b>0</b>	<b>3,985</b>