Agenda

LGA Leadership Board: Supplemental Agenda

Wednesday 6 June 2018

1.00 pm

Smith Square 1&2, Ground Floor, 18 Smith Square, London, SW1P 3HZ

LOCAL GOVERNMENT ASSOCIATION

Report and Consolidated Financial Statements

for the year ended 31 March 2018

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LOCAL GOVERNMENT ASSOCIATION

CHIEF EXECUTIVE'S REPORT
Year ended 31 March 2018

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

The LGA is a politically-led, cross party membership organisation working on behalf of councils to give local government 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 can deliver local solutions to national problems. We fight local government's corner, supporting councils through challenging times and focusing our efforts where we can have real impact.

Our membership includes English councils, including county and district councils, metropolitan and unitary councils, London boroughs, Welsh unitary councils, fire and rescue and national park authorities. In 2017/18 we had 435 member authorities in England and Wales. The 22 Welsh authorities are in corporate membership through the Welsh Local Government Association.

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 from Britain's exit from the EU, pressing for more powers to be devolved from Whitehall – and from the EU – 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; and
- deliver broader services to local government via our wholly owned companies and joint ventures such as Local Partnerships, GeoPlace and Public Sector Audit Appointments.

We receive direct funding from government to help councils with their continuous improvement. Our work ensures councils are supported to provide the best possible services to the people they serve. We also receive membership fees from our members.

The year in focus

In 2017/18, our members have continued to face challenges on funding, adult social care, housing and children's services. The terrible tragedy at Grenfell Tower has rightly placed more focus on the safety of buildings, and in particular, housing.

CHIEF EXECUTIVE'S REPORT
Year ended 31 March 2018

Councils have had to adapt and take a more entrepreneurial approach to the delivery of services and to their own finances. We have continued to work with all parts of local government to support this work and share best practice.

Over the last year, as the legislative agenda has been focussed on delivering Britain's exit from the EU for the UK, we have had to take a different approach to our campaigning on behalf of our councils. This has included more work with MPs and peers directly and the many Select Committees which have considered issues relevant to local government. We have also undertaken a considerable amount of work to ensure councils have a voice in the relevant discussions and negotiations to ensure both powers and funding are transferred from Europe to local areas to benefit residents.

In July 2017, our General Assembly agreed to create a new LGA company to enable us to be more financially sustainable, to invest more in the work we do to support councils and to keep subscriptions as low as possible.

In October 2017 we returned to our refurbished headquarters at 18 Smith Square. We're making our space work harder by releasing three floors for commercial rent to help generate income to support our work for our members.

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

1 **Britain's exit from the EU**
Local government has a strong and influential voice during Britain's exit from the EU negotiations, securing the best deal for councils and ensuring that the different needs of different local communities are fully recognised.

2 **Devolution and funding for local government**
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. This must be underpinned by reforms to the finance system that give councils the confidence that their financing is sustainable and fair, with opportunities to raise more funds locally and greater ability to promote collective working across local public services.

3 **Inclusive growth, jobs and housing**
Councils are recognised as central to revitalising local economies and providing decent life chances for all residents.

4 **Children, education and schools**
Councils have the powers and resources they need to bring partners together in their local place to ensure all children get the support and high quality education they deserve.

CHIEF EXECUTIVE'S REPORT
Year ended 31 March 2018

5 Adult social care and health
Councils are well placed to support their citizens to live healthy, active lives and to remain at home and independent for as long as possible. Their capacity to do this is dependent on sustainable funding and more effective integration with health services.

6 Supporting councils
Councils are responsible for their own performance, effectiveness and efficiency, accountable before all else to their local communities.

7 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.

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

Sustainable funding for local government
Our ongoing work to secure more funding for the whole of local government to help plug the funding gap of more than £5.8 billion that councils are facing by 2020 has continued over the last year. We had some success in securing a small amount of additional money in the final Local Government settlement and no further changes to previously agreed funding.

We continue to press for a reformed funding base to empower councils to bring together local public services, making them more responsive to local need and fit for the next decade and beyond.

We worked jointly with Government to ensure further business rates retention is introduced in a way that gives councils maximum financial independence whilst recognising the risks continue.

Adult social care
Following our success last year to secure additional funding for adult social care to deal with immediate funding pressures, we have continued to press for further funding to address ongoing pressures.

Housing
Our housing campaign is a national, integrated programme of work calling on the Government to give councils the powers and funding to resume their role as a major builder of affordable homes, lift the housing borrowing cap and to establish local government as the expert and leader in the housing sector.

Children's social care and wellbeing
With a funding gap for children's services of nearly £2 billion, we have pressed for urgent action to be taken to reduce the financial pressures and a renewed focus on investing in early intervention.

CHIEF EXECUTIVE'S REPORT
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'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 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

Britain's exit from the EU
We are calling for powers and funding to go from Brussels to local areas, not to Westminster. 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.

LGA in the media

Over the last year, through our proactive media work, we were quoted **55,374** times in national, regional, trade, broadcast and online media. This equates to **151** times a day.

On average, we secured **five** national media stories a day and our spokespeople appeared on the Today programme on average, nearly twice a week.

On behalf of our councils, we secured front-page stories in several national newspapers and **194** episodes of coverage on UK national TV.

LGA in Parliament

Lobbying on behalf of local government is one of the key priorities of our membership.

In 2017/18 we were referenced in House of Commons and House of Lords debates and during Prime Minister's Questions **more than 1,000 times** - on **714** occasions in the House of Commons and **361** in the House of Lords.

In addition, we were referenced **191** times in Committee reports, produced **89** parliamentary briefings and responded to **42** parliamentary inquiries.

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 2017 - Councils received £1 billion additional social care funding as year one of the three year £2 billion deal agreed in 2017.

The Libraries Taskforce supported our calls for a further £0.5 million investment in libraries and published new benchmarking and planning tools to help library services respond to local needs.

Parliament agreed new rules to allow councils to increase planning fees by 20 per cent.

Arts Council England and Sport England agreed continued investment in our Leadership Essentials Courses.

MAY 2017 - The Committee of Advertising Practice made a commitment to introduce tougher standards on broadband advertising to ensure greater transparency in broadband speeds for residents and businesses across the country.

JUNE 2017 - We were able to confirm that councils who opted into the Public Sector Audit Appointment Scheme (PSAA) will collectively receive £6 million in savings from 2018/19.

The Government reconfirmed its commitment to a Fair Funding Review.

We hosted the first meeting of the 'Mayoral Forum' – for the newly elected combined authority mayors – bringing them together with Whitehall permanent secretaries and representatives of the Commonwealth Local Government Forum.

JULY 2017 - The Government confirmed £1.7 million renewed funding for a national female genital mutilation (FGM) support centre – a joint initiative between the LGA and Barnardos.

The Transport Secretary announced that councils will have access to a multi-billion pound fund for local road improvement previously ring-fenced to the Highways Agency.

The Financial Conduct Authority confirmed major improvements to the Markets in Financial Instruments Directive II (MiFID II), allowing councils to continue to hold complex assets and avoiding sales potentially costing pension funds billions of pounds.

Our work on the potential funding pressures from sleep-in payments helped to secure a suspension of HMRC enforcement action against social care providers.

AUGUST 2017 - We announced proposals to establish a new insurance mutual for councils with the potential to deliver significant savings to councils.

The Government's air quality plan included £255 million to implement Clean Air strategies in towns and cities and a further £220 million Clean Air Fund to support improvements to air quality.

The Government agreed to waive financial penalties faced by social care employers who are found to have underpaid their workers for sleep-in shifts preceding 26 July 2017.

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At a glance

The Government set up a working group to explore legislation on taxi and private hire vehicles in response to our concerns about citizens' safety.

We launched a new Culture Hub with Arts Council England to bring councils the latest innovation and best practice in cultural services.

SEPTEMBER 2017 - Following sustained work on behalf of councils, a Government consultation proposed power for councils to charge utility companies by the hour for roadworks which overrun or cause significant disruption.

The Government confirmed national funding formula for schools, giving councils and schools continued flexibility to agree a local formula for a further two years. With schools' agreement, councils can continue to transfer money from school funding to meet the rising demand for children with special educational needs and disabilities.

The Government committed to publish a green paper on social housing following our calls for the provision of more social housing.

£500,000 investment in a Parks Action Group was confirmed, with the LGA representing local government on the group.

OCTOBER 2017 - The Prime Minster announced that the Local Housing Allowance (LHA) cap will not apply to supported housing or the wider social rented sector.

Following LGA calls, two consultations – on short-term supported accommodation and extra care and sheltered housing costs – proposed a greater role for councils in commissioning supported housing.

The Government agreed a further £2 billion for the Affordable Homes Programme, taking the total pot to more than £9 billion.

The Government launched a consultation on changes to gaming machines, including reducing stakes at fixed odds betting terminals. We continue to call for greater powers for councils to veto new bookmakers in areas already saturated with betting shops.

Additional New Burdens funding for implementation of Homelessness Reduction Act was announced, taking the total from £61 million to £72.7 million.

The Department of Health announced a £15 million investment to train one million people in mental health first aid.

Councils were granted powers to double maximum litter fines from April 2018 from £75 to £150 and to fine owners of vehicles from which litter is thrown.

The Government introduced a voluntary compliance scheme to help providers deal with the historic liability of sleep-in payments.

NOVEMBER 2017 - The Government announced an increase of £42 million in the Disabled Facilities Grant.

The Chancellor's budget included a partial lifting of the Housing Revenue Account borrowing cap, worth £1 billion from 2019/20, an additional £2.7 billion for the Housing Infrastructure Fund, a £1.7 billion Transforming Cities Fund, a further £20 million for the Private Rented Sector access scheme and a £25 million Planning Development Capacity fund.

LOCAL GOVERNMENT ASSOCIATION
CHIEF EXECUTIVE'S REPORT
At a glance

DECEMBER 2017 - The Government confirmed its commitment to replicate UK local government's formal role in the EU policy making process following Britain's exit from the EU.

A green paper was launched setting out measures to transform mental health support for children and young people, including new mental health support teams, a designated mental health lead in every school, a greater focus on early intervention and an additional £300m for the reforms.

The Government committed to continue to move towards further business rate retention by 2020/21 and to implement improvements to the current system, including dealing with business rates appeals.

Flexibility to use capital receipts to fund revenue costs of transformation projects was extended to 2022.

Additional flexibility to increase council tax by an additional one per cent without local referendum was announced for 2018/19 and 2019/20.

The Government confirmed no further changes to the New Homes Bonus in 2018/19.

JANUARY 2018 - Sport England announced £130 million to invest in local sport delivery as part of their Towards an Active Nation strategy, opening up a potential £380 million in grant to local government.

A £19 million fund for services for Unaccompanied Asylum Seeking Children came into effect.

FEBRUARY 2018 - In response to calls in our Housing Commission, the Ministry of Housing, Communities and Local Government (MHCLG) announced £886 million to deliver 200,000 homes across 133 council-led projects as part of the Housing Infrastructure Fund.

The Government announced an extra £150 million grant for adult social care in 2018/19.

Final New Burdens payment in relation to property searches of almost £10 million was agreed, bringing the total secured for councils in England and Wales to just under £54 million.

MARCH 2018 - Working with partners and councils, we secured an additional £7.6 million a year for councils, to extend virtual school head support to looked after children, including adopted children. The Government had previously expected councils to cover these costs from existing budgets.

The Department for Education announced £2 million in funding to improve leadership in children's social care services, as part of a £17 million overall package to improve outcomes for vulnerable children.

The Government announced £100 million of new money to councils to help repair local roads.

STRATEGIC REPORT
Year ended 31 March 2018

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 2017/18 the LGA continued to streamline its merged its 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 2017/18. From 1 April 2016, IDeA become 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 5.0 per cent in 2017/18 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 a 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 2017/18 consolidated operating surplus has been allocated to the risk and contingency reserve in our balance sheet. This will be used to provide opportunities to

STRATEGIC REPORT
Year ended 31 March 2018

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.

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Year ended 31 March 2018

During 2018/19 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.

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 £3.64 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; 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 £115.50 million at 31 March 2018 (£124.99 million deficit at 31 March 2017). 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.

STRATEGIC REPORT
Year ended 31 March 2018

Liquidity risk

Our agreed approach is to manage our revenue budget so as 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 at 415 in 2017/18, 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 December 2015 we carried out a survey of our members which gave us important information about customer satisfaction with 76 per cent of members indicating that they were satisfied with our services. 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 annual surveys.

We review our financial sustainability by carefully controlling our staff costs. Following a reduction in our core grant funding, over the last five years employee numbers have fallen from 529 employees in the year ended March 2012 to 331 employees in the year ended 31 March 2018. We continue to monitor employee absence through the implementation of better recording methods (self-service) for staff and although this has risen from an average of annual number of sick days per employee of 2.1 days in March 2017 to 3.3 days in March 2018, it 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 6 per cent of the total trade debtors at March 2018 (4 per cent 2017).

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 2018 to be £53.550 million (2017 £22.970 million) with a net increase of £30.580 million in the year. Refurbishment costs capitalised in the year amounted to £11.626 million. In the Group accounts 34% (2017/18 11%) of the above market value is reflected as an investment in the Groups' balance sheet. The remainder held as an operational asset at the current net book value of £19.0 million (2017 £16.2 million).

STRATEGIC REPORT
Year ended 31 March 2018

Layden House, which is owned by Local Government Management Board, is classified as an investment property and included in these financial statements at its market value of £36.750 million (£28.175 million 2017). As mentioned above, the LGA's Leadership Board has now agreed to the refurbishment of Layden House from 2018.

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
- 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 6 June 2018

LOCAL GOVERNMENT ASSOCIATION

REPORT OF THE CHAIRMAN OF THE LEADERSHIP BOARD

Year ended 31 March 2018

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 2017/18, following a real terms reduction in subscription income of over 45 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

6 June 2018

MEMBERSHIP OF THE LEADERSHIP BOARD

The members of the Leadership Board for the year were:

Conservative	
Lord Porter of Spalding CBE [Chair]	
David Simmonds CBE [Vice-chair]	
Peter Fleming OBE [Deputy-chair]	
Sean Anstee [Deputy-chair]	
Colin Noble [Acting Deputy-chair]	Resigned 4 July 2017
Izzi Seccombe OBE [Deputy-chair]	Appointed 4 July 2017
Paul Carter CBE [Deputy-chair]	Appointed 4 July 2017
Labour	
Nick Forbes [Senior Vice-chair]	
Sue Murphy CBE [Deputy-chair]	
Peter Box CBE [Deputy-chair]	
Mayor Sir Steve Bullock [Deputy-chair]	Resigned 4 July 2017
Anne Western [Deputy-chair]	Resigned 4 July 2017
Sharon Taylor OBE [Deputy-chair]	Resigned 4 July 2017
Keith Wakefield [Former Deputy-chair]	Resigned 4 July 2017
Michael Payne [Deputy-chair]	Appointed 4 July 2017
Lib Peck [Deputy-chair]	Appointed 4 July 2017
Liberal Democrat	
Gerald Vernon-Jackson [Vice-chair]	Resigned 4 July 2017
Mayor Dorothy Thornhill MBE [Deputy-chair]	Resigned 4 July 2017
Howard Sykes MBE [Vice-chair]	Appointed 4 July 2017
Ruth Dombey OBE [Deputy-chair]	Appointed 4 July 2017
Independent	
Marianne Overton MBE [Vice-chair]	
Peter Reeve MBE [Deputy-chair]	Resigned 4 May 2018

STATEMENT OF LEADERSHIP BOARD'S RESPONSIBILITIES

Year ended 31 March 2018

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 2018. 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

A tendering process is in progress in relation to the appointment of the role of Statutory Auditor. A resolution for the appointment of the auditors of the Company is to be proposed at a forthcoming Board Meeting.

Approved by the Leadership Board and signed on their behalf

6 June 2018

Lord Porter of Spalding CBE

Chair of the LGA Leadership Board

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE LOCAL GOVERNMENT ASSOCIATION
Year ended 31 March 2018

Opinion

We have audited the financial statements of the Local Government Association (LGA) for the year ended 31 March 2018 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 2018 and of the Group's and Association's surplus 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.

Conclusions relating to going concern

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

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the 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

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. 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) 1 Westferry Circus

For and on behalf of PKF Littlejohn LLP Canary Wharf

Statutory Auditor London E14 4HD

Date:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2018

	Note	2018 £000	2017 £000
Income: Group and share of joint ventures' income		58,465	55,732
Less share of joint ventures' income		(8,641)	(8,244)
Group Income	2	49,824	47,488
Administrative expenses		(56,171)	(48,834)
GROUP OPERATING DEFICIT BEFORE INTEREST AND TAX	4	**(6,347)**	**(1,346)**
Interest receivable and similar income		195	437
Interest payable		7	(109)
Contract restructuring costs		-	-
Share of operating surplus of joint ventures	9	2,143	2,025
Dividend and profits share from Joint Ventures		1,730	1,375
Finance discounts allowed	5	(526)	(526)
Share of joint ventures distribution to members		(1,627)	(1,385)
Unrealised gain on revaluation in respect of investment property	8	18,994	548
GROUP OPERATING SURPLUS BEFORE TAX		**14,569**	**1,019**
Corporation Tax		(71)	-
GROUP OPERATING SURPLUS FOR THE FINANCIAL YEAR		**14,498**	**1,019**
Other Comprehensive Income:			
Actuarial gain/(loss) recognised in respect of the pension fund		11,639	(29,230)
GROUP TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**26,137**	**(28,211)**

All amounts relate to continuing operations.

The accounting policies and notes in pages 28 to 51 form part of these financial statements.

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	Note	2018 £000	2017 £000
Income	2	21,010	19,762
Administrative expenses		(20,833)	(19,924)
OPERATING SURPLUS / (DEFICIT) BEFORE INTEREST	4	**177**	**(162)**
Interest receivable and similar income		534	252
Contract restructuring costs		-	-
Finance discounts allowed	5	(526)	(526)
Dividend and profits share from Joint Ventures	9	105	-
OPERATING SURPLUS / (DEFICIT) FOR THE FINANCIAL YEAR		**290**	**(436)**
Other Comprehensive Income:			
Actuarial gain/(loss) recognised in respect of the pension fund		6,143	(1,855)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,433**	**(2,291)**

All amounts relate to continuing operations.

The accounting policies and notes in pages 28 to 51 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2018	Note	2018 £000	2017 £000
FIXED ASSETS			
Tangible assets	7	19,752	16,380
Investment Properties	8	54,956	31,137
Intellectual Copyright Assets		1	1
Investments - MBA	9	500	500
Investments in Joint Ventures:			
Share of gross assets of joint ventures	9	6,064	6,018
Share of gross liabilities of joint ventures	9	(1,458)	(1,589)
		79,815	52,447
LONG TERM DEBTORS	10	-	-
CURRENT ASSETS			
Debtors	11	7,608	6,118
Short term Investments	12	343	15,147
Cash at bank and in hand		5,682	3,001
		13,633	24,266
CREDITORS: amounts falling due within one year	13	(10,653)	(9,414)
NET CURRENT ASSETS		2,980	14,852
TOTAL ASSETS LESS CURRENT LIABILITIES		82,795	67,299
CREDITORS: amounts falling due after more than one year	13	(12,390)	(13,333)
PROVISIONS FOR LIABILITIES			
Provision for organisation restructuring	14	(283)	(222)
Pension Fund deficit	15	(115,500)	(124,991)
NET LIABILITIES		**(45,378)**	**(71,247)**
ACCUMULATED FUNDS			
General Reserve		28,264	28,264
Revaluation Reserve		41,027	22,033
Risk & Contingency Reserve		831	3,447
Pension Deficits Reserve			
- Pension Fund Assets		290,931	283,283
- less Defined Liabilities		(406,431)	(408,274)
		(45,378)	**(71,247)**

The accounting policies and notes in pages 28 to 47 form part of these financial statements.

These financial statements were approved by the LGA Leadership Board on 6 June 2018 and signed on their behalf by

Lord Porter of Spalding CBE

LOCAL GOVERNMENT ASSOCIATION

ASSOCIATION BALANCE SHEET

For the year ended 31 March 2018

	Note	2018 £000	2017 £000
FIXED ASSETS			
Tangible Assets	7	-	220
Investments	9	1,300	1,370
LONG TERM DEBTORS	10	15,000	15,000
CURRENT ASSETS			
Debtors	11	3,624	2,377
Short term Investments	12	4,569	3,763
Cash at bank and in hand		10	23
		8,203	6,163
CREDITORS: amounts falling due within one year	13	(3,223)	(2,407)
NET CURRENT ASSETS		4,980	3,756
TOTAL ASSETS LESS CURRENT LIABILITIES		21,280	20,346
CREDITORS: amounts falling due after more than one year	13	(11,412)	(11,550)
PROVISIONS FOR LIABILITIES			
Provision for Organisation restructuring	14	-	-
Pension Fund deficit	15	(33,017)	(38,378)
NET LIABILITIES		**(23,149)**	**(29,582)**
ACCUMULATED FUNDS			
General Reserve		7,091	7,091
Risk & Contingency Reserve		2,777	1,705
Pension Deficits Reserve			
- Pension Fund Assets		140,340	137,812
- less Defined Liabilities		(173,357)	(176,190)
		(23,149)	**(29,582)**

The accounting policies and notes in pages 28 to 47 form part of these financial statements.

These financial statements were approved by the LGA Leadership Board on 06 June 2018 and signed on their behalf by

Lord Porter of Spalding CBE

LOCAL GOVERNMENT ASSOCIATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

	Risk & Contingency Reserve	Revaluation Reserve	Pensions Deficit Reserve	Retained Earnings	Total
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2016	**1,787**	**21,485**	**(94,751)**	**28,264**	**(43,215)**
Changes in equity for 2016/17					
Income for the year	-	-	-	1,019	1,019
Pensions Adjustments in Statement of Consolidated income	-	-	(1,010)	1,010	-
Actuarial gains/(losses) on defined benefit plans	-	-	(29,230)	-	(29,230)
Unrealised gain on revaluation in respect of investment property	-	548	-	(548)	-
Total comprehensive income for the year	-	548	(30,240)	1,481	(28,211)
Movement on Joint Venture Reserves	-	-	-	179	179
Transfer to Risk and Contingency reserve (LGA and IDEA only)	1,660	-	-	(1,660)	-
Balance as at 31 March 2017	**3,447**	**22,033**	**(124,991)**	**28,264**	**(71,247)**
Balance at 1 April 2017	**3,447**	**22,033**	**(124,991)**	**28,264**	**(71,247)**
Changes in equity for 2017/18					
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	-
Balance as at 31 March 2018	**830**	**41,027**	**(115,500)**	**28,264**	**(45,378)**

ASSOCIATION STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

	Risk & Contingency Reserve	Pensions Deficit Reserve	Retained Earnings	Total
	£000	**£000**	**£000**	**£000**
Balance at 1 April 2016	661	(35,042)	7,091	(27,290)
Changes in equity for 2016/17				
Operating Deficit for the year	-	-	(437)	(437)
Pension adjustment included in Operating Surplus / Deficit for the year	-	(1,481)	1,481	-
Actuarial gains/(losses) on defined benefit plans	-	(1,855)	-	(1,855)
Total comprehensive income for the year	**-**	**(3,336)**	**1,044**	**(2,292)**
Transfer to Risk and Contingency reserve	1,044	-	(1,044)	-
Balance as at 31 March 2017	**1,705**	**(38,378)**	**7,091**	**(29,582)**
Balance at 1 April 2017	**1,705**	**(38,378)**	**7,091**	**(29,582)**
Changes in equity for 2017/18				
Operating Deficit for the year	-	-	290	290
Pension adjustment included in Operating Surplus / Deficit for the year	-	(782)	782	-
Actuarial gains/(losses) on defined benefit plans	-	6,143	-	6,143
Total comprehensive income for the year	**-**	**5,361**	**1,072**	**6,433**
Transfer to Risk and Contingency reserve	1,072	-	(1,072)	-
Balance as at 31 March 2018	**2,777**	**(33,017)**	**7,091**	**(23,149)**

LOCAL GOVERNMENT ASSOCIATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 £000	2017 £000
Net cash outflow from operating activities		
Surplus/(Deficit)	14,498	1,019
Adjustments for:		
FRS17 Pension adjustments	2,148	1,010
Investment and dividend Income	(1,925)	(1,812)
Revaluation gains on Investment Properties	(18,994)	(548)
Joint Venture Non Cash Adjustments	(516)	(640)
Finance discounts for former members of AMA	526	526
Interest expense	(6)	110
Depreciation	3,938	536
Loss on Disposal of Fixed Asset	766	584
Decrease/(increase) in debtors	(1,489)	(278)
(Decrease)/increase in creditors	1,239	290
(Decrease)/Increase in provisions	61	(246)
(Decrease)/Increase in creditors due after one year	(942)	(1,248)
Cash generated from operations	(696)	(697)
Interest paid	6	(110)
Net cash generated from operating activities	(690)	(807)
Cash flow from investing activities		
Interest received	195	437
Repayment of Loan Capital from Local Partnerships	70	130
Investment in redevelopment of Property, Plant and Equipment	(8,252)	(1,792)
Investment in redevelopment of Investment Properties	(4,650)	(583)
Distribution from Joint Venture	1,730	1,375
	(10,907)	(433)
Cash flow from financing activities		
Finance discounts for former members of AMA	(526)	(525)
	(526)	**(525)**
Cash flow from Taxation activities		
Corporation Tax paid	-	-
	-	**-**
Net (Decrease)/ Increase in cash	(12,123)	(1,765)
Cash and cash equivalents at the start of the year	18,148	19,913
Cash and cash equivalents at the end of the year	**6,025**	**18,148**

The accounting policies and notes in pages 28 to 51 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

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

The financial statements have been prepared on the going concern basis. The Association and the entities under its control have net liabilities, after accounting for the defined benefit pension scheme deficits, of £40.9 million as at 31 March 2018. 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 Association and entities under its control 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, 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 2018. 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.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

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 2017/18 67% (2016/17 89%) of 18 Smith Square (formerly known as Local Government House) 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 2017/18 34% (2016/17 11%) of 18 Smith Square (formerly known as Local Government House) 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”.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

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, 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.

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

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

(ii) LGPS Pension costs.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

1. ACCOUNTING POLICIES (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

2. INCOME

CONSOLIDATED	2018 £000	2017 £000
Group		
Subscriptions	9,947	9,979
Conferences and seminars	1,941	1,724
Government Grants	31,705	30,242
Shared Services – external to group	1,005	574
Other income	5,226	4,969
	49,824	47,488
Joint Ventures	8,641	8,244
	58,465	55,732

ASSOCIATION	2018 £000	2017 £000
Subscriptions	9,947	9,956
Conferences and seminars	1,616	1,398
Shared Services	5,935	4,843
Other income	3,512	3,565
	21,010	19,762

The Association operates Shared Services arrangements under which the companies it controls, and certain other entities, are recharged for the costs of accommodation and various other business services, some of which are provided under a contract between the Association and Liberata Ltd. This contract ended in June 2016 and Agresso IT Services are the only part of the services still provided.

3. STAFF INFORMATION

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

	2018		2017	
	Salary	Employer pension contribution	Salary	Employer pension contribution
	£	£	£	£
Senior staff currently employed by the Association and associated organisations				
Mark Lloyd – Chief Executive (appointed 1 November 2015)	203,720	23,375	201,690	20,098
Sarah Pickup – Deputy Chief Executive (appointed 1 September 2015)	163,216	1,551	161,600	15,998

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

3. STAFF INFORMATION (continued)

	CONSOLIDATED		ASSOCIATION	
	2018	**2017**	**2018**	**2017**
Average number of persons employed	331	319	168	162
Staff costs	**£000**	**£000**	**£000**	**£000**
Wages and salaries	18,770	17,726	9,779	9,152
Social security costs	2,073	1,971	1,032	962
Pension costs – employer payments	2,545	2,195	881	730
Pension costs – employer deficit payments	4,019	3,570	1,589	494
Pension costs – current service costs less contributions	(1,024)	(2,417)	(149)	131
Less income from secondments	(744)	(867)	(369)	(426)
	25,639	22,178	12,763	11,043
Staff related costs				
Agency, freelance and secondment costs	1,180	1,217	386	513
Redundancy costs & provision	110	129	17	164
Travel, subsistence and staff expenses	1,296	1,173	562	439
Recruitment costs	87	114	33	28
Training costs	53	94	34	72
Other personnel costs	54	60	29	45
	2,780	2,787	1,061	1,261
Total staff costs	28,419	24,965	13,824	12,304

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

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 2018 figures include 6 staff (2017: 6 staff) seconded to other organisations, of which 2 were employed by the Association.

CONSOLIDATED	**2018**	**2018**	**2017**	**2017**
	Remuneration including redundancy	Remuneration excluding redundancy	Remuneration including redundancy	Remuneration excluding redundancy
£50,000 - £54,999	8	8	7	7
£55,000 - £59,999	7	7	9	9
£60,000 - £64,999	16	16	21	20
£65,000 - £69,999	13	13	16	16
£70,000 - £74,999	39	39	30	30
£75,000 - £79,999	9	9	10	10
£80,000 - £84,999	2	2	1	1
£85,000 - £89,999	3	3	3	3
£90,000 - £94,999	2	2	2	2
£95,000 - £99,999	3	3	5	5
£100,000 - £104,999	5	5	5	5
£105,000 - £109,999	4	4	3	3
£110,000 - £114,999	1	1	1	1
£115,000 - £119,999	-	-	-	-
£120,000 to £124,999	3	3	1	1
£135,000 to £139,999	-	-	-	-

ASSOCIATION	**2018**	**2018**	**2017**	**2017**
	Remuneration including redundancy	Remuneration excluding redundancy	Remuneration including redundancy	Remuneration excluding redundancy
£50,000 - £54,999	4	4	4	4
£55,000 - £59,999	2	2	2	2
£60,000 - £64,999	7	7	7	7
£65,000 - £69,999	3	3	3	3
£70,000 - £74,999	13	13	13	13
£75,000 - £79,999	5	5	5	5
£80,000 - £84,999	-	-	-	-
£85,000 - £89,999	3	3	3	3
£90,000 - £94,999	2	2	2	2
£95,000 - £99,999	-	-	-	-
£100,000 - £104,999	1	1	1	1
£105,000 - £109,999	2	2	2	2
£110,000 - £114,999	1	1	1	1
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	1	1	1	1

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

4. OPERATING DEFICIT

	CONSOLIDATED		ASSOCIATION	
	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2018	Year ended 31 March 2017
	£000	£000	£000	£000
Operating deficit is after charging:				
Depreciation and amortisation	766	537	219	219
Loss on disposal of fixed assets			-	-
Auditor's remuneration				
- audit fee	42	38	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 2018 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 and was vacant at the 2016/17 balance sheet date, 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.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

As a result of the application FRS 102 for the Financial Year 2017/18 67% (2016/17 89%) 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.

TANGIBLE FIXED ASSETS

CONSOLIDATED	Freehold land and buildings £000	Fixtures, fittings and equipment £000	ICT and computer equipment £000	Total £000
Cost				
At 1 April 2017	20,269	-	659	20,928
Additions	7,498	754	-	8,252
Disposals	(5,160)	-	-	(5,160)
At 31 March 2018	22,607	754	659	24,020
Depreciation				
At 1 April 2017	4,110	-	439	4,549
Charge for year	495	50	220	765
Disposal in year	(1,046)	-	-	(1,046)
At 31 March 2018	3,559	50	659	4,268
Net book value				
At 31 March 2018	19,048	704	-	19,752
At 31 March 2017	16,159	-	220	16,380

Association Assets

The Association purchased ICT equipment in 2015/16, previously provided under the shared service contract with Liberata. This new procured assets formed part of the new ICT contract with LGA Digital Services Limited a jointly owned company with Brent Council.

ASSOCIATION	ICT and computer equipment £000	Total £000
Cost		
At 1 April 2017	659	659
Additions	-	-
At 31 March 2018	659	659
Depreciation		
At 1 April 2017	439	439
Charge for year	220	220
At 31 March 2018	659	659
Net book value		
At 31 March 2018	-	-

At 31 March 2017	220	220

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

8. INVESTMENT PROPERTIES

CONSOLIDATED	2018 £000	2017 £000
Brought forward valuation	31,137	30,006
Capital Expenditure	4,825	583
Unrealised gain on revaluation	18,994	548
Carried forward valuation	**54,956**	**31,137**

Until May 2011, the Improvement & Development Agency for Local Government operated from Layden House, Farringdon, London EC1, a building owned by Local Government Management Board. Layden House was occupied during 2015/16 by unrelated third parties who were granted short term leases on normal commercial terms. These leases have now come to an end, with the property vacated to allow for the redevelopment to commence in 2018/19.

As a result of the requirements of FRS102, in the Group Accounts for the Financial Year 2017/18 34% (2016/17 11%) 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 Layden House and 18 Smith Square, were valued at open market value on a commercial rental use basis. The valuations were performed as at 31 March 2018 by an independent professional valuer, Farebrother Chartered Surveyors.

9. INVESTMENTS IN JOINT VENTURES - GROUP

LOCAL PARTNERSHIPS LLP

Balance Sheet	31 March 2018 £000	31 March 2017 £000
Current Assets	4,342	4,341
Share of gross assets	4,342	4,341
Liabilities due within one year or less	(879)	(828)
Other	-	-
Loans and other Debts due to members	-	(70)
Share of gross liabilities	(879)	(898)
Share of net assets	**3,463**	**3,443**

The operating results for Local Partnerships LLP are shown below:

Profit and Loss Summary	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Revenue	9,805	9,238
Operating costs	(9,494)	(8,548)
Interest Receivable	15	23
Operating profit	326	713

Share of operating profit	**163**	**357**

9. INVESTMENTS IN JOINT VENTURES – GROUP (continued)

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 did not pay any dividends to either party. In 2017/18 Local Partnerships LLP repaid £130,000 of the 6% Convertible Loan Stock each to the Association and HM Treasury.

GEOPLACE LLP

Balance Sheet	**31 March 2018 £000**	**31 March 2017 £000**
Fixed Assets	-	-
Intangible Assets	70	88
Current Assets	1,501	1,276
Share of gross assets	1,571	1,364
Liabilities due within one year or less	(428)	(378)
Share of gross liabilities	(428)	(378)
Share of net assets	**1,143**	**986**

The operating results for GeoPlace LLP are shown below:

Profit and Loss Summary	**Year ended 31 March 2018 £000**	**Year ended 31 March 2017 £000**
Revenue	13,656	13,248
Operating costs	(5,736)	(6,577)
Interest Receivable and Payable	0	-
Operating profit	7,920	6,671

Share of operating profit	**1,980**	**1,668**

9. INVESTMENTS IN JOINT VENTURES – GROUP (continued)

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 2018.

LGA DIGITAL SERVICES

Balance Sheet	**31 March 2018 £000**	**31 March 2017 £000**
Fixed Assets	-	-
Intangible Assets	98	-
Current Assets	53	313
Share of gross assets	151	313
Liabilities due within one year or less	(151)	(313)
Share of gross liabilities	(151)	(313)
Share of net assets	**-**	**-**

The operating results for LGA Digital Services are shown below:

Profit and Loss Summary	**Year ended 31 March 2018 £000**	**Year ended 31 March 2017 £000**
Revenue	648	626
Operating costs	(648)	(626)
Operating profit	-	-
Share of operating profit	**-**	**-**

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 2017.

9. INVESTMENTS

Investment in UK Municipal Bonds Agency PLC (MBA)	**Year ended 31 March 2018 £000**	**Year ended 31 March 2017 £000**
Opening balance	500	500
Invested in year	-	-
Closing Value	**500**	**500**

LGA

Investment in Local Partnerships LLP	**Equity £000**	**Debt £000**	**Total £000**
Year ended 31 March 2017			
Opening balance	800	200	1,000
Repaid in year	-	(130)	(130)
Closing value	800	70	870
Year ended 31 March 2018			
Opening balance	800	70	870
Repaid in year	-	(70)	(70)
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

There has been a £6 million loan between the LGA and Local Government Management Board and a £9 million loan between LGA and Local Government Association (Properties) Ltd to finance the refurbishment of the buildings. These loans are due to mature in 20 years (2037) and interest is charge at 0.5% over the PWLB rates.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

11. DEBTORS

	CONSOLIDATED		ASSOCIATION	
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade debtors	5,127	4,385	987	1,460
Due from related entities	189	7	1,563	288
Loan due from LGA (Properties)	-	-	-	120
Other debtors	652	460	349	138
Prepayments and accrued income	1,640	1,266	725	371
	7,608	6,118	3,624	2,377

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	
	2018	2017	2018	2017
	£000	£000	£000	£000
Amounts falling due within one year				
Accounts payable and accruals	5,605	3,982	1,180	543
Income received in advance	3,375	3,735	784	601
Other creditors	1,673	1,697	800	891
Owed to related entities	-	-	459	372
	10,653	9,414	3,223	2,407
Amounts falling due beyond one year				
1 to 2 Years	200	270	200	270
2 to 5 years	1,761	1,840	212	280
More than 5 years	10,429	11,223	11,000	11,000
	12,390	13,333	11,412	11,550

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

13. CREDITORS (continued)

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 £211,724 representing the final two instalments of the support due for the District Councils Network.

Included within the consolidated amounts falling due beyond one year are the following loans to LGA Properties:

	2018 £000	2017 £000
Bank loans	3,120	3,640
Loan from ACC (Properties) Limited	2,000	2,000
Loan from AMA (Properties) Limited	6,200	6,200
Barclays Swap Liability	669	943
	11,989	**12,783**

The above Swap agreement liability is the value on the balance sheet as at 31 March 2018 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 Local Government House party 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 1 January 2017, a loan of £11m was issued from the IDeA bearing interest of 2.94% per annum. The loan is repayable on 31 December 2036.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

14. PROVISION FOR ORGANISATION RESTRUCTURING

	CONSOLIDATED		ASSOCIATION	
	2018	2017	2018	2017
	£000	£000	£000	£000
Balance at 1 April	468	468	-	22
Arising during year	283	222	-	-
Utilised during year	(468)	(468)	-	(22)
Balance at 31 March	283	222	-	-

The provision for the year to 31 March 2018 relates actual redundancy costs and provision has been set up to cover further cost of redundancies. There is no LGA provision for 2016/17 or 2017/18.

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 2018 as £1.621 million (2017 £1.652 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 2018. 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.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

15. PENSION COMMITMENTS (continued)

Investment returns

The investment returns on the funds used in calculating the year end assets were in the range 7.2% to 12.37% (2017, 1.2% to 12.37%).

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

	31 March 2018	31 March 2017
Equities	52.7% to 78.0%	53.6% to 78.0%
Bonds (HR)	11.0%	11.0%
Government Bonds (M)	3.6%	4.0%
Other Bonds (M)	12.4%	11.4%
Property	8.9% to 10.0%	7.8% to 9.0%
Cash	1.0% to 2.7%	2.0% to 3.4%
Other (M)	19.7%	19.8%

a) Actuarial assumptions

Full actuarial valuations were carried out at 31 March 2017 and updated to 31 March 2018 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 2018 % per annum	31 March 2017 % per annum
Pension increase rate	2.1% to 2.4%	2.3% to 2.4%
Salary increase rate	3.0% to 3.6%	3.0% to 3.8%
Discount rate	2.6% to 2.7%	2.5% to 2.6%
Inflation assumption	2.1% to 2.2%	2.3%

Mortality Rates*	31 March 2018 Years	31 March 2017 Years
Current Pensioners – Male	21.9 to 22	22 to 22.5
Current Pensioners – Female	24.1 to 24.7	21.9 to 24.1
Future Pensioners – Male	23.9 to 24.9	23.9 to 24.9
Future Pensioners – Female	26.1 to 27.7	24.9 to 26.1

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

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

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 2018 £000	Fair value at 31 March 2017 £000
Fair value of employer assets		
Equities	73,960	73,867
Bonds (HR)	-	-
Government Bonds (M)	5,052	5,512
Other Bonds (M)	17,402	15,711
Property	12,490	10,749
Cash	3,789	4,686
Other (M)	27,647	27,287
Total Market Value of Assets	140,340	137,812

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

Balance sheet	**31 March 2018 £000**	**31 March 2017 £000**
Fair value of employer assets	290,931	283,283
Present value of funded liabilities	(393,620)	(394,588)
Net underfunding in funded plans	(102,689)	(111,305)
Present value of unfunded liabilities	(12,811)	(13,686)
Net liability	(115,500)	(124,991)

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

15. PENSION COMMITMENTS (continued)

Recognition in the statement of Comprehensive Income	**Year to 31 March 2018 £000**	**Year to 31 March 2017 £000**
Current service cost	(1,099)	(603)
Interest cost	8,144	8,981
Expected return on employer assets	(9,452)	(9,826)
Administration expenses		37
Past service cost	-	-
Losses on curtailments and settlements	(2)	118
Total	**(2,049)**	**(1,293)**
Actual return on plan assets	**3,441**	**21,107**

Reconciliation of defined benefit obligation	**2018 £000**	**2017 £000**
Opening defined benefit obligation	408,274	318,805
Current service cost	5,651	3,409
Interest cost	10,383	11,026
Contribution by members	1,427	1,353
Actuarial (gains)/losses	(10,231)	84,027
Past service costs	2	32
Losses on curtailments	0	150
Estimated unfunded benefits paid	(583)	(606)
Estimated benefits paid	(8,492)	(9,922)
Closing defined benefit obligation	**406,431**	**408,274**

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

15. PENSION COMMITMENTS (continued)

Reconciliation of fair value of employer assets	2018 £000	2017 £000
Opening fair value of employer assets	283,283	224,054
Expected return on assets	7,213	7,781
Contributions by members	1,427	1,353
Contributions by the employer	6,130	5,257
Contributions in respect of unfunded benefits	891	606
Administrative Expenses	(38)	(37)
Actuarial (losses)/gains	1,408	54,797
Unfunded Benefits paid	(420)	(440)
Benefits paid	(8,963)	(10,088)
Closing fair value of employer assets	**290,931**	**283,283**

Amounts for the current and previous accounting periods

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Fair value of employer assets	290,931	283,283	224,054	226,675	202,130
Present value of defined benefit obligation	(406,431)	(408,274)	(318,805)	(339,535)	(294,067)
Deficit	**(115,500)**	**(124,991)**	**(94,751)**	**(112,860)**	**(91,937)**
Experience gains/(losses) on assets	1,408	(54,797)	(8,102)	6,224	977
Experience gains/(losses) on liabilities	-	-	-	1,451	(13,075)

The total of employer pension contributions estimated to be payable in 2018/19 is £6.311 million (£2.420 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.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

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 & Development Agency for Local Government (IDeA)

Local Government Management Board

Local Government Association (Properties) Ltd

LGA Commercial Services Ltd (incorporated on 02 October 2017) – 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 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 are being 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 & 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 2017/18 there were no exceptional items to report.

19. POST BALANCE SHEET EVENTS

On 1 May 2018, LGAM Limited, a Mutual company limited by guarantee was incorporated to provide an alternative to the existing insurance market for local authorities. The guarantee is currently held 100% by LGA unlimited as Founding Member. Other Founding Member authorities will be able to formally join in the coming months. LGAM is expected to be run independently of the LGA Group and it is not anticipated that its results will be consolidated.

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

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

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2018

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.

IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT

(a UK Registered company limited by guarantee)

Company Registration No. 3675577

Report and Financial Statements

for the Year ended 31 March 2018

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IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
(a company limited by guarantee)

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Cllr Paul Bettison OBE (Chairman)	(appointed 1 September 2017)
Lord Porter of Spalding CBE	
Cllr David Simmonds CBE	
Mayor Sir Stephen Bullock	
Cllr Howard Sykes MBE	(appointed 10 July 2017)
Cllr Marianne Overton MBE	
Richard Priestman	
Philip Sellwood	
Cllr David Hodge	(resigned 4 April 2017)
Cllr Gerald Vernon Jackson	(resigned 8 July 2017)
Cllr John Nunn	(resigned 29 August 2017)

SECRETARY

Dennis Skinner

REGISTERED OFFICE

Local Government House
Smith Square
London
SW1P 3HZ

BANKERS

Barclays
UK Banking
1 Churchill Place
London
E14 5HP

STATUTORY AUDITOR

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

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 March 2018.

Principal activities

The Improvement and Development Agency for Local Government (IDeA) supports improvement and innovation in local government, helping councils take responsibility for their own performance and improvement.

As local government's improvement agency, IDeA provides core services which focus on helping councils work with and learn from each other. The main ways we provide improvement support are through:

- a programme of peer challenges, ensuring we have high quality peers on board, particularly leaders and chief executives;
- support to individual councils and groups of councils, especially councils with the most severe performance challenges;
- leadership development programmes to councillors and managers;
- programmes which support councils in improving their productivity and efficiency; and
- web-based services so councils can learn from each other and share information on efficiency and innovation.

A year in focus

Over the last few years, local government has had to deal with a greater reduction in funding than any other part of the public sector. Councils have worked hard to shield residents from the impact of funding cuts but efficiencies cannot be re-made.

Our improvement work has been widely used by councils, helping to share innovation and best practice across local government. The IDeA plays a critical role in ensuring the performance of councils, addressing those at risk of underperformance, driving improvement across the sector, supporting councils through significant changes, and supporting strong local leadership. This approach, helping to co-ordinate improvement work on behalf of councils, has enabled them to deliver millions of pounds of savings.

Our approach is based on four key principles:

- councils are responsible for their own performance;
- councils are primarily accountable to their local communities;
- stronger local accountability and increased transparency drive improvement; and
- councils have collective responsibility for the performance of local government as a whole.

The role of the IDeA is to maintain an overview of the performance of the sector and to provide tools and support to help councils.

Over the last year, the IDeA has supported local authorities by:

- delivering peer challenges in 113 local authorities plus the Broads authority national park and West Midlands CA, securing 2,300 days from member and officer peers working in councils to support the peer challenge process;

DIRECTORS' REPORT

- providing leadership training for 798 councillors (in England);
- providing support to 25 councils with total projected savings/income generation of £39.9m through the Productivity Experts Programme;
- providing councils localised data through our LG Inform system, helping them to better understand their local communities and providing them with data to help better plan services. This year we launched LG Inform (VfM) to help users understand the costs of delivering local services, and to get an overview of comparative spend and performance over time and relative to others;
- supporting a further 110 councils to transform their workforces and modernise the way they are managed;
- delivering support to Health and Wellbeing Boards (HWBs) with a further eight bespoke projects delivered – 22 in total for 2017/18 and a programme of development and network events; and
- delivering nine integration workshops with the NHS Confederation to help areas assess their readiness for the integration of care and health services.

The Planning Advisory Service supported every council at risk of designation and those without local plans. We also promoted value for money and productive planning departments.

A major expansion of the One Public Estate programme (OPE) programme has been undertaken bringing the total number of councils supported to 318.

Looking ahead

Our improvement offer to councils will keep spreading good practice. We will continue to work with councils and Government to develop our offer and to secure the funding necessary to underpin our extensive programme of support to councils.

An increasing number of councils are looking for support around children's services and following intensive discussions the Department for Education (DfE) have announced £2 million funding to improve leadership in children's social care services.

The importance of cyber security was highlighted during the year by the increasing frequency and capability of cyber attacks. As part of our ongoing work with the Cabinet Office we have been awarded £1.5 million to help improve and enhance councils' cyber security systems.

Lord Porter of Spalding CBE

7 June 2018

STRATEGIC REPORT

Principal Activities

The IDeA is wholly controlled by the Local Government Association and was incorporated on 27 November 1998. The Company commenced trading on 1 April 1999, taking over some of the trading activities of the Local Government Management Board.

Since 2016/17 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, all three of which are subsidiaries of the LGA.

The shared objective of the LGA, the IDeA and the LGA's other 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 IDeA with significant progress on all the priorities agreed by the IDeA Board. These priorities were firmly based on the most important issues for local government. 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.

We have delivered a satisfactory financial outcome in 2017/18. From 1 April 2016, the Company became the recipient of Direct Government Grant from the Ministry for Housing, Communities and Local Government ("MHCLG Grant") to pay for improvement services to councils, replacing Revenue Support Grant. Our income from the MHCLG Grant and other income including grants has reduced by approx. 2% as compared with the previous year, and we kept costs down at the same time as continuing to deliver on our key priorities and deliver direct support to councils. The IDeA continued to make a significant payment towards its pension fund deficit.

Future Developments

As with many other parts of the public sector, we face a number of financial challenges and are taking steps to ensure that 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.

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 councils, ensuring we have effective governance arrangements and financial sustainability, and ensuring 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.

STRATEGIC REPORT

The principal liability of the IDeA other than those arising in ordinary day to day business relates to the pension deficit. The valuation of the IDeA's pension deficit was £82.483 million at 31 March 2018, a decrease of £4.130 million from last year. In order to pay off the pension deficit and liabilities for past employees, we are currently making additional contributions of circa £2.5 million per annum (increasing yearly by 0.4%). Actuarial advice indicates that on reasonable long term assumptions, these contributions will be sufficient to eliminate the deficit over a period of 15 years. The LGA's Leadership Board has commissioned further work to investigate ways in which the management of the pension deficit including the IDeA's pension deficit can be improved and has agreed to the refurbishment of Layden House from 2017 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 jointly owned company with Brent Council, by Brent ICT team. Other services are procured from a range of external providers through competitive tendering arrangements in line with our formal procurement procedures.

Credit risk

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

Liquidity risk

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

Cash flow risk

We have both interest-bearing assets and liabilities. Subject to our liquidity requirements, which are assessed on a weekly basis, surplus funds are deposited in accordance with the Approved Investment Strategy as agreed by the LGA'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 IDeA Board. In addition we have reviewed our own efficiency and effectiveness through a number of key indicators.

The LGA regularly surveys member authorities. As part of the 2017/18 perceptions survey respondents were asked about our improvement support. 96% of leaders and 95% of chief executives responding to the survey said the improvement support had a positive impact on their authority.

We review our financial sustainability by carefully controlling our staff costs. Over the last two years employee numbers have risen from 157 employees in the year ended March 2017 to 163 employees in the year ended 31 March 2018. The small increase is in support of our improvement offer to Local Government. We continue to monitor employee absence through implementation of better recording methods (self-service) for staff and although this has risen from an average annual number of sick days per employee of 2.1 days in March 2017 to 3.3 days in March 2018 but 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 7 per cent of the total debtors at March 2018 (4 per cent March 2017).

STRATEGIC REPORT

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
- 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 4 to the financial statements on page 19-20.

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

The IDeA has not made any charitable donations over £2,000 or any political donations or incurred any political expenditure during the year.

Post Balance Sheet Events

There were no post balance sheet events.

Dividends

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

Directors

The names of the directors who served throughout the year and since the year end are set out on page 2.

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 they 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

A tendering process is in progress in relation to the appointment of the role of Statutory Auditor. A resolution for the appointment of the auditors of the Company is to be proposed at a forthcoming Board Meeting.

Approved by the Board of Directors and signed on behalf of the Board.

Lord Porter of Spalding CBE

Director
7 June 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
Year ended 31 March 2018

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (FRS 102).

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT

Opinion

We have audited the financial statements of the Improvement and Development Agency for Local Government Limited (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Alastair Duke (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

Date:

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2018

	Note	2018 £000	2017 £000
Income	2	36,836	34,610
Administrative expenses		(37,608)	(33,167)
OPERATING (DEFICIT) / SURPLUS	5	(772)	1,443
Share of joint ventures' distribution to members	7	1,625	1,375
Interest receivable and similar income		348	175
SURPLUS FOR THE YEAR		**1,201**	**2,993**
Other Comprehensive Income			
Actuarial gain/(loss) recognised in respect of the pension fund		5,496	(27,375)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6	**6,697**	**(24,382)**

All amounts relate to continuing operations.

The accounting policies and notes on pages 16 to 26 form part of these financial statements.

IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
(a company limited by guarantee)

BALANCE SHEET
As at 31 March 2018

Company Registration No. 3675577

	Note	2018 £000	2017 £000
INTANGIBLE ASSETS			
Intellectual Copyright Assets		1	1
LONG TERM DEBTORS			
Loans to Group companies	9	11,000	11,000
CURRENT ASSETS			
Debtors	8	5,696	4,230
Short term Investments	10	9,221	7,925
Cash at bank and in hand	13	10	10
		14,92	12,165
CREDITORS: amounts falling due within one year	11	(5,871	(5,736)
NET CURRENT ASSETS		9,05	6,429
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,05**	**17,430**
CREDITORS: amounts falling due after more than one year	12	(101	(102)
PROVISIONS FOR LIABILITIES			
Pension fund deficit	15	(82,483)	(86,613)
Restructuring Provision	14	(283)	(222)
		(82,766)	(86,835)
TOTAL NET LIABILITIES		**(62,810**	**(69,507)**
ACCUMULATED FUNDS			
General Reserve		13,458	13,458
Risk and Contingency Reserve		6,215	3,648
Pension deficit Reserve			
- Pensions Fund Assets		150,591	145,471
- less Defined Liabilities		(233,074)	(232,084)
		(62,810)	**(69,507)**

These financial statements were approved by the Board of Directors on 07 June 2018

Signed on behalf of the Board of Directors

Lord Porter of Spalding CBE

Director

The accounting policies and notes on pages 16 to 26 form part of these financial statements.

IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
(a company limited by guarantee)

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2018

	Risk & Contingency Reserve £000	Pensions Deficit Reserve £000	General Reserve £000	Total £000
Balance at 1 April 2016	1,126	(59,709)	13,458	(45,125)
Changes in equity for 2016/17				
Surplus for the year	-	-	2,993	2,993
Pensions Adjustments in Statement of Consolidated income	-	471	(471)	-
Actuarial gains/loss on defined benefit plans	-	(27,375)	-	(27,375)
Total comprehensive income for the year	-	(26,904)	2,522	(24,382)
Transfer to Risk and Contingency Reserve	2,522	-	(2,522)	-
Balance as at 31 March 2017	3,648	(86,613)	13,458	(69,507)
Balance at 1 April 2017	3,648	(86,613)	13,458	(69,507)
Changes in equity for 2017/18				
Surplus for the year	-	-	1,201	1,201
Pensions Adjustments in Statement of Consolidated income	-	(1,366)	1,366	-
Actuarial gains/loss on defined benefit plans	-	5,496	-	5,496
Total comprehensive income for the year	-	4,130	2,567	6,697
Transfer to Risk and Contingency Reserve	2,567	-	(2,567)	-
Balance as at 31 March 2018	6,215	(82,483)	13,458	(62,810)

STATEMENT OF CASH FLOWS
Year ended 31 March 2018

	Note	2018 £000	2017 £000
Net cash inflow from operating activities			
Surplus		1,201	2,993
Adjustments for:			
Investment and dividend income		(1,649)	(1,471)
FRS102 Pension Service Costs		1,366	(471)
Increase in debtors		(1,466)	(559)
Decrease/(Increase) in long term debtors		-	(11,000)
Increase/(Decrease) in creditors		135	(1,245)
Increase/(Decrease) in provisions		61	(224)
Decrease in creditors due after one year		(2)	60
Net cash generated from operating activities		(354)	(11,917)
Cash flow from investing activities			
Interest received		24	96
Distribution from Joint Venture		1,625	1,375
		1,649	1,471
Net Increase / (Decrease) in cash		1,296	(10,446)
Cash and cash equivalents at the start of the year		7,935	18,381
Cash and cash equivalents at the end of the year		9,231	7,935

The accounting policies and notes on pages 16 to 26 form part of these financial statements.

NOTES TO THE ACCOUNTS
Year ended 31 March 2018

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Subsidiary Undertaking

The Company has one subsidiary, Public Sector Audit Appointments Ltd. Consolidated accounts are not prepared as the Company is itself a subsidiary of the Local Government Association, for which consolidated accounts are prepared. The Company's place of business is Local Government House, 18 Smith Square, London SW1P 3HZ.

The accounts for Public Sector Audit Appointments Limited (PSAA) are not consolidated into these statements or the LGA Consolidated Accounts because neither entity exercises or has the ability to exercise control over PSAA and are not in a position to benefit from its results and financial performance.

Going Concern

The Company has net liabilities, after accounting for the defined benefit pension scheme deficits of £82.483 million as at 31 March 2018. This position includes an actuarial estimate of the pension liabilities at the balance sheet date. The Company pays amounts into the scheme, as prescribed by the actuaries (note 15), in order to eliminate this deficit over a maximum of 15 years. The unfunded pension deficits are being repaid over the remaining lives of the pensioners concerned as detailed in note 15.

The Company receives grant funding from the Ministry for Housing, Communities and Local Government (MHCLG) (replacing Revenue Support Grant (RSG) top-slice funding with effect from 1 April 2016). This funding is received on behalf of the Local Government Association and its related bodies. The level of funding has been formally determined by parliament for the year to 31 March 2018. Funding for the Company's principal grant-funded programmes has also been agreed by the funders. This secures the majority of the Company's income for the foreseeable future and the Directors have therefore adopted the going concern basis for the preparation of these accounts.

Investments

Investments are recognised at the lower of cost and net realisable value.

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 account when the conditions for receipt have been complied with. Deferred grant income at the year end is included in creditors. The Company receives MHCLG Grant which is recognised in the Income and Expenditure account on receipt and Specific Grant which is recognised in the accounts in the period the related activities occur.

NOTES TO THE ACCOUNTS
Year ended 31 March 2018

1. ACCOUNTING POLICIES (CONTINUED)

Debtors

The policy of the Company 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 debt due from related entities, where the policy is not to make provision. Old debt is periodically reviewed for write-off.

Employee benefits

The IDEA provides a range of benefits to employees, including paid holiday arrangements and the Local Government Pension Scheme defined benefit plan.

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

(ii) LGPS Pension costs:

New employees are entitled to membership of the London Borough of Camden Council defined benefit pension scheme. Under the defined benefit plan, 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 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 profit and loss account 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 has been 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 IDeA's medium term plans (such as increased pension deficit payments). Contributions to or from this reserve will be identified so that the IDeA budget for each year of the plan is balanced.

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.

NOTES TO THE ACCOUNTS
Year ended 31 March 2018

2. INCOME

	2018 £000	2017 £000
Government grants	31,696	30,237
Subscriptions	1,224	1,270
Services recharged	3,312	2,384
Other income	604	719
	36,836	**34,610**

From 1 April 2016, the Company became the recipient of MHCLG (formerly DCLG) Grant income replacing Revenue Support Grant. Of the £21.000 million MHCLG Grant received in 2017/18 (£21.400 million 2016/17), £3.167 million (£3.350 million) was paid to those other bodies under arrangements agreed as part of the Business Plan for the Local Government Association and its related bodies.

3. DIRECTORS' EMOLUMENTS

The directors received emoluments during the year in respect of their services to the Company as follows.

	2018 £000	2017 £000
Total emoluments	100	98
Emolument of the chairman and highest paid director	8	7

No director is an active member of the pension scheme (2017: nil), nor did any director receive assets or money under any long term incentive scheme.

All directors have been transferred to the LGA payroll since 2013. The balance is recharged from LGA and is in relation to the ring-fenced pensions activity - advice and conferences on pensions that is allocated to the relevant cost centres and Negotiations as this is where the budget sits to pay for these costs.

4. STAFF INFORMATION

Staff information for the Company is as follows:

	2018	2017
	No.	No.
Average number of persons employed		
Administration	163	157
	£000	£000
Staff costs during the year		
Wages and salaries	8,991	8,574
Social security costs	1,041	1,009
Pension costs – cash payable by employer	1,664	1,465
Pension deficit payments	2,430	3,076
Pension costs – current service costs less contributions	(875)	(2,548)
Less income from secondments	(375)	(441)
	12,876	11,135
Staff Related Costs		
Agency, freelance and secondment costs	794	704
Redundancy payments and provision	153	(35)
Travel, subsistence and staff expenses	734	739
Recruitment costs	54	86
Training costs	19	23
Other personnel costs	25	15
	1,779	1,532
Total	**14,655**	**12,667**

NOTES TO THE ACCOUNTS
Year ended 31 March 2018

STAFF INFORMATION (CONTINUED)

The numbers of the Company's other staff receiving remuneration of £50,000 or more were as follows:

	2018	2018	2017	2017
	Salaries + Redundancy Costs	**Salaries Only**	**Salaries + Redundancy Costs**	**Salaries Only**
£50,000 - £54,999	4	4	3	3
£55,000 - £59,999	5	5	7	7
£60,000 - £64,999	9	9	14	13
£65,000 - £69,999	10	10	13	13
£70,000 - £74,999	26	26	17	17
£75,000 - £79,999	4	4	5	5
£80,000 - £84,999	2	2	1	1
£85,000 - £89,999	-	-	-	-
£90,000 - £94,999	-	-	-	-
£95,000 - £99,999	3	3	5	5
£100,000 - £104,999	4	4	4	4
£105,000 - £109,999	2	2	1	1
£110,000 - £114,999	-	-	-	-
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	2	2	-	-

5. OPERATING SURPLUS

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Operating surplus is after charging:		
Auditors' remuneration		
- audit fee	15	15
- non audit services	3	3

6. TAXATION

The Improvement and Development Agency for Local Government 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. INVESTMENTS

Geoplace LLP

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

NOTES TO THE ACCOUNTS
Year ended 31 March 2018

7. INVESTMENTS (CONTINUED)

Association, for the formation of a new joint venture, the limited liability partnership GeoPlace LLP. Ordnance Survey and IDeA each contributed £1 by way of equity capital. 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 2018. The company received a dividend of £1,625m in 2017/18 (£1,375m in 2016/17).

Public Sector Audit Appointments Ltd

The company is a wholly owned subsidiary and in normal circumstances would be consolidated. The board has approved that IDeA does not consolidate PSAA's numbers into its accounts for the following reasons:

- The LGA/IDeA do not control the entity - the IDeA appointed the first director, the rest have been down to the company itself.
- The Group is not able to share in assets or profits of the company, and surplus funds at the end of the arrangement with MHCLG must be returned to the clients, as outlined in the memorandum of understanding.
- To enable the LGA/IDeA statements to show a true and fair view, in particular adding an expected £54.5 million to both income and expenditure which would give the impression that the group and IDeA are much larger organisations than they really are.

8. DEBTORS

	2018 £000	**2017 £000**
Trade debtors	4,275	2,906
Due from related entities	414	388
Other debtors	257	176
Prepayments and accrued income	750	760
	5,696	**4,230**

9. LONG TERM DEBTORS

	2018 £000	**2017 £000**
Loan to related party - LGA	11,000	11,000
	11,000	**11,000**

On 1 January 2017, a loan of £11m was issued to LGA bearing interest of 2.94% per annum. The Loan is repayable on 31 December 2036.

NOTES TO THE ACCOUNTS
Year ended 31 March 2018

10. SHORT TERM INVESTMENTS

Surplus cash balances held by the Company, the companies it controls and related parties are pooled and lent to financial institutions on the Company's approved counterparty list. Investments are typically for periods not exceeding twelve months and as such the loan amount is a reasonable assessment of fair value. The counterparty list is currently restricted to financial institutions that meet agreed credit ratings criteria and subject to the cash limits (per counterparty) as shown in the Company's Investment Strategy. The Company's Investment Strategy strictly applies credit limits for all financial institutions on the approved counterparty list to ensure that investments are diversified. No credit limits were exceeded during the year and the Company does not expect any losses on short term investments.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000	2017 £000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors and accruals	2,501	2,200
Income received in advance	2,490	3,028
Other Creditors	516	473
Owed to related entities	364	35
	5,871	**5,736**

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

	2018 £000	2017 £000
Deferred Income	101	102

13. NOTES TO THE STATEMENTS OF CASH FLOWS

Cash and Cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	10	10
Short Term Investments	9,221	7,925
	9,231	7,935

14. PROVISIONS FOR LIABILITIES

	2018 £000	2017 £000
Balance at 1 April	222	446
Arising during year	283	222
Utilised during year	(222)	(446)
Balance at 31 March	283	222

NOTES TO THE ACCOUNTS
Year ended 31 March 2018

14. PROVISIONS FOR LIABILITIES (CONTINUED)

The provision as at 31 March 2018 relates entirely to redundancy costs and pensions settlement. The LGA Group has undertaken further restructuring of its organisation in order to streamline its processes and deal with a significant reduction in funding. This provision has been set up to cover the further cost of voluntary redundancies which have been agreed with members of staff.

15. PENSION COMMITMENTS

Employees of the Improvement and Development Agency for Local Government may participate in the London Borough of Camden Pension fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The fund is administered by the Borough Council in accordance with the Local Government Pension Scheme Regulations 1997.

The most recent formal actuarial reviews in relation to the funds were at 31 March 2018. 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, Hymans Robertson for the Camden funds are stated below. The next Triennial valuation as at 31 March 2019 will take place during the Financial Year 2019-20.

The projected unit method of valuation was used to calculate the service costs in accordance with FRS 102.

Investment returns

The return on the Fund in market value terms for the year to 31 March 2018 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary.

Actual return for period from 1 April 2016 to 31 December 2017	7.5%
Estimated return for period from 1 April 2016 to 31 March 2018	3.6%

Major categories of plan assets as a percentage of total plan assets

	At year end 31 March 2018	**At year end 31 March 2017**
	% **p.a.**	% **p.a.**
Equities	78%	78%
Bonds	11%	11%
Property	10%	9%
Cash	1%	2%

NOTES TO THE ACCOUNTS
Year ended 31 March 2018

15. PENSION COMMITMENTS (CONTINUED)

a) Actuarial assumptions

The assumptions used by the actuary were:

	At year end 31 March 2018	At year end 31 March 2017
	% p.a.	% p.a.
Inflation/pension increase rate	2.4%	2.4%
Salary increase rate	3.0%	3.0%
Discount rate	2.7%	2.6%
Expected return on assets		
Mortality Rates*	Years	Years
Current Pensioners – Male	22.0	22.0
Current Pensioners – Female	24.1	24.1
Future Pensioners – Male	23.9	23.9
Future Pensioners – Female	26.1	26.1

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

Balance sheet	**31 March 2018**	**31 March 2017**
	£000	**£000**
Fair value of employer assets	150,591	145,471
Present value of funded liabilities	(225,863)	(224,444)
Net underfunding in funded plans	(75,272)	(78,973)
Present value of unfunded liabilities	(7,211)	(7,640)
Net liability	(82,483)	(86,613)

Recognition in the Statement of Comprehensive Income

	Year to 31 March 2018	**Year to 31 March 2017**
	£000	**£000**
Current service cost	(3,375)	(2,006)
Interest income on plan assets	3,779	4,228
Interest cost on defined benefit obligation	(6,018)	(6,273)
Past service cost/(gain)	(2)	(32)
Total	**(5,616)**	**(4,083)**

	2018	**2017**
	£000	**£000**
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	232,084	180,627
Current service cost	3,375	2,006
Interest cost	6,018	6,273
Contribution by members	786	737
Actuarial losses/(gains)	(4,096)	47,751
Past service cost/(gains)	2	32
Estimated unfunded benefits paid	(420)	(440)
Estimated benefits paid	(4,675)	(4,902)

Closing defined benefit obligation	**233,074**	**232,084**

NOTES TO THE ACCOUNTS
Year ended 31 March 2018

15. PENSION COMMITMENTS (CONTINUED)

	2018 £000	**2017 £000**
Reconciliation of fair value of employer assets		
Opening fair value of employer assets	145,471	120,918
Expected return on assets	3,779	4,228
Contributions by members	786	737
Contributions by the employer	3,830	4,114
Contributions in respect of unfunded benefits	420	440
Actuarial gains/(losses)	1,400	20,376
Unfunded benefits paid	(420)	(440)
Benefits paid	(4,675)	(4,902)
Closing fair value of employer assets	**150,591**	**145,471**

AMOUNTS FOR THE CURRENT AND PREVIOUS ACCOUNTING PERIODS

	Year to 31 March 2018 £000	**Year to 31 March 2017 £000**	**Year to 31 March 2016 £000**	**Year to 31 March 2015 £000**	**Year to 31 March 2014 £000**
Fair value of employer assets	150,591	145,471	120,918	120,794	107,992
Present value of defined benefit obligation	(233,074)	(232,084)	(180,627)	(196,150)	(166,170)
Surplus /(deficit)	**(82,483)**	**(86,613)**	**(59,709)**	**(75,356)**	**(58,178)**
Experience gains/(losses) on assets	1,400	20,375	(5,399)	4,230	7,925
Experience gains/(losses) on liabilities	-	-	-	1,451	140

The estimated employer’s contributions for the year to 31 March 2019 is £3.891 million.

16. CONTROLLING ENTITY

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

NOTES TO THE ACCOUNTS
Year ended 31 March 2018

17. RELATED PARTIES

The Company had the following transactions with related parties:

	Value of related party transactions in year 2018 exp / (inc) £000	Outstanding balance at 31 March 2018 dr / (cr) £000	Value of related party transactions in year 2017 exp / (inc) £000	Outstanding balance at 31 March 2017 dr / (cr) £000
Local Government Association (LGA)	5,249	11,172	(5,869)	11,374
Local Government Association Properties (LGAP)	419	-	240	-
Local Government Management Board (LGMB)	394	(134)	234	(27)
Local Partnerships	1,113	11	1,292	5
Public Sector Audit Appointments Limited (PSAA)	-	-	-	-
Geoplace LLP	(1,625)	-	(1,375)	-

All companies are controlled by the LGA entity. The transactions between these companies are a result of the shared service costs, property rental charges, MHCLG Grant shared funding transfers and other day to day activity recharges.

18. POST BALANCE SHEET EVENTS

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

19. CONTINGENT LIABILITIES

In 2006, the Company placed funds on deposit in an Escrow account to provide security for the performance by C-NLIS of its obligations to the London Borough of Camden pension scheme as an admitted body. We have agreed with Camden Pension Fund the option of the IDeA providing the pension fund guarantee without recourse to the escrow account. The accounts for the Company now include £375,154 funds that were on deposit as an asset of the Company within the Cash and Investment assets of the Company. This is subject to a contingent liability in the event that it becomes necessary for a call on the guarantee to be made.

LGA COMMERCIAL SERVICES LIMITED

Company Registration No. 10990595

Report and Financial Statements

for the period from 2 October 2017

to 31 March 2018

REPORT AND FINANCIAL STATEMENTS 2018

CONTENTS

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Mayor Sir Stephen Bullock (Chairman)	Appointed 2 October 2017
Councillor David Neighbour	Appointed 2 October 2017
Councillor Peter Fleming	Appointed 2 October 2017
Councillor Clarence Barrett	Appointed 2 October 2017
Sarah Pickup, LGA Deputy Chief Executive	Appointed 2 October 2017

SECRETARY

Vitaly Voytenko	Appointed 2 October 2017

REGISTERED OFFICE

18 Smith Square
London
SW1P 3HZ

BANKERS

Barclays
UK Banking
1 Churchill Place
London
E14 5HP

STATUTORY AUDITOR

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

DIRECTORS' REPORT

The directors present their report and audited financial statements for the period ended 31 March 2018.

Principal activities

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

The Company is wholly owned by the Local Government Association.

Business review

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

Future Developments

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

Principal risks and uncertainties

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

Employees

The Company has no employees.

Political and charitable contributions

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

Dividends

No dividends are recommended for the current period.

Provision of information to Auditors

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

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

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

Auditors

A tendering process is in progress in relation to the appointment of the role of Statutory Auditor. A resolution for the appointment of the auditors of the Company is to be proposed at a forthcoming Board Meeting.

Status of this Directors' Report

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

Approved by the Board of Directors on XX June 2018

Councillor XXXXXXXXXXXX
Signed on behalf of the Board of Directors

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 “The Financial Reporting Standard Applicable in the UK and Republic of Ireland” (FRS 102).

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

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

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

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

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

Opinion

We have audited the financial statements of LGA Commercial Services Limited (the ‘company’) for the period ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 March 2018 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Alastair Duke (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP

1 Westferry Circus
Canary Wharf

Statutory Auditor
Date:

London E14 4HD

STATEMENT OF COMPREHENSIVE INCOME PERIOD ENDED 31 MARCH 2018

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

All amounts relate to continuing operations.

There was no Other Comprehensive Income received in the Financial Period.

The accounting policies and notes on pages 11 to 13 form part of these financial statements.

LGA COMMERCIAL SERVICES LIMITED
Company Number 10990595

BALANCE SHEET
AS AT 31 MARCH 2018

Company Registration No. 10990595

	Note	2018 £000
CREDITORS: amounts falling due within one year	8	(424)
NET CURRENT LIABILITIES		(424)
TOTAL ASSETS LESS CURRENT LIABILITIES		(424)
TOTAL NET ASSETS		**(424)**
ACCUMULATED FUNDS		
General Reserve		(424)
		(424)

These financial statements were approved by the Board of Directors on XX June 2018

Councillor XXXXXXXXXXXXXX

Signed on behalf of the Board of Directors

The accounting policies and notes on pages 11 to 13 form part of these financial statements.

LGA COMMERCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY
Period ended 31 March 2018

	Retained Earnings £000	Other Reserves £000	Total £000
Balance at 2nd October 2017 (on incorporation)	-	-	-
Changes in equity for 2017/18			
(Deficit) / Surplus for the period	(424)	-	(424)
Gain on revaluation of investments	-	-	-
Total comprehensive income for the period	(424)	-	(424)
Balance as at 31st March 2017	**(424)**	**-**	**(424)**

STATEMENT OF CASH FLOWS
Period ended 31 March 2018

	Note	02 Oct 2017 to 31 Mar 2018 £000
Cash flow from operating activities		
Operating Surplus		(424)
Adjustments for:		
Increase/(decrease) in creditors		424
Cash generated from operations		-
Interest paid		-
Net cash (used)/generated from operating activities		-
Net (Decrease)/Increase in cash		-
Cash and cash equivalents at start of the period		**-**
Cash and cash equivalents at the end of the period		**-**

The accounting policies and notes on pages 11 to 12 form part of these financial statements.

NOTES TO THE ACCOUNTS
Period Ended 31 March 2018

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Income

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

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider that the going concern basis is appropriate because the Local Government Association and the related entities from which the Company's income derives have agreed budgets and financial plans which will ensure under present arrangements that the Company recovers the full costs of its operations. During 2018/19 the company may not fully recover in-year costs as a result of reduced income while the investment in the joint venture establishes its business. These net costs will be recovered in subsequent years via income from the joint venture.

2. INCOME

The Company had no turnover in the period.

3. DIRECTORS' EMOLUMENTS

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

4. STAFF INFORMATION

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

5. OPERATING DEFICIT

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

NOTES TO THE ACCOUNTS
Period Ended 31 March 2018

6. INTEREST PAYABLE

	2 Oct 2017 to 31 Mar 2018 £000
Local Government Association intercompany funding	-
	-

7. TAXATION

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

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000
Accounts payable and accruals	190
Other creditors	-
Owed to Related Companies	234
	424

9. CONTROLLING ENTITY

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

10. CAPITAL AND OTHER COMMITMENTS

	2018 Number
Share Capital:	
Number of Ordinary Shares Issued	1

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

11. RELATED PARTIES

The Company had the following transactions with related parties:

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

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

12. POST BALANCE SHEET EVENTS

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

THE LOCAL GOVERNMENT MANAGEMENT BOARD

(a UK Registered company limited by guarantee)

Company Registration No. 2553768

Report and Financial Statements

for the year ended 31 March 2018

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS 2018

CONTENTS

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Councillor Ian Swithenbank CBE (Chairman)	
Councillor David Neighbour	
Councillor Nicholas Chard	
Councillor Graham Whitham	(Resigned 15 August 2017)
Councillor Clarence Barrett	(Appointed 15 August 2017)
Sarah Pickup, LGA Deputy Chief Executive	

SECRETARY

Claire Holloway

REGISTERED OFFICE

18 Smith Square
London
SW1P 3HZ

BANKERS

Barclays
UK Banking
1 Churchill Place
London
E14 5HP

STATUTORY AUDITORS

PKF Littlejohn LLP
1 West ferry Circus
Canary Wharf
London
E14 4HD

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 March 2018.

Principal activities

The Local Government Management Board is a company limited by guarantee. It owns property at Layden House, Turnmill Street, London EC1.

Business review

The Company's principal business is the rental of its property to third party tenants.

Future Developments

Following a detailed options appraisal, the board has agreed to the refurbishment of Layden House from 2017 in order to increase both the capital value of the building and its income base. The building was vacant of tenants as at 1 April 2016. From October 2016 until October 2017 the entities controlled by the Local Government Association then temporarily decanted over from 18 Smith Square whilst it was being refurbished. The redevelopment project for Layden House commenced in the autumn of 2017.

Principal risks and uncertainties

The principal risk currently faced by the Company is that its income depends on the successful marketing of its property to good quality tenants. It is therefore exposed to fluctuations in the commercial property market.

The planned refurbishment of Layden House is also subject to risks relating to the eventual marketability of the building and the costs of refurbishment. These risks will be closely managed through the continuous review of the viability of the refurbishment.

Employees

The company has no employees.

Political and charitable contributions

The Company made no political or charitable donations and incurred no political expenditure during the year.

Dividends

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

DIRECTORS' REPORT

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 s418 of the Companies Act 2006.

Auditors

A tendering process is in progress in relation to the appointment of the role of Statutory Auditor. A resolution for the appointment of the auditors of the Company is to be proposed at a forthcoming Board Meeting.

Status of this Directors' Report

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

Approved by the Board of Directors on XX June 2018

Councillor Ian Swithenbank

Signed on behalf of the Board of Directors

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LOCAL GOVERNMENT MANAGEMENT BOARD

Opinion

We have audited the financial statements of the Local Government Management Board (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Alastair Duke (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

Date:

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2018

	Note	2018 £000	2017 £000
Income	2	547	394
Administrative expenses		(1,312)	(1,153)
OPERATING (DEFICIT)/SURPLUS BEFORE INTEREST AND TAX	5	**(765)**	**(759)**
Interest receivable		5	1
Interest payable	6	(194)	(102)
OPERATING (DEFICIT)/SURPLUS BEFORE TAX		**(954)**	**(860)**
Corporation Tax		(72)	-
OPERATING (DEFICIT)/SURPLUS AFTER TAX		**(1,026)**	**(860)**
Gain on revaluation of investment property	8	7,879	2,024
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,853**	**1,164**

All amounts relate to continuing operations.

There was no Other Comprehensive Income received in either Financial Year.

The accounting policies and notes on pages 12 to 15 form part of these financial statements.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

BALANCE SHEET
As at 31 March 2018 **Company Registration No. 2553768**

	Note	2018 £000	2017 £000
FIXED ASSETS			
Investment property	8	36,750	28,175
		36,750	28,175
CURRENT ASSETS			
Debtors	9	145	203
Short term investments	11	951	2,427
Cash at bank and in hand		10	10
		1,106	2,640
CREDITORS: amounts falling due within one year	0	(402)	(214)
NET CURRENT ASSETS		704	2,426
TOTAL ASSETS LESS CURRENT LIABILITIES		37,454	30,601
CREDITORS: amounts falling due after more than one year	13	(6,000)	(6,000)
TOTAL NET ASSETS		31,454	24,601
ACCUMULATED FUNDS			
General Reserve		1,882	2,908
Revaluation Reserve		29,572	21,693
		31,454	24,601

These financial statements were approved by the Board of Directors on XX June 2018.

Councillor Ian Swithenbank

Signed on behalf of the Board of Directors

The accounting policies and notes on pages 12 to 15 form part of these financial statements.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2018

	Retained Earnings £000	Revaluation Reserve £000	Total £000
Balance at 1st April 2016	**3,768**	**19,669**	**23,437**
Changes in equity for 2016/17			
Deficit for the year	(860)	-	(860)
Gain on revaluation of property	-	2,024	2,024
Total comprehensive income for the year	(860)	2,024	1,164
Balance as at 31st March 2017	**2,908**	**21,693**	**24,601**
Balance at 1st April 2017	**2,908**	**21,693**	**24,601**
Changes in equity for 2017/18			
Deficit for the year	(1,026)	-	(1,026)
Gain on revaluation of property	-	7,879	7,879
Total comprehensive income for the year	(1,026)	7,879	6,853
Balance as at 31st March 2018	**1,882**	**29,572**	**31,454**

The accounting policies and notes on pages 12 to 15 form part of these financial statements.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

STATEMENT OF CASHFLOWS
Year ended 31 March 2018

	Note	2018 £000	2017 £000
Cash flow from operating activities			
Operating Surplus		6,853	1,164
Adjustments for:			
Gain on revaluation of Property		(7,879)	(2,024)
Investment income		(5)	(1)
Interest expense		194	102
Decrease/(increase) in Debtors		58	(158)
Increase/(decrease) in Creditors		188	(388)
Cash generated from operations		(591)	(1,305)
Interest Paid		(194)	(102)
Net cash used from operating activities		(785)	(1,407)
Cash flow from investing activities			
Repayment of Borrowings		5	1
Expenditure on LH Redevelopment		(696)	(351)
		(691)	(350)
Cash flow from financing activities			
Borrowing from LGA		-	6,000
Repayment of borrowings		-	(2,500)
		-	3,500
Cash flow from Tax activities			
Corporation Tax paid		-	-
		-	-
Net Increase/(Decrease) in cash		(1,476)	1,743
Cash and cash equivalents at start of the year		**2,437**	**694**
Cash and cash equivalents at the end of the year	10	**961**	**2,437**

The accounting policies and notes on pages 12 to 15 form part of these financial statements.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

NOTES TO THE ACCOUNTS
Year Ended 31 March 2018

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards, specifically Financial Reporting Standard (FRS 102). The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention modified by the revaluation of the investment property.

Income

Income represents the amount receivable as rents and services provided (excluding Value Added Tax), and is generated entirely in the UK.

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 Company's future income will be delivered from leases with good quality tenants, on a property that is located in Farringdon. The company plans during 2018 and 2019 to refurbish Layden House to coincide with the opening of Crossrail in 2018, with a view to more than doubling both its capital and rental value. The company have assessed that the income from the future leases will be sufficient to fund the full costs of the company's operations for the foreseeable future. This includes the necessary loan costs to fund the development period for the refurbishment works.

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 FRS 102 the investment property will be revalued annually with the surplus or deficit transferred to the revaluation reserve.

Fair 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".

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 including debt due from related entities, where the policy is not to make provision. Old debt is periodically reviewed for write-off. In the year to 31 March 2018, no debts were written off as irrecoverable.

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.

2. INCOME

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Rental	547	394
	547	**394**

The Company's turnover comprises rent on its freehold building receivable from new short term leases negotiated on an arm's length basis with third party tenants.

THE LOCAL GOVERNMENT MANAGEMENT BOARD
(a company limited by guarantee)

NOTES TO THE ACCOUNTS
Year ended 31 March 2018

3. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments in respect of their services to the Company (2017: nil).

There were no retirement benefits accruing to the directors in respect of services to the Company (2017: nil), nor did any director receive assets or money under any long term incentive scheme.

4. STAFF INFORMATION

The Company had no employees during the current and preceding financial year.

5. OPERATING SURPLUS

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Operating (deficit) is after charging:		
Auditors' remuneration		
- audit fee	4	4

6. INTEREST PAYABLE

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Local Government Association loan	194	102
	194	**102**

7. TAXATION

The Company 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 tax liability has now been settled.

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Corporation Tax	72	-
	72	-

8. INVESTMENT PROPERTIES

	2018 £000	2017 £000
Brought forward valuation	28,175	25,800
Unrealised gain on revaluation	7,879	2,024
Capitalised items	696	351
Carried forward valuation	**36,750**	**28,175**

Layden House was an Investment Property being leased to third parties at a commercial rate on an arm's length basis at the start of the year. The capitalised items in the table above relate primarily to fees and costs incurred in preparing to develop the property in 2016/17 and 2017/18.

The freehold land and building, Layden House, was re-valued at its open market value on a commercial rental use basis. The valuation was performed as at 31 March 2018 by an independent professional valuer, Farebrother Chartered Surveyors.

9. DEBTORS

	2018 £000	2017 £000
Trade debtors	1	5
Due from related entities	144	196
Other debtors	-	1
Prepayments and accrued income	-	1
	145	**203**

10. CASH AND CASH EQUIVALENTS

	2018 £000	2017 £000
Cash at bank and in hand	10	10
Short Term Investments	951	2,427
	961	**2,437**

11. SHORT TERM INVESTMENTS

Surplus cash balances held by the Company, the companies it controls and related parties are pooled and lent to financial institutions on the Company's approved counterparty list. Investments are typically for periods not exceeding twelve months and as such the loan amount is a reasonable assessment of fair value. The counterparty list is currently restricted to financial institutions that meet agreed credit ratings criteria and subject to the cash limits (per counterparty) as shown in the Company's Investment Strategy. The Company's Investment Strategy strictly applies credit limits for all financial institutions on the approved counterparty list to ensure that investments are diversified. No credit limits were exceeded during the year and the Company does not expect any losses on short term investments.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000	2017 £000
Trade creditors and accruals	83	39
Income received in advance	-	4
Owed to related entities	319	171
	402	**214**

A loan agreement was created in March 2013 of £1,500,000 and an additional loan in March 2016 of £1,000,000 with the Local Government Association. Both loans were repaid by March 2017.

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

	2018 £000	2017 £000

Local Government Association loan	6,000	6,000
	6,000	**6,000**

A new loan agreement was created in January 2017 of £6,000,000 at a rate of 3.24% with the Local Government Association repayable by December 2036.

14. CONTROLLING ENTITY

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

15. RELATED PARTIES

The company had the following transactions with related parties:

	Value of related party transactions in year 2018 exp / (inc) £000	**Outstanding balance at 31 March 2018 dr / (cr) £000**	**Value of related party transactions in year 2017 exp / (inc) £000**	**Outstanding balance at 31 March 2017 dr / (cr) £000**
Local Government Association	237	(318)	451	(15)
Local Government Association – Loans	-	(6,000)	(3,500)	(6,000)
Improvement and Development Agency	(153)	134	(234)	27
Improvement and Development Agency - Loan	-	-	-	-
Local Partnerships	59	7	67	9
PSAA	25	3	29	4

Improvement and Development Agency is a company controlled by the Local Government Association. The transactions with related parties are a result of the Company's property rental business and other day to day activity recharges.

16. POST BALANCE SHEET EVENTS

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

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED

(a UK Registered company limited by guarantee)

Company Registration No. 03487186

Report and Financial Statements

for the year ended 31 March 2018

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
(a company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS 2018

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OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Councillor Ian Swithenbank CBE (Chairman)	
Councillor David Neighbour	
Councillor Nicholas Chard	
Councillor Graham Whitham	Resigned 16 August 2017
Councillor Clarence Barrett	Appointed 16 August 2017
Sarah Pickup, LGA Deputy Chief Executive	

SECRETARY

Claire Holloway

REGISTERED OFFICE

18 Smith Square
London
SW1P 3HZ

BANKERS

Barclays
UK Banking
1 Churchill Place
London
E14 5HP

STATUTORY AUDITOR

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

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 2018.

Principal activities

Local Government Association (Properties) Ltd is a Company limited by guarantee. It owns property at 18 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 controlled by the Local Government Association.

Business review

The Company's principal business is the rental of the 18 Smith Square property for use primarily by entities controlled by the Local Government Association. A small part of the property was rented to third parties. The property was refurbished during 2017/18 with a view to creating better utilisation of the accommodation for the Local Government Association and its related activities, and to create larger commercially available demises. The first commercial lets were signed during the year.

Future Developments

Now that the refurbishment has been completed, the Company is planning on generating extra revenue through leasing the remaining two unlet floors of the building to third parties.

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 re-development reduces this risk. The Company is also managed within a wider business strategy appropriate for the group.

Employees

The Company has no employees.

Political and charitable contributions

The Company 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

A tendering process is in progress in relation to the appointment of the role of Statutory Auditor. A resolution for the appointment of the auditors of the Company is to be proposed at a forthcoming Board Meeting.

Status of this Directors' Report

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

Approved by the Board of Directors on XX June 2018

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
(a company limited by guarantee)

Councillor Ian Swithenbank
Signed on behalf of the Board of Directors

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 “The Financial Reporting Standard Applicable in the UK and Republic of Ireland” (FRS 102).

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

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

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

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

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

Opinion

We have audited the financial statements of Local Government Association (Properties) Limited (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Alastair Duke (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

DATE:

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
(a company limited by guarantee)

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2018

	Note	2018 £000	2017 £000
Income	2	801	532
Administrative expenses		(955)	(1,927)
OPERATING DEFICIT BEFORE INTEREST	5	(154)	(1,395)
Interest receivable		1	5
Interest payable	7	(290)	(223)
OPERATING DEFICIT AFTER INTEREST		(443)	(1,613)
Gain/(Loss) on revaluation of Property	9	18,954	(14,904)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**18,511**	**(16,517)**

All amounts relate to continuing operations.

There was no Other Comprehensive Income received in either Financial Year.

The accounting policies and notes on pages 12 to 18 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 2018

Company Registration No. 03487186

	Note	2018 £000	2017 £000
FIXED ASSETS			
Tangible assets	8	704	-
Investment Property	9	53,550	22,970
		54,254	22,970
CURRENT ASSETS			
Debtors	10	295	170
Short term Investments	12	-	3,980
Cash at bank and in hand		10	10
		305	4,160
CREDITORS: amounts falling due within one year	13	(11,530)	(1,818)
NET CURRENT (LIABILITIES) / ASSETS		(11,225)	2,342
TOTAL ASSETS LESS CURRENT LIABILITIES		43,029	25,312
CREDITORS: amounts falling due after more than one year	14	(20,989)	(21,783)
TOTAL NET ASSETS		**22,040**	**3,529**
ACCUMULATED FUNDS			
General Reserve		3,009	3,451
Revaluation Reserve		19,032	78
		22,040	**3,529**

These financial statements were approved by the Board of Directors on XX June 2018

Councillor Ian Swithenbank

Signed on behalf of the Board of Directors

The accounting policies and notes on pages 12 to 18 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
(a company limited by guarantee)

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2018

	Retained Earnings £000	Revaluation Reserve £000	Total £000
Balance at 1st April 2016	**5,064**	**14,982**	**20,046**
Changes in equity for 2016/17			
Deficit for the year	(1,613)	-	(1,613)
Loss on revaluation of property	-	(14,904)	(14,904)
Total comprehensive income for the year	(1,613)	(14,904)	(16,517)
Balance as at 31st March 2017	**3,451**	**78**	**3,529**
Balance at 1st April 2017	**3,451**	**78**	**3,529**
Changes in equity for 2017/18			
Deficit for the year	(443)	-	(443)
Gain on revaluation of property	-	18,954	18,954
Total comprehensive income for the year	(443)	18,954	18,511
Balance as at 31st March 2018	**3,008**	**19,032**	**22,040**

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
(a company limited by guarantee)

STATEMENT OF CASH FLOWS
Year ended 31 March 2018

	Note	2018 £000	2017 £000
Cash flow from operating activities			
Operating Surplus		18,511	(16,517)
Adjustments for:			
(Gain) / Loss on revaluation of property		(18,954)	14,904
Investment income		(1)	(5)
Interest expense		290	223
Adjustment for Interest Rate Swap liability		(275)	(188)
Depreciation		50	63
Loss on Disposal of Tangible Fixed Assets		-	584
(Increase) / Decrease in debtors		(125)	75
Increase in creditors		956	72
Cash generated from operations		452	(789)
Interest paid		(290)	(223)
Net cash generated / (used) from operating activities		162	(1,012)
Cash flow from investing activities			
Interest received		1	5
Expenditure on LGH Redevelopment		(12,380)	(2,024)
		(12,379)	(2,019)
Cash flow from financing activities			
Borrowing from LGA		-	9,000
Repayments of borrowings		(520)	(2,120)
		(520)	6,880
Net (Decrease)/Increase in cash		(12,737)	3,849
Cash and cash equivalents at start of the year		**3,990**	**141**
Cash and cash equivalents at the end of the year	11	**(8,747)**	**3,990**

The accounting policies and notes on pages 12 to 18 form part of these financial statements.

NOTES TO THE ACCOUNTS
Year Ended 31 March 2018

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention modified by the revaluation of the investment property.

Tangible Fixed Assets and Depreciation

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

Depreciation was provided on all tangible fixed assets, 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:

Fixtures, fittings and equipment 15 years

Investment Property

The freehold land and buildings investment property, 18 Smith Square (formerly known as Local Government House), has been valued by an independent, external valuer on an open market basis at the Balance Sheet date. In accordance with FRS102 the investment property will be revalued annually with the surplus or deficit transferred to the revaluation reserve.

Fair 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”.

Income

Income represents the amounts receivable as rents and services provided (exclusive of Value Added Tax) and is generated entirely in the UK.

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 most of 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. During 2018/19 the company may not fully recover in-year costs as a result of reduced income while new external tenants are found for the current vacant space on 2 floors. These costs will be recovered in subsequent years via income from group and external tenants.

NOTES TO THE ACCOUNTS
Year Ended 31 March 2018

1. ACCOUNTING POLICIES - CONTINUED

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 including debt due from related entities, where the policy is not to make provision. Old debt is periodically reviewed for write-off. In the year to 31 March 2018, no debts were written off as irrecoverable.

2. INCOME

The Company's turnover comprises rent on its freehold building receivable from its controlling entity, the Local Government Association, the LGA's subsidiary company the Improvement & Development Agency (IDeA) and also from external tenants on commercial leases.

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.

5. OPERATING SURPLUS

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Operating (deficit)/surplus is after charging:		
Depreciation	50	63
Loss on Disposal of Tangible Fixed Assets	-	584
Auditors' remuneration		
- audit fee	4	4

6. INTEREST PAYABLE

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Barclays loan	(6)	100
Local Government Association loan	296	113
	290	**223**

7. 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.

NOTES TO THE ACCOUNTS
Year Ended 31 March 2018

8. TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £000
Cost	
At 1 April 2017	-
Additions	754
Disposals	-
At 31 March 2018	754
Depreciation	
At 1 April 2017	-
Charge for year	(50)
Disposals	-
At 31 March 2018	(50)
Net book value	
At 31 March 2018	704
At 31 March 2017	-

9. INVESTMENT PROPERTIES

	2018 £000	2017 £000
Brought forward valuation	22,970	35,850
Unrealised gain/(loss) on revaluation	18,954	(14,904)
Capitalised items	11,626	2,024
Carried forward valuation	**53,550**	**22,970**

18 Smith Square is treated as an Investment Property under FRS102 being mainly leased to group companies, as well as third parties at a commercial rate on an arm's length basis.

The Company's interest in the property was externally valued at £53.55 million as at 31 March 2018 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.

10. DEBTORS

	2018 £000	2017 £000
Trade debtors	17	1
Due from related entities	181	6
Other Debtors	97	163
	295	**170**

NOTES TO THE ACCOUNTS
Year Ended 31 March 2018

11. CASH AND CASH EQUIVALENTS

	2018 £000	2017 £000
Cash at bank and in hand	10	10
Short Term Investments	(8,757)	3,980
	(8,747)	**3,990**

12. SHORT TERM INVESTMENTS

Surplus cash balances held by the Company, the companies it controls and related parties are pooled and lent to financial institutions on the Company's approved counterparty list. Investments are typically for periods not exceeding twelve months and as such the loan amount is a reasonable assessment of fair value. The counterparty list is currently restricted to financial institutions that meet agreed credit ratings criteria and subject to the cash limits (per counterparty) as shown in the Company's Investment Strategy. The Company's Investment Strategy strictly applies credit limits for all financial institutions on the approved counterparty list to ensure that investments are diversified. No credit limits were exceeded during the year and the Company does not expect any losses on short term investments.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000	2017 £000
Accounts payable and accruals	1,734	1,062
Bank loans -see note 15	520	520
Loan from Local Government Association	-	120
Owed to Related Companies	9,276	116
	11,530	**1,818**

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, the final repayment of £70,000 was made on 31 March 2018. This loan bears interest at 5% p.a.

Included in Owed to Related Companies is a negative balance in the Short Term Investment Pooling arrangements held with the Local Government Association (see Note 12 above).

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

	2018 £000	2017 £000
Bank loans	3,120	3,640
Loan from ACC (Properties) Limited	2,000	2,000
Loan from AMA (Properties) Limited	6,200	6,200
Loan from Local Government Association	9,000	9,000
Barclays Swap Liability	669	943
	20,989	**21,783**

A £9million loan agreement was created in March 2017 at a rate of 3.24% with the Local Government Association repayable by December 2036.

NOTES TO THE ACCOUNTS
Year Ended 31 March 2018

The inclusion in the above table for Barclays Swap Liability is a requirement of FRS102 to include a value on the balance sheet for the additional Swap agreement liability as at the 31st of March that would be payable if the loan was repaid (See Note 15 below). The movement in the Swap liability between the years £275,000 is reflected in the Statement of Comprehensive Income for the year.

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 £2.870 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 Company contributed the net sale proceeds of its former property in Great Smith Street to the purchase of 18 Smith Square (previously known as 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 LGA 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 2018 for the 2018/19 membership subscriptions, with the next increase due to be recognised in the 2023/24 LGA membership subscriptions.

15. BANK LOAN AGREEMENT

The Barclays Bank plc loans of £3.64 million are secured against 18 Smith Square. The original loan of £13 million, taken out in 2000, is repayable over 25 years in bi-annual instalments of £260,000. Accordingly, instalments totalling £520,000 are included under the heading ‘creditors falling due within one year’, with the balance of £3.12 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 2018 as follows:

Instrument	Notional Amount	Maturity Date	Trade Date	Mark to Market Value Notional (Gain)/Loss
Tranche 1	**£000**			**£000**
CAP/CMPLX	933	21/01/2025	27/01/2000	156
SWAP	1,867	21/01/2025	27/01/2000	361
Total	2,800		**Net Notional Loss**	517
Tranche 2	**£000**			**£000**
CAP/CMPLX	280	21/01/2025	13/07/2000	46
SWAP	560	21/01/2025	13/07/2000	105
Total	840		**Net Notional Loss**	151
Combined total	3,640		**Net Notional Loss**	668

16. CONTROLLING ENTITY

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

17. CAPITAL AND OTHER COMMITMENTS

	2018 £000	2017 £000
Contracts for future capital expenditure not provided in the financial statements	-	116
	-	**116**

18. RELATED PARTIES

The Company had the following transactions with related parties:

	Value of related party transactions in year 2018 exp / (inc) £000	Outstanding balance at 31 March 2018 dr / (cr) £000	Value of related party transactions in year 2017 exp / (inc) £000	Outstanding balance at 31 March 2017 dr / (cr) £000
Local Government Association	(419)	(519)	(262)	(112)
Local Government Association - Loans	120	(9,000)	(7,400)	(9,120)
Improvement and Development Agency	(419)	-	(240)	-

Local Partnerships	(154)	154	(57)	2
The Leadership Centre	(27)	27	(24)	1

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

19. POST BALANCE SHEET EVENTS

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

PKF Littlejohn LLP

Accountants &
business advisers

Local Government Association Group
Audit Findings Report to the Leadership Board
External Audit for the year ended 31 March 2018

Date of Issue: 29 May 2018

NOT FOR PROFIT

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Contents

1 Introduction

PURPOSE AND USE OF OUR REPORT

We are pleased to present our Audit Findings Report, summarising our findings from the audit of the financial statements of Local Government Association ('LGA') and its subsidiaries (together 'the Group') for the year ended 31 March 2018, which is substantially complete.

For the purposes of this report, the Group is defined as constituting the following entities:

- Local Government Association;
- Improvement and Development Agency;
- Local Government Association (Properties) Limited;
- Local Government Management Board; and
- LGA Commercial Services Limited.

Our report has been prepared solely for the use of the Leadership Board and should not be shown to any other person without our express permission in writing. We would like to take this opportunity of thanking you and your staff for the assistance and co-operation we have received during the course of our work.

As auditors we are responsible for performing an audit and expressing an opinion on the financial statements in accordance with International Standards on Auditing (UK) (ISAs (UK)). The audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

In preparing this report, we do not accept or assume responsibility for any other purpose, or to any other person to who it is shown or into whose hands it may come, except when expressly agreed by our prior written consent. If others choose to rely on the contents of this report, they do so entirely at their own risk.

Alastair Duke
Partner
For and on behalf of PKF Littlejohn LLP

2 Overview

STATUS OF THE AUDIT

We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2018, and anticipate issuing an unqualified audit opinion on the group financial statements and those of the individual companies set out on the previous page.

The following matters are outstanding at the date of this report. We will update you on their current status at the Audit Committee meeting at which this report is considered:

- Receipt of outstanding third-party bank confirmations;
- Receipt of updated financial statements to reflect agreed adjustments and drafting comments;
- Final review and approval by you of the Annual Report and financial statements for the Group and subsidiaries;
- Subsequent events review to the date of signing of the financial statements; and
- Receipt of signed management representation letters as set out in Appendix I.

We look forward to receiving your confirmation that the financial statements have been approved, together with an explanation of any amendments to the existing draft, and the completed and signed representation letters. If you require any further information from us to finalise the financial statements, we shall be pleased to provide it.

We would also like to draw your attention to the link given to the FRC's website in the draft audit report. We have elected not to include the description of the auditor's responsibilities in the body of our audit report as permitted by ISA 700. Full details on our responsibilities are available via the link and are also reflected in the engagement contract dated 22 January 2016.

AUDIT PROCEDURES

Our engagement contract referred to above sets out the terms of our audit appointment. There are no changes to the terms in that letter of which you should be aware.

When planning the audit we identified a number of risks as set out in Section 3 below. No additional significant audit risks were identified during the course of our audit. There were no significant changes to our planned audit approach and there were no restrictions placed on our work.

Our audit procedures, which are designed to enable us to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, were carried out in accordance with ISAs. Our work continues to combine substantive procedures involving direct verification of balances and transactions, including obtaining confirmations from third parties where we considered this to be necessary, with a review of certain of your accounting systems and internal controls.

We considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We have included in this report only matters that have come to our attention as a result of our normal audit procedures and consequently our comments should not be regarded as a comprehensive record of all weaknesses that may exist or of all improvements that might be made.

MATTERS FROM OUR AUDIT

In accordance with International Standards on Auditing (UK) ("ISAs"), we are required to draw your attention to certain issues arising from our audit which we believe you should have in mind when considering whether to approve the financial statements.

- Detailed audit findings in response to identified risks, plus other matters of governance interest are provided in Section 3.
- Our observations on the control environment are provided in Section 4.
- A schedule of unadjusted and adjusted audit misstatements is provided in Section 5.

We are required under the ISAs to request that you correct the unadjusted misstatements. If you choose not to make these adjustments, each respective Board should let us know your reasons for not doing so via the relevant letter of representation in Appendix I. We have not included items which we consider to be trivial (see levels below).

A number of misstatements were identified during the audit and have been adjusted in the financial statements - details of these are provided in Section 5.

MATERIALITY

Materiality was reviewed after planning materiality had been set. Final figures used for the audits were:

Entity	Materiality	Clearly trivial threshold	Basis for materiality
Consolidated financial statements of the LGA	£1,170,000	£58,500	2% of income
Parent Association figures in the group accounts	£415,000	£20,750	2% of income
Improvement and Development Agency	£750,000	£37,500	2% of income
Local Government Association (Properties) Limited	£16,000	£800	2% of income
Local Government Management Board	£11,000	£550	2% of income
LGA Commercial Services Limited	£8,480	£425	2% of expenditure

FINANCIAL STATEMENTS

Each Board is responsible for the preparation of the financial statements on a going concern basis unless this basis is inappropriate. Each Board is also responsible for ensuring that the financial statements give a true and fair view and that any disclosure on going concern is clear, balanced and appropriate.

FRAUD INDICATORS

Management has confirmed to us that it is not aware of any incidence of actual or suspected fraud in the year.

Our audit has not identified any instances of material misstatement to the financial statements due to fraud in the year. Further detail on our audit work in relation to the fraud risks arising from management override and revenue recognition is provided in Section 2.

INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to 'those charged with governance' (the Members or Directors as applicable).

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to impact upon our objectivity and independence as auditors. The principal statements of policies are set out in our Firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes.

The procedures require that audit partners are made aware of any matters which may reasonably be thought to impact on the Firm's integrity, independence and the objectivity of the audit partner and the audit staff. This document considers such matters in the context of our audits for the period ending 31 March 2018.

We have provided services other than audit to the Group as set out in the table below. We have provided details below of the potential threats to independence and objectivity identified and the safeguards that have been put in place. We are satisfied that the safeguards implemented, as detailed in the below table, are sufficient to mitigate any threat to our objectivity and independence.

We confirm that the Firm complies with the FRC Ethical Standards and the Code of Ethics issued by the ICAEW. In our professional judgement, the Firm is independent and objective within the meaning of the Standards and the Code. Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

ANALYSIS OF NON-AUDIT SERVICES

Non-audit Services	Independence and Objectivity Threat	Safeguard
Taxation advice	Self-interest and Self-review	We are engaged on an ad hoc basis to provide tax advice to the Group. Where such advice is provided, the work is performed by our tax department, reporting to a tax partner. The tax team is independent of the audit team. We have correspondence with Jonathan Gratte who we believe is "informed management" for this purpose.

LETTERS OF MANAGEMENT REPRESENTATION

There are a number of representations that we require before finalising our audit opinion. A copy of the draft letters are provided in Appendix I. Most of the representations are general and deal with such matters as confirming the Members' / Directors' responsibilities for preparing financial statements which show a true and fair view. Where there are specific representations, they are shown separately in each letter.

SIGNIFICANT DIFFICULTIES ENCOUNTERED

We believe that two-way communication between ourselves and those charged with governance has been adequate for the purpose of the audit.

3 Audit Findings

SIGNIFICANT RISKS

Below are the significant audit risks which we identified in relation to the audit of the financial statements for the year ended 31 March 2018. A summary of the significant audit risks together with the findings resulting from our audit work, was as follows:

Significant Risk	Description	Audit Findings
Revenue recognition	Under ISA 240 there is a presumption that revenue recognition is a fraud risk. For Local Government Association, the significant risk was viewed as relating to the recognition of subscription discounts. For Local Government Association (Properties) Limited and Local Government Management Board, the significant risk is viewed as relating to the timing of recognition of rental income. For Improvement and Development Agency the significant risk around fraud in revenue recognition is rebutted due to the nature of the income streams in that entity.	Our work in this area included: • Updating our understanding of the internal control environment in operation for the significant income streams and undertaking a walk-through to ensure that the key controls within these systems were operating in the period under review; • Substantive transactional testing of income recognised in the financial statements, including deferred and accrued income balances recognised at year end; • A review of post year end receipts to ensure completeness of income recorded in the accounting period. No issues were noted from the above procedures and we have obtained sufficient assurance that revenue is not materially misstated in the financial statements of the Group or subsidiaries for the year ended 31 March 2018.

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Agenda Item 6f

Significant Risk	Description	Audit Findings
Management override	Under International Standard on Auditing (UK and Ireland) 240 "The Auditor's responsibility to consider fraud in an audit of financial statements" ('ISA 240'), there is a presumed significant risk of management override of the system of internal controls. We are not responsible for preventing fraud or corruption - the primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud. Our audit is designed to provide reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.	We considered the potential for the manipulation of financial results through the use of manual journals and estimates to be a significant fraud risk for the Group and subsidiary companies. Our work in this area included: • A review of manual journals processed during the period under review and in the preparation of the financial statements to determine whether these were appropriate. • A review of key estimates, judgements and assumptions within the financial statements for evidence of management bias, and agree to appropriate supporting documentation. In this context, we viewed the significant areas of estimation and judgement as: - Apportionment of shared service costs in line with the use of resources (all entities); - The disclosures and accounting of the defined benefit pension schemes including consideration of assumptions used by the actuaries in the calculation of the liability under FRS 102 (Local Government Association and Improvement and Development Agency, see page 12 for more detail); - The useful economic lives of fixed assets used in the calculation of the annual depreciation charge for operational fixed assets (Local Government Association and Local Government Association (Properties) Limited); and - The valuation of investment properties including any assumptions used in these calculations (Local Government Association (Properties) Limited and Local Government Management Board, see page 9 for more detail). • An assessment of whether the financial results and accounting records included any significant or unusual transactions where the economic substance was not clear. No issues were noted from our work in these areas and we found no evidence of material misstatement due to management override of controls for the year ended 31 March 2018.

Area of Focus	Description	Audit Findings
Investment properties	FRS 102 defines investment property as property that is held by the owner to earn rentals or capital appreciation or both. Investment property must currently be accounted for at fair value at each reporting date, with any change in value recognised in profit or loss. <u>Local Government House</u> Local Government House is owned by Local Government Association Properties. During the year to 31 March 2017 the property was completely vacated and the operations of all Group entities moved over to Layden House, to allow the completion of substantial capital works to Local Government House. During the year to 31 March 2018 the operations of all Group entities have moved back over to Local Government House following completion of the capital works. Local Government House is being rented out to other Group entities and to third parties on normal commercial terms. It was correctly treated as an investment property in the financial statements of Local Government Association Properties at 31 March 2017 (the temporary change of use was not deemed to affect the accounting treatment). We anticipate the same treatment at 31 March 2018, however the completion of the refurbishment works is likely to lead to a significant increase in the value. Local Government House has historically been treated differently in the consolidated financial statements of Local Government Association. 89% of the historical cost and accumulated depreciation of the property was accounted for as an operational fixed asset at 31 March 2017, which was the proportion being used by Group entities. The remaining 11%, available for use by third parties, was treated as investment property and included at 11% of the valuation. <u>Layden House</u> Layden House is owned by Local Government Management Board, and has historically been rented out to third parties on normal commercial terms. During the year to 31 March 2017 the operations of the Group entities were temporarily moved over to Layden House. This was correctly not deemed to affect the accounting treatment, and it was treated as an investment property in the financial statements of Local Government Management Board and the consolidated financial statements of Local Government Association at 31 March 2017.	Our work in this area included: • Review of the accounting policies for investment property to determine whether these are in line with FRS 102 Section 16 'Investment Property'; • Examination of Land Registry records to confirm ownership; • Examination of the valuations undertaken for investment properties at 31 March 2018 to conclude on whether these provide an appropriate fair value for accounting purposes (as defined in paragraph 16.7 of FRS 102), including consideration of the appropriateness of any assumptions used by the valuers; and • Review of the accounting and disclosures in the financial statements to determine whether this is sufficient and appropriate and in line with valuations performed, and that any change in value since 31 March 2017 has been accounted for correctly (including the impact on the revaluation reserve). No issues have been noted in relation to the work performed. We concur with management's rationale for the treatment of Local Government House as an investment property in the financial statements of Local Government Association Properties, and split treatment (66% cost, 34% at valuation as an investment property) in the consolidated financial statement of Local Government Association. This is in line with the use of the property by the LGA group. (Continued on next page)

Area of Focus	Description	Audit Findings
Investment properties	(Continued from above) Layden House is currently vacant with a significant refurbishment programme under way, due to be completed in June 2019. Due to the way in which the property is valued, the current position of the refurbishment works at 31 March 2018 *could* lead to a temporary reduction in the value of this investment property in the financial statements at that date.	(Continued from above) Farebrother provided a valuation of £36,750k for Layden House at 31 March 2018, which resulted in a gain of £8,575k being recognised in the financial statements of Local Government Management Board at that date. Despite the refurbishment works at this property being only partially complete at 31 March 2018, increases in rental value in Farringdon have led to an overall increase in the value of the property provided by Farebrother. Farebrother provided a valuation of £53,550k for Government House at 31 March 2018, which resulted in a gain of £30,580k being recognised in the financial statements of Local Government Association Properties at that date. This gain is largely due to the completion of the refurbishment work, which led to a temporary reduction in value at 31 March 2017 as the works were only partially complete at that date. We challenged the key assumptions applied by Farebrother in their valuations of Layden House and Local Government House at 31 March 2018. These valuations were performed on the 'residual value' basis which starts with an assumed 'gross development value' – which is based on an estimated rental value once the refurbishment works are completed. Key assumptions included the estimated rental value and the costs to complete the refurbishment works (which are deducted from the 'gross development value' to provide the valuation for the financial statements). Both of these assumptions are deemed reasonable and appropriate based on audit work performed and no issues have been noted with the valuations provided. <u>Note on accounting treatment going forwards</u> The FRC has issued the Financial Reporting Exposure Draft 67 (FRED 67) which proposes incremental improvements and clarification to FRS 102 as a result of their recent triennial review. The effective date for these changes will be for accounting periods commencing on or after 1 January 2019, though early adoption will be permitted (so long as all changes are adopted). One of the changes is that where an investment property is rented to another group entity, that property can now be measured either at cost (less depreciation and impairment) or at fair value. This accounting policy choice could therefore be used by Local Government Association Properties, for the element of Local Government House which is rented to Group entities and currently accounted for at valuation. An overall valuation of the property would still need to be obtained, in order to account for the element rented out to third parties.

Area of Focus	Description	Audit Findings
Fixed Asset Additions	We understand that significant capital works have now been completed at Local Government House (Local Government Association Properties Limited) and are in progress at Layden House (Local Government Management Board), expected to complete in June 2019. The total costs of the works to the two properties is anticipated to be in the region of £30m. Assets can only be recognised if it is probable that future economic benefits associated with the items will flow to the entity (FRS 102 paragraph 17.4), and therefore an item of expenditure can only be capitalised if it is 'directly attributable' to bringing the final asset into the location and condition needed for use. There is a risk that these costs are accounted for incorrectly, in particular there is a risk that costs are capitalised when they should be expensed (and vice versa). In particular, care should be taken around the capitalisation of fees, where these may not be directly attributable to the final asset.	Our work in this area will include: • Substantive sample testing of fixed asset additions in the year to ensure that these are correctly capital in nature in line with FRS 102 Section 17 'Property, Plant and Equipment'; • Review of 'repairs and maintenance' ledger codes for any capital items which have been incorrectly expensed; and • Substantive testing of retentions and capital commitments at year end, to ensure that these have been accounted for and disclosed correctly. No issues noted from the above audit procedures.
Joint Ventures	The Group has entered into joint venture arrangements as follows: • Local Partnerships LLP is a joint venture between Local Government Association and Partnerships UK. • GeoPlace LLP is a joint venture between Ordnance Survey and the Improvement and Development Agency. • LGA Digital Services Limited is a joint venture between Local Government Association and London Borough of Brent. The consolidated and parent financial statements of Local Government Association and those of the Improvement and Development Agency must account for these arrangements in line with FRS 102 Section 15 'Investments in Joint Ventures'.	We have reviewed the accounting for these joint venture arrangements in line with FRS 102 Section 15 'Investments in Joint Ventures'. We have agreed the share of the results and post-acquisition reserves of the joint ventures to the audited financial statements of each entity. No issues noted from the above audit procedures.

Area of Focus	Description	Audit Findings
Defined benefit pension schemes	The Local Government Association is an admitted body to two defined benefit pension schemes, both of which are administered in accordance with the Local Government Pension Scheme Regulations 1997. These are the Merseyside Pension Fund and London Borough of Camden Pension Fund. The Improvement and Development Agency is an admitted body to one defined benefit pension scheme - the Local Government Pension Scheme as administered by London Borough of Camden. The pension fund net liability reported in the Local Government Association balance sheet at 31 March 2017 was £38,378,000 and that in the Improvement and Development Agency on the same date was £86,613,000. We understand that the next triennial review of the schemes is due to be undertaken as at 31 March 2019, with an actuarial update valuation to be performed as at 31 March 2018. The disclosures and accounting of the defined benefit pension schemes, in accordance with Financial Reporting Standard 102 Section 28 'Employment Benefits', is an area of risk that requires special consideration. In addition, within Local Government Association there are unfunded pension scheme liabilities outside of the Local Government Pension Scheme, estimated by an actuary to represent a liability of £1,621,000 at 31 March 2017.	Our work in this area included: • Obtaining the actuarial reports on both schemes as at 31 March 2018 and agreeing to the disclosures included within the financial statements to ensure these were sufficient and appropriate in line with FRS 102; • Reviewing the accounting for both schemes to ensure that these have been treated correctly within the financial statements, including the processing of the actuarial gain or loss in the year; and • Assessing the reasonableness of the assumptions used by the actuaries in their calculation of the gross liabilities of the schemes as at 31 March 2018 through comparison to publicly available information. No issues were noted from the above procedures and we have sufficient assurance that there is no material misstatement in relation to the two defined benefit pension plans in the LGA Group for the year ended 31 March 2018.

Area of Focus	Description	Audit Findings
Consideration of Related Party Transactions	International Standard on Auditing (UK and Ireland) 550 Related Parties requires us as auditors to conclude whether: • There is sufficient audit evidence in respect of related party transactions and arrangements; • All related parties have been identified to ensure that all material related party transactions and arrangements have been disclosed in the financial statements; • Sufficient appropriate audit evidence has been obtained such that the risk of a material misstatement is reduced to an acceptably low level in respect of related parties; and • There is a fair presentation of related party transactions and arrangements in the financial statements which is not misleading.	We reviewed the systems of control around related party relationships and transactions. We considered if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of FRS 102. We reviewed the declaration of interest forms and register of interest for all Members and Key Management Personnel. We inspected bank and legal confirmations, minutes of meetings, and financial and accounting records as part of the audit for indications of the existence of related party relationships or transactions that management has not previously identified: We noted that a number of related party forms did not include all related parties when we completed our own checks via Companies House. This was particularly an issue with Local Government Management Board and the Improvement and Development Agency; the point has been raised as a control recommendation in Section 4. No unreported related party transactions were identified as a result of this. No issues were noted in relation to undisclosed related party transactions.

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Area of Focus	Description	Audit Findings
Going Concern	When preparing financial statements in the UK and Ireland, those charged with governance should satisfy themselves as to whether the going concern basis is appropriate. International Standard on Auditing 570 “Going concern” specifically requires the auditor, when planning and performing audit procedures and in evaluating the results, to consider the appropriateness of the Members and Directors use of the going concern assumption in the preparation of the financial statements and the adequacy of any relevant disclosures in the financial statements. We therefore recommended that the Members and Directors make a preliminary assessment of going concern at their meeting prior to the preparation of the financial statements if practicable. In making this assessment they will need to consider budgets, cash flow forecasts and projections. The assessment of whether or not it is appropriate to prepare the financial statements on the going concern basis involves an assessment for the period of at least 12 months from the date of signature of the financial statements.	The assessment of whether or not it is appropriate to prepare the financial statements on the going concern basis involves an assessment for the period of at least 12 months from the date of signature of the financial statements. Our work in relation to going concern included: • Consideration of the financial performance in the year ended 31 March 2017 and the financial position at the year-end; and • Review of the financial forecasts (including cash flows) for the next two years. From the work performed, we are satisfied that management’s assessment on the use of the going concern basis of preparation for the financial statements of the Group and subsidiaries is appropriate for the year ended 31 March 2018. In considering going concern we have reviewed the cash flows in supporting the pension scheme deficits, assuming that the deficit is not going to crystallise in the short to medium term.

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ACCOUNTING POLICIES

We are required to communicate our views on significant qualitative aspects of your chosen accounting policies.

We have considered the accounting policies adopted by the group in the preparation of the financial statements, to determine whether these are appropriate in line with the requirements of applicable accounting standards and the practices of other groups in your sector. There were no changes to the accounting policies adopted in the year to 31 March 2018. We are satisfied that the accounting policies adopted are appropriate.

ACCOUNTING ESTIMATES

We are required to communicate our views on significant estimates and judgements used in the preparation of the financial statements. We are satisfied that in all material respects, the financial statements show a true and fair view based on the entities use of accounting estimates.

In this context we viewed the significant areas of estimation and judgement as:

- Apportionment of shared service costs in line with the use of resources (all entities). No issues were noted from testing in this area;
- The disclosures and accounting of the defined benefit pension schemes including consideration of assumptions used by the actuaries in the calculation of the liability under FRS 102 (Local Government Association and Improvement and Development Agency, see page 12 for more detail);
- The useful economic lives of fixed assets used in the calculation of the annual depreciation charge for operational fixed assets (Local Government Association and Local Government Association (Properties) Limited). No issues were noted from our testing in this area, rates in use appear reasonable for the classes of asset held and have been calculated accurately; and
- The valuation of investment properties including any assumptions used in these calculations (Local Government Association (Properties) Limited and Local Government Management Board, see page 9 for more detail).

FINANCIAL STATEMENT DISCLOSURES

We have reviewed the financial statements in order to confirm compliance with the requirements of the financial reporting framework FRS 102, Companies Act 2006 and applicable regulations. Our review found no significant disclosure omissions in the financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

In our opinion, the areas of law and regulation which are relevant to the financial statements are as follows:

Applicable law and regulation
• Company law; • Financial Reporting Standard 102 ('FRS 102'); and • Relevant employee legislation.

Management has confirmed that it is not aware of any breaches. We did not identify any instances of non-compliance with these requirements.

SCOPE OF THE AUDIT

Our audit scope consisted of an audit in accordance with International Standards on Auditing (UK) (ISAs) of the consolidated and individual entity statutory financial statements of Local Government Association, together with a statutory audit of the entities listed on page 2. Our work on the consolidated Group financial statements is designed to form an opinion on whether:

1. The financial statements give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2018, and of the Group's and Association's result for the year then ended;

2. The financial statements have been prepared in accordance with the basis of preparation and accounting policies set out in note 1 to the accounts.

Our work on each of the other entities within the Group is summarised as follows:

Entity	Constitution	Overview of the type of work to be performed on the financial information
Improvement and Development Agency	Company limited by guarantee	Full audit of the financial statements in accordance with Companies Act 2006 and applicable regulations. Ensuring the financial statements have been prepared under Financial Reporting Standard 102 ('FRS 102').
Local Government Association (Properties) Limited	Company limited by guarantee	Full audit of the financial statements in accordance with Companies Act 2006 and applicable regulations. Ensuring the financial statements have been prepared under Financial Reporting Standard 102 ('FRS 102').
Local Government Management Board	Company limited by guarantee	Full audit of the financial statements in accordance with Companies Act 2006 and applicable regulations. Ensuring the financial statements have been prepared under Financial Reporting Standard 102 ('FRS 102').
LGA Commercial Services Limited	Limited Company	Full audit of the financial statements in accordance with Companies Act 2006 and applicable regulations. Ensuring the financial statements have been prepared under Financial Reporting Standard 102 ('FRS 102').

OTHER MATTERS OF GOVERNANCE INTEREST

In addition to the items reported above, the following matters arose from the audit that we believe are significant to the oversight of the financial reporting process. We also include any other matters that we believe will be of particular interest to those charged with governance.

Description	Conclusion
Departure from FRS 102	The Leadership Board has elected to prepare the Association's Financial Statements in accordance with FRS 102. In respect of the defined benefit pension schemes note to the Financial Statements, numbers and information in respect of the Association as a standalone entity have not been disclosed, which is not in compliance with FRS 102. We do not believe that non-presentation of the above results in the Financial Statements not showing a true and fair view. Adequate disclosure has been made and we remain of the opinion that an unqualified audit opinion is appropriate.

4 Control Environment

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

We are required to report to you, in writing, significant deficiencies in the internal control environment which we have identified during the audits.

No significant deficiencies have been noted during the audit for the year ended 31 March 2018. We have noted one other deficiencies to report to you below, and we also provide an update on deficiencies reported in the prior period.

It is the responsibility of the Trustees to develop and implement systems of internal control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider the internal control system that has been put in place by the Trustees in order to assess the adequacy as a basis for the preparation of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the systems of internal control.

We have included in this report only matters that have come to our attention as a result of our normal audit procedures and consequently our comments should not be regarded as a comprehensive record of all weaknesses that may exist or of all improvements that might be made. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

OTHER DEFICIENCIES

Area	Observation	Risk	Recommendation	Management Response
Formal rent agreements	No signed rental contracts are kept with the Local Government Association or the Improvement and Development Agency, therefore there is no formal basis for the rent charged.	Risk of disputes and lack of audit trail on which to base the charges.	We recommend that rental agreements for all entities that rent space in Local Government House for good practice.	Noted. It is intended that formal rental contracts to LGA Group companies are issued once the LGA group restructuring is complete (to avoid having to novate contracts in the future). Formal rental contracts to Third Party tenants are already prepared.

FOLLOW UP OF PRIOR YEAR DEFICIENCIES

Area	Original Observation	Original Recommendation	Audit Update	Management Response
Manual Journals	When a manual journal is raised, the existing control is that this should be logged on a control sheet and backing documentation retained. During testing of manual journals we noted a number where there was no backing documentation on file, and a number of transactions which are posted on a regular basis which we would not expect to see being posted via journal. We also note that there is no periodic review of the manual journal control sheet or backing documentation.	We recommend that all manual journal entries are recorded on the control sheet and backing documentation retained. We recommend that ledger codes are set up for transactions which are put through on a frequent basis e.g. bank and sweeper transactions. This would help to differentiate between true 'manual' journals and regularly occurring transactions. We further recommend that journal entries are reviewed and authorised by a senior member of the finance team on a periodic or ad-hoc basis.	For 2018 LGA have implemented treasury journals which are used for the sweeping of bank accounts each evening. All journals we reviewed as part of the audit were for business purposes and the supporting documentation was provided. It was noted that the treasury journals have only been implemented in LGA and not in the other group companies. There remains no formalised approval process for other types of manual journal entry. **Recommendation partially implemented.**	Noted. New processes were introduced from 1 October 2017 to better distinguish between 'manual' journals and regularly occurring journals (system journals such as bank sweeping). Monthly review of journals is undertaken. Further quarterly review of journals will be undertaken from 2018/19 by the Strategicv Finance Manager as an addditonal check.
Register of Member's Interest Confirmations	During our review of declaration of interest forms, we identified discrepancies between disclosures made by members in their forms and Companies House searches for those particular individuals. This was particularly the case when reviewing for Local Government Management Board. This issue was also identified in the audit for year ended 31 March 2016.	We take this opportunity to remind all Members/Directors that the disclosures are a key control during the review of related parties and declarations should be kept up to date.	For 2018 we have found this deficiency to still be valid as many declaration forms did not disclose members' other interests. **Recommendation not implemented.**	Noted. Member Services to continue to check with Members to ensure declarations are as accurate as possible.

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FOLLOW UP OF PRIOR YEAR DEFICIENCIES

Area	Original Observation	Original Recommendation	Audit Update	Management Response
Salary Update Letters	Whilst completing wages testing across the group it was noted there are no formal letters to employees for automatic salary banding movements.	We recommend all increases or decreases of salaries including automatic banding movements should be confirmed to employees in writing. This correspondence should be retained the individual's personnel files.	Letters are provided for changes in salary band however no letter is provided for when an employee moves *within* a band, which is deemed reasonable as these bandings are known and each employee will be made aware of this within their appraisal. **Recommendation fully implemented.**	N/A
Credit Notes	During our testing we noticed a significant volume of credit notes being raised during the year, primarily due to miscoding and error. Within the Improvement and Development Agency 133 were raised (total £1,526k) and in Local Government Association there were 498 were raised (total £537k).	We recommend the group look into any potential underlying reasons for these corrections and solutions to avoid such a high number occurring.	The number of credit notes raised has fallen for 2018 and our testing found the credit notes to be for a valid business reason. **Recommendation fully implemented.**	N/A

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5 Audit Adjustments

UNADJUSTED MISSTATEMENTS

We identified the following non-trivial misstatements during the audit which management has not reflected in the financial statements. We are required under the ISAs to request that you correct the unadjusted misstatements. If you choose not to make these adjustments, you should let us know your reasons for not doing so in the representation letter as drafted at Appendix I.

	SOCI		Balance Sheet	
Unadjusted Misstatements (Local Government Management Board)	**Dr (£)**	**Cr (£)**	**Dr (£)**	**Cr (£)**
1. Dr Expenditure (legal and professional fees)	806.25	-	-	-
Cr Accruals	-	-	-	806.25
Being: Item of expenditure which was incorrectly not accrued for at year end.				
2. Dr Expenditure (Corporation tax)	1,848.05	-	-	-
Cr Accruals	-	-	-	1,848.05
Being: Incorrect calculation of unpaid corporation tax interest (PKF estimate).				
Total unadjusted in Local Government Management Board:	**2,564.30**	**-**	**-**	**2,564.30**
	Net Dr £2,564.30		**Net Cr £2,564.30**	

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Unadjusted Misstatements (Improvement and Development Agency)	SOCI Dr (£)	SOCI Cr (£)	Balance Sheet Dr (£)	Balance Sheet Cr (£)
1. Dr Income (donations and grants)	124,126.51	-	-	-
Cr Income (project delivery income)	-	124,126.51	-	-
Being: Adjustment to correct miscoding of NHS income item which was incorrectly coded to donations income.				
Total unadjusted in Improvement and Development Agency:	**124,126.51**	**124,126.51**	**-**	**-**
	Net Nil		**-**	

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ADJUSTED MISSTATEMENTS

A number of misstatements were identified during the audit and have been adjusted in the financial statements.

	SOCI		Balance Sheet	
Adjusted Misstatements (Improvement and Development Agency)	**Dr (£)**	**Cr (£)**	**Dr (£)**	**Cr (£)**
1. Dr Expenditure (shared services costs)	599,880.00	-	-	-
Cr Income (miscellaneous sales and charges)	-	599,880.00	-	-
Being: Correction of PENSID income which was incorrectly netted off expenditure rather than being shown as income.				
2. Dr Expenditure (additional staff expenses)	201,500.00	-	-	-
Cr Accruals (superannuation)	-	-	-	201,500.00
Being: Adjustment to include March 2018 pension scheme fees.				

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Adjusted Misstatements (Improvement and Development Agency)	SOCI Dr (£)	SOCI Cr (£)	Balance Sheet Dr (£)	Balance Sheet Cr (£)
3. Dr Income (Royalties)	141,243.00	-	-	-
Cr Income (GeoPlace profit share)	-	141,243.00	-	-
Dr Income (Royalties)	141,243.00	-	-	-
Cr Income (Royalties)	-	141,243.00	-	-
Being: Correction of reversal of prior year accrued income which was also posted to the incorrect code.				
Total adjusted in Improvement and Development Agency:	**942,623.00**	**741,123.00**	**-**	**201,500.00**
	Net Dr £201,500		**Net Cr £201,500**	

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Appendix I - Draft Letters of Representation

We require a signed copy of the below letter(s) on letter-headed paper before we can finalise our opinion on the financial statements.

LOCAL GOVERNMENT ASSOCIATION

Letter of Representation - to be typed on letter headed paper

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

[Date]

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of the following representations to you in connection with your audit of the Financial Statements of the Local Government Association (the “Company”) for the year ended 31 March 2018.

General representations

1 We have fulfilled our responsibilities under the Companies Act 2006 (“the Act”), and as set out in your engagement letter, for preparing Financial Statements that give a true and fair view of the state of the Group and Company’s affairs at the end of the financial year and of the Group’s profit for the financial year in accordance with United Kingdom Generally Accepted Accounting Practice (“UK GAAP”), and for making accurate representations to you.

2 All the accounting records and relevant information have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the Group and Company, and with all other records and related information requested, including minutes of all management and shareholder meetings.

3 All the transactions undertaken by the Group and Company have been properly reflected and recorded in the accounting records.

4 The financial statements are free of material misstatements, including omissions.

5 We confirm that we have considered the unadjusted items advised to us by you as detailed below. We confirm we are not aware of any other unadjusted items that are not clearly trivial. In our opinion, the adjustments that you have identified and recommended us to make are not relevant to the financial statements because the combined effect of the unadjusted items is not material, and we do not consider that their absence from the financial statements affects the true and fair view given.

	SoCI		**Balance Sheet**	
	Dr £	**Cr £**	**Dr £**	**Cr £**
Dr Income (donations and grants)	124,126.51			
Cr Income (project delivery)		124,126.51		
Being: An item of income which was classified incorrectly (IDA)				

6 We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

7 Each director has taken all the steps that he/she ought to have taken as a director in order to make himself aware of any relevant audit information (as defined in Section 418 of the Act) and to establish that you are aware of that information.

Internal control and fraud

8 We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud

9 We have disclosed to you all instances of known or suspected fraud affecting the Group and Company involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.

10 We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

Assets and liabilities

11 The Group and Company has satisfactory title to all assets and there are no liens or encumbrances on the company's assets, except for those that are disclosed in the notes to the financial statements.

12 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

13 We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Accounting estimates

14 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Loans and arrangements

15 The Group and Company has not granted any advances or credits to, or made guarantees on behalf of, directors other than those disclosed in the financial statements.

Legal claims

16 We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

17 We are not aware of any material provisions, contingent liabilities, contingent assets or contracted-for capital commitments that need to be provided for or disclosed in the financial statements in accordance with the financial reporting framework.

Laws and regulations

18 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations, including any breaches or possible breaches of statute, regulations, contracts, agreements or the Company's Memorandum and Articles of Association, whose effects should be considered when preparing the financial statements.

Related parties

19 Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements of company law or accounting standards.

Subsequent events

20 All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed. Should further material events occur that may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

Going concern

21 We believe that the Group's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Group's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the Group's ability to continue as a going concern need to be made in the financial statements.

Specific representations

22 We confirm that the Merseyside Pension Plan is in deficit and that contributions have been made by the Association to the scheme during the year of £3,104,000.

23 With regard to the defined benefit pension scheme, we confirm that we are satisfied that the actuarial assumptions underlying the valuation are consistent with our knowledge of the business and the scheme membership, active and retired. There were current service costs of £2,276,000 and past service costs of £nil with the defined benefit pension scheme during 2017/18.

Yours faithfully

Signed on behalf of the board of Directors of the Local Government Association

Date:

IMPROVEMENT AND DEVELOPMENT AGENCY

Letter of Representation - to be typed on letter headed paper

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

[Date]

Dear Sirs

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of the following representations to you in connection with your audit of the financial statements of the Improvement and Development Agency (the "Company") for the year ended 31 March 2018.

General representations

1 We have fulfilled our responsibilities under the Companies Act 2006 ("the Act"), and as set out in the engagement contract, for preparing financial statements that give a true and fair view of the state of the Company's affairs at the end of the financial year and of the Company's result for the financial year in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), and for making accurate representations to you.

2 All the accounting records and relevant information have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the Company, and with all other records and related information requested, including minutes of all management and shareholder meetings.

3 All the transactions undertaken by the Company have been properly reflected and recorded in the accounting records.

4 The financial statements are free of material misstatements, including omissions.

5 We confirm that we have considered the unadjusted items advised to us by you as detailed below. We confirm we are not aware of any other unadjusted items that are not clearly trivial. In our opinion, the adjustments that you have identified and recommended us to make are not relevant to the financial statements because the combined effect of the unadjusted items is not material, and we do not consider that their absence from the financial statements affects the true and fair view given.

	SoCI		**Balance Sheet**	
	Dr £	**Cr £**	**Dr £**	**Cr £**
Dr Income (donations and grants)	124,126.51			
Cr Income (project delivery)		124,126.51		
Being: An item of income which was classified incorrectly.				

6 We have informed you of all documents that we expect to issue comprising of other information (e.g. Directors' Report and if applicable, Strategic Report) and that the information included therein is consistent with the financial statements and does not contain any material misstatements.

7 We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

8 Each director has taken all the steps that he/she ought to have taken as a director in order to make himself aware of any relevant audit information (as defined in Section 418 of the Act) and to establish that you are aware of that information.

Internal control and fraud

9 We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud

10 We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.

11 We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

Assets and liabilities

12 The company has satisfactory title to all assets and there are no liens or encumbrances on the company's assets, except for those that are disclosed in the notes to the financial statements.

13 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

14 We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Accounting estimates

15 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Loans and arrangements

16 The company has not granted any advances or credits to, or made guarantees on behalf of, directors other than those disclosed in the financial statements.

Legal claims

17 We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

18 We are not aware of any material provisions, contingent liabilities, contingent assets or contracted-for capital commitments that need to be provided for or disclosed in the financial statements in accordance with the financial reporting framework.

Laws and regulations

19 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations, including any breaches or possible breaches of statute, regulations, contracts, agreements or the Company's Memorandum and Articles of Association, whose effects should be considered when preparing the financial statements.

Related parties

20 Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements of company law or accounting standards.

Subsequent events

21 All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed. Should further material events occur that may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

Going concern

22 We believe that the company's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the company's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the company's ability to continue as a going concern need to be made in the financial statements.

Specific representations

23 We confirm that the Camden Pension Plan is in deficit and that contributions have been made by the Association to the scheme during the year of £3,830,000.

24 With regard to the defined benefit pension scheme, we confirm that we are satisfied that the actuarial assumptions underlying the valuation are consistent with our knowledge of the business and the scheme membership, active and retired. There were current service costs of £3,375,000 and past service costs of £2,000 with the defined benefit pension scheme during 2017/18.

Yours faithfully

Signed on behalf of the Board of Directors of the Improvement and Development Agency

Date:

LOCAL GOVERNMENT MANAGEMENT BOARD

Letter of Representation - to be typed on letter headed paper

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

[Date]

Dear Sirs

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of the following representations to you in connection with your audit of the financial statements of Local Government Management Board (the "Company") for the year ended 31 March 2018.

General representations

1 We have fulfilled our responsibilities under the Companies Act 2006 ("the Act"), and as set out in the engagement contract, for preparing financial statements that give a true and fair view of the state of the Company's affairs at the end of the financial year and of the Company's result for the financial year in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), and for making accurate representations to you.

2 All the accounting records and relevant information have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the Company, and with all other records and related information requested, including minutes of all management and shareholder meetings.

3 All the transactions undertaken by the Company have been properly reflected and recorded in the accounting records.

4 The financial statements are free of material misstatements, including omissions.

5 We confirm that we have considered the unadjusted items advised to us by you as detailed below. We confirm we are not aware of any other unadjusted items that are not clearly trivial. In our opinion, the adjustments that you have identified and recommended us to make are not relevant to the financial statements because the combined effect of the unadjusted items is not material, and we do not consider that their absence from the financial statements affects the true and fair view given.

	SoCI		**Balance Sheet**	
	Dr £	**Cr £**	**Dr £**	**Cr £**
Dr Expenditure Cr Accruals *Being: An item of expenditure which was incorrectly not accrued at year end.*	806.25			806.25
Dr Expenditure Cr Accruals *Being: Incorrect calculation of unpaid corporation tax interest.*	1,848.05			1,848.05

6 We have informed you of all documents that we expect to issue comprising of other information (e.g. Directors' Report and if applicable, Strategic Report) and that the information included therein is consistent with the financial statements and does not contain any material misstatements.

7 We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

8 Each director has taken all the steps that he/she ought to have taken as a director in order to make himself aware of any relevant audit information (as defined in Section 418 of the Act) and to establish that you are aware of that information.

Internal control and fraud

9 We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud

10 We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.

11 We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

Assets and liabilities

12 The company has satisfactory title to all assets and there are no liens or encumbrances on the company's assets, except for those that are disclosed in the notes to the financial statements.

13 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

14 We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Accounting estimates

15 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Loans and arrangements

16 The company has not granted any advances or credits to, or made guarantees on behalf of, directors other than those disclosed in the financial statements.

Legal claims

17 We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

18 We are not aware of any material provisions, contingent liabilities, contingent assets or contracted-for capital commitments that need to be provided for or disclosed in the financial statements in accordance with the financial reporting framework.

Laws and regulations

19 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations, including any breaches or possible breaches of statute, regulations, contracts, agreements or the Company's Memorandum and Articles of Association, whose effects should be considered when preparing the financial statements.

Related parties

20 Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements of company law or accounting standards.

Subsequent events

21 All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed. Should further material events occur that may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

Going concern

22 We believe that the company's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the company's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the company's ability to continue as a going concern need to be made in the financial statements.

Specific representations

23 We confirm that the valuation of Layden House is materially correct to the best of our knowledge.

Yours faithfully

Signed on behalf of the Board of Directors of Local Government Management Board

Date:

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED

Letter of Representation - to be typed on letter headed paper

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

[Date]

Dear Sirs

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of the following representations to you in connection with your audit of the financial statements of Local Government Association (Properties) Limited (the "Company") for the year ended 31 March 2018.

General representations

1 We have fulfilled our responsibilities under the Companies Act 2006 ("the Act"), and as set out in the engagement contract, for preparing financial statements that give a true and fair view of the state of the Company's affairs at the end of the financial year and of the Company's result for the financial year in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), and for making accurate representations to you.

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Specific representations

22 We confirm that the valuation of Local Government House is materially correct to the best of our knowledge.

Yours faithfully

Signed on behalf of the Board of Directors of Local Government Association (Properties) Limited

Date:

LGA COMMERCIAL SERVICES LIMITED

Letter of Representation - to be typed on letter headed paper

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

[Date]

Dear Sirs

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of the following representations to you in connection with your audit of the financial statements of LGA Commercial Services Limited (the "Company") for the period ended 31 March 2018.

General representations

1 We have fulfilled our responsibilities under the Companies Act 2006 ("the Act"), and as set out in the engagement contract, for preparing financial statements that give a true and fair view of the state of the Company's affairs at the end of the financial year and of the Company's result for the financial year in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), and for making accurate representations to you.

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Going concern

21 We believe that the company's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the company's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the company's ability to continue as a going concern need to be made in the financial statements.

Yours faithfully

Signed on behalf of the Board of Directors of LGA Commercial Services Limited

Date:

Appendix II - Emerging Issues

EMERGING ISSUES

Guidance	
Charity Commission - updates and guidance	The following guidance has recently been updated by the Charity Commission: **Date** **Title** September 2017 How to report a serious incident in your charity August 2017 Grant funding an organisation that isn't a charity A summary of each of these publications is provided below along with a link to the full text.
How to report a serious incident in your charity	This guidance was first published in 2014, and was updated in September 2017. The purpose of the guidance is to assist trustees in identifying serious incidents, and ensure that they are reported to the Charity Commission. A serious incident is an adverse event, whether actual or alleged, which results in or risks significant loss of a charity's assets, damage to a charity's property, or harm to a charity's work, beneficiaries or reputation. Examples include fraud, theft, terrorism or extremism allegations, and safeguarding issues. The guidance covers in detail the types of incidents to be reported, when and how reporting should be undertaken, and further actions needed. The Commission requires reporting of significant incidents even if it has already been reported to the police or another regulator. The full document is available here: How to report a serious incident in your charity ***Action:*** *Charities should familiarise themselves with the updated guidance, in particular the range of incidents that would be considered 'serious' and therefore require reporting to the Charity Commission.*
Grant funding an organisation that isn't a charity	This guidance covers the situation where a charity is considering making a grant to an organisation that isn't a charity. It was first issued in February 2016 and was updated in August 2017. Grant-funding can be an effective way for charities to further their purposes and allow them to impact beneficiaries that they may otherwise not be able to reach. Making grants to organisations that aren't charities can be a good method of reaching new beneficiaries, or assisting existing beneficiaries in new ways. However, there are risks. Every grant a charity makes must only be used in line with the charity's purposes. Organisations that aren't charities do not have to deliver public benefit, comply with charity law or undertake activity with charitable purposes. The guidance assists charities through the decision-making process of whether to make a grant to a non-charity and undertake an appropriate risk assessment to support this. If the decision is 'yes', it goes on to assist in defining appropriate terms and conditions, put monitoring systems in place, and take necessary actions if things go wrong. The guidance encourages proportionality for example in the extent of due diligence on a potential grant recipient and the level of monitoring needed to ensure compliance with terms and conditions (and ultimately with the charities purposes). Trustee judgement will therefore still be needed, however this provides a useful reference point for the types of considerations needed. The full document is available here: Grant funding an organisation that isn't a charity ***Action:*** *For information.*

Law and regulation

Charity Commission Annual Return	The Charity Commission Annual Return for 2018 ('AR18') has been launched, following a consultation with the sector which closed in November 2017. The new return will be applicable for accounting periods ending on or after 1 January 2018, so does not yet affect charities with a 31 December 2017 year end. The Commission has stated that on average charities will have to answer 15 fewer questions, though AR18 includes new questions in eight areas. In particular, there are new questions in relation to grants and contracts with central and local Government, and overseas income and expenditure: • AR18 will ask whether a charity received income from outside the UK, the value by country, and the value by source (e.g. Governments, NGOs, charities etc.) Values from individual donors or private institutions will be voluntary for 2018, but mandatory for 2019. AR18 will also ask for total expenditure by country, and methods of money transfer (with totals) if this was outside of the banking system (e.g. PayPal). • AR18 will ask for the total number and total value of grants and contracts from central and local government (separate totals). There are complications around the definition of central and local government, the definition of grants and contracts, and how multi-year agreements should be treated. The Commission has said that more guidance will be issued in due course. The Commission has also launched a new 'Update Charity Details' service to allow charities to inform them of changes to their registered details, key activities and policies as and when changes arise (and has removed these questions from the Annual Return). Full detail of the consultation and outcomes can be found here: Charity Commission AR18 consultation ***Action:*** *We encourage charities to familiarise themselves with the questions in the new return in good time, to ensure that the necessary information is available to complete the return. This will affect In particular those with overseas operations and those receipt of funding from the UK government.*
Draft Charities Bill	On 14 September the Law Commission published a report entitled 'Technical Issues in Charity Law'. This is the result of an extensive consultation launched in 2015 and a supplementary consultation in 2016, the focus of which was to identify which areas of charity law the sector finds unduly complex, time-consuming or restrictive. Alongside the report, a new Draft Charities Bill was published for consideration by the government. Recommendations include: • Allowing trustees to borrow from their permanent endowment (with appropriate checks); • Making it easier for charities to amend their governing documents; • Giving charities more flexibility over land sales; • Removing barriers to mergers where this is in the charities best interests; • Extending the ability to pay trustees to enable supply of goods as well as services; and • Allowing ex gratia payments to trustees without Commission approval. Proposed increased powers for the Charity Commission include increased powers to prevent charities using misleading names, and the ability to confirm that trustees were properly appointed. Whilst many of the recommendations are technical in nature, in combination they should allow charities to operate more effectively and have more control over their resources. The Charity Commission expects to work with government to implement the changes over the coming months, having accepted the recommendations as 'sensible and timely'. The full report is on the Law Commission website, with the list of recommendations on page 355: Technical Issues in Charity Law ***Action:*** *For information only at this stage until the government response is issued.*

Law and regulation

Data security and GDPR

Charities rely heavily on personal data relating to beneficiaries, donors and other stakeholders. But many organisations face serious challenges regarding the capture, processing and securing of this information.

What are the penalties for getting it wrong?

Both the risks and the likely penalties for suffering a data loss are increasing. The Information Commissioner (ICO) stated recently that organisations need to rethink their approach to data protection and is backing up this warning with decisive action.

The ICO fined 13 major fundraising charities in early 2017 for breaching the Data Protection Act, in relation to misuse of donors' personal data. This was followed by an announcement by the ICO in September that the charity sector was responsible for a further 21 data security incidents in the period April to June 2017.

The difficulty for most charities is that they typically have limited financial resources and relevant expertise, and the focus is almost certainly on fundraising and the provision of services. But none of that will count as mitigating factors if you suffer a data breach or use personal information inappropriately.

How are the rules changing?

All personal data held by any organisation for any purpose is governed by the Data Protection Act 1998 (DPA) and the Privacy and Electronic Communications (EC Directive) Regulations 2003 (PECR).

However, there is a new EU Directive, the General Data Protection Regulation (GDPR), which is due to come into force on 25 May 2018. GDPR increases the size of the fines that can be levied in the event of a data breach or non-compliance with the Directive to as much as 4% of the annual worldwide turnover of an organisation or €20 million (whichever is the greater).

The GDPR also introduces stricter rules about contacting individuals, seeking and recording consent, and individual's rights to 'be forgotten.' There is a greater emphasis on being able to *demonstrate* compliance, as well as having the systems in place to ensure this.

What can you do?

The ICO has prepared a useful '12 steps to take now' guide in relation to the GDPR:

Preparing for the GDPR (12 Steps)

There are a number of steps you can take to minimise the risk of your charity suffering a data loss or using information inappropriately.

- Security and confidentiality of data must be at the heart of your IT decision-making, not just an afterthought.
- Ensure you have explicit consent or another legally valid justification for storing and using any personal information for the specific process you wish to use it for.
- Encrypt personal data. The ICO has said categorically that it will not accept any excuse for a data breach if the data were not encrypted, regardless of any other measures in place.
- Make sure you know what data you're capturing, where it is stored and how it is protected. Take particular care before entering into agreements with third-parties for data storage and processing, such as specialist emailing services or data centres. Remember that you are responsible for your data at all times, regardless of where it is located or who is processing it.
- Ensure you have well-defined policies and procedures that are communicated regularly to all relevant personnel regarding both the security and use of personal information.
- Commit to an independent review of your measures and policies on at least an annual basis to identify issues and gaps.
- As a general rule, don't do anything with data unless you are certain that it is appropriate and secure to do so.

If you require any further advice about data protection, please contact Ian Singer at isinger@pkf-littlejohn.com or +44 (0)20 7516 2200.

Law and regulation

Charitable Incorporated Organisations	Legislation was placed before parliament in September 2017 to allow charitable companies and community interest companies to directly convert to be charitable incorporated organisations (CIOs). This has now come into place. CIOs are an incorporated form of a charity that is not a company, only have to register with the Charity Commission (not Companies House), and which can enter into contracts in its own right meaning the trustees will normally have limited or no liability for any debts. They were introduced in 2013, with more than 12,500 currently in existence. Prior to this new legislation there was no method (in England and Wales) for a charitable company or community interest company to directly convert to CIO status. Instead the CIO had to be set up first, followed by a transfer of assets, liabilities and operations from the existing body, followed by closure of the existing body and de-registration. Direct conversion makes the process easier and allows the organisation to keep its name, bank accounts and existing charity number. Advantages conferred by being a CIO include not having to submit accounts to Companies House. ***Action:*** *It is important to bear in mind that there are several issues to be considered before converting or setting up a CIO, for example as CIOs are relatively new structure some lenders and funders may be less willing to provide finance. Trustees should ensure that this is a fully-informed decision with professional advice being sought where appropriate.*
Reporting of 'Significant matters' to the Charity Commission	The Charity Commission has issued a revised list of "significant matters" on which auditors and independent examiners must report. The key new "significant matters" include: • Notification of the nature of any modification / qualification / emphasis of matter included in an audit opinion with supporting reasons, and detail of any subsequent action taken by the trustees; and • Any evidence that conflicts of interest have not been managed by the trustees in accordance with guidance issued by the charity regulator and/or related party transactions have not been fully disclosed in line with the requirements of the applicable SORP. ***Action:*** *For information, however charities should continue to ensure that their internal processes for identifying and recording conflicts of interest and related parties (as well as taking necessary actions) remain appropriate.*
Fundraising disclosures	The Charity Commission issued a regulatory alert (CC15d) on 1 November 2016 setting out new fundraising rules – covering disclosures in the Trustees' Report and agreements with third parties. The new disclosures are mandatory for all charities registered in England and Wales above the audit threshold, for accounting periods commencing on or after 1 November 2016. The first annual reports impacted by these changes will therefore be dated 31 October 2017 onwards (early adoption is permitted). The information required includes the charity's approach to fundraising, whether or not they work with any commercial participators and how they monitor their activity, how they deal with complaints, and how they ensure protection of the public, including vulnerable people, from intrusive or persistent approaches. The full requirements are set out in the 'Charities (Protection and Social Investment) Act 2016' (Section 13, Paragraph 4.1): http://www.legislation.gov.uk/ukpga/2016/4/section/13/enacted ***Action:*** *Affected charities should think about who will draft this section of the report and build this into their year-end reporting timetable.*

Law and regulation	
Third party fundraisers	The Act above has also introduced new requirements where a charity (registered or unregistered) uses a professional fundraiser or other business to raise funds. The new rules state that there must be written agreements between the charity and third party. The agreement must include information on how the third party will adhere to relevant fundraising regulation, how the third party will protect the public, including vulnerable people, from unreasonably persistent or intrusive fundraising approaches and pressure to donate, and how the charity will monitor the third party's compliance with the agreement. Any new agreement signed on or after 1 November 2016 is required to include the new clauses. The Act does not specify whether agreements entered into before 1 November 2016 have to comply with the new rule; however, the Regulator has stated that it expects all existing agreements to be compliant. The revised 'Code of Fundraising Practice' also contains requirements for working with third parties specifically section 4. There are a number of items which must be included in agreements, and also areas where charities must ensure that they can evidence all reasonable efforts have been taken to ensure effective ongoing compliance. This includes for example approving and regularly reviewing agency compliance training, conducting call monitoring, and setting out a clear policy for dealing with complaints and feedback. The full list of requirements: Working with Third Parties ***Action:*** *We encourage charities who use third parties to undertake fundraising to review section 4 of the Code in full (as well as Section 3 of the Act, linked above), ensure that they have appropriate procedures in place, and also review existing and new agreements with third party fundraisers to ensure the required clauses are included.*
Lobbying Act	The government announcement in September that the Lobbying Act will not be reviewed until 2019 has been widely criticised by the charity sector. The Act has been blamed for discouraging charities from engaging in debates around the 2017 General Election. The Act was introduced in 2014 and subject to a review by Lord Hodgson in 2015, the results being published in March 2016. Lord Hodgson recommended a number of changes to the Act which charities had hoped would be implemented. This included removing the 'purpose test' which states that any activity which appears to be intended to influence elections could be caught by the Act – which requires charities to speculate as to how the Electoral Commission will interpret their activities. The government announcement that the Act will not be looked at until 2019 has been viewed by many in the sector as a rejection of the recommendations made by Lord Hodgson, and puts at risk the vital role that charities play in non-party political campaigning. ***Action:*** *We recommend that charities undertaking (or intending to undertake) such activities take note of any guidance or clarification issued, once this is available.*

Governance

Charity Governance Code	

Charity Governance Code

The new Charity Governance Code was published on 13 July 2017, following a joint consultation undertaken by the Charity Commission for England and Wales, ACEVO NCVO, ICSA, Small Charities Coalition and WCVA. This is the third iteration of the code which was originally published in 2005.

Governance is the process through which charities are directed and controlled, to ensure that they deliver sustainable public benefit and comply with all legal and regulatory requirements. Good governance has arguably never been more important than it is now. Increased public scrutiny over the charity sector in the wake of several high profile news stories in recent years - coupled with increased regulatory powers of the Charity Commission - mean that there are greater consequences of 'getting it wrong.'

Key changes within the Code include:

- A greater emphasis on values and behaviours - recognising that governance is about much more than systems and processes, and not just about the trustees. The correct behaviours must be embedded throughout a charity for effective governance.
- More detail on what is expected in practice, so the Code can be used as a tool for continuous improvement. There are recommendations, for example, around board size, performance reviews and trustees' terms of office.
- Guidance on which elements of the Code are applicable to larger, more complex charities – thereby seeking to ensure that the Code is sufficiently rigorous for larger charities but also flexible enough to be useful for smaller charities. Larger charities are encouraged to publish a statement in their annual report setting out how they apply the Code.
- The introduction of a 'Foundation Principle' that sets out the basic legal and regulatory compliance requirements for all charities. Central to this is the need for trustees to understand their roles and legal responsibilities.
- A new principle around diversity, bringing together these issues under one heading for the first time in the Code. Boards are encouraged to recognise diversity in its widest sense and to use this as a tool to drive more effective and balanced decision-making.

The full document is available here:

Charity Governance Code

We have also pulled together a self-assessment tool, to use the 'apply or explain' approach in practice:

PKF Littlejohn Charity Governance Code Self-Assessment Tool

***Action:** We encourage charity trustees to familiarise themselves with the new Code and to think about how the governance processes at their charity compare – and whether any changes are needed in light of this new guidance. The Code is best viewed as a tool to reflect upon and improve governance.*

Financial reporting

FRS 102 triennial review	NOTE: Detail on a specific impact of the FRS 102 triennial review on the Group is provided on page 12 above.

Following the recent publication of the Financial Reporting Council's triennial review of Financial Reporting Standard 102 (FRS 102), the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator have issued a consultation on the likely impact that these changes will have on the Charities Statement of Recommended Practice (SORP).

The Financial Reporting Council's triennial review is intended to provide incremental improvements and clarifications to FRS 102, rather than a full re-write of the standard. Its findings were announced last December.

FRS 102 is the financial reporting standard applicable in the UK, with the Charities SORP providing guidance in applying it to charities. Any changes to the underlying FRS 102 must therefore be incorporated into the Charities SORP, and the consultation explains what these changes are, inviting feedback and comment by 4 April 2018. Overall there are 21 proposed amendments to the Charities SORP.

The impacts are split into two categories. The bulletin includes the following clarification points. These will be applied immediately once the new SORP is released:

1) Comparative information must be provided for *all* amounts presented in the accounts, including the notes. This means for example the split of net assets between funds note must present two years' worth;
2) The undue cost or effort exemption has been removed for depreciating assets comprised of two or more components which have substantially different economic lives – such assets must now be split into separate components and depreciated separately; and
3) A legal (rather than constructive) obligation must exist at the balance sheet date, in order for an expected gift aid payment from a subsidiary to a charitable parent to be recognised as a liability at the balance sheet date. A deed of covenant provides such a legal obligation. Note, there is no corporation tax impact of this change as the post year end gift aid payment (if probable) will be taken into account.

The bulletin includes a number of more significant amendments, to be applied for accounting periods commencing on or after 1 January 2019. These include the following:

1) Where investment property is rented to another group entity, that property can now be measured either at cost (less depreciation and impairment) or at fair value;
2) Mixed use property will require the investment property element to be held at fair value, as the undue cost or effort exemption has been removed (unless of course that element is rented to another group entity where a choice can be made);
3) A reconciliation of net debt must be provided as a note to the cash flow statement;
4) Transfer of activities to a subsidiary undertaking is included as an example of a reconstruction that may be accounted for as a merger (e.g. establishment of a subsidiary to undertake non-charitable trading activities previously undertaken by the parent charity); and
5) The definition of a 'financial institution' has been widened, which could lead to more charities being classed as such, and required to include disclosures in the accounts. Charities undertaking lending at market rate or to achieve an element of market return are likely to be affected.

There are a number of more minor changes and changes only expected to impact a minority of charities. The full detail is provided in the Update Bulletin below:

Charities SORP Update Bulletin

Action: *We recommend that charities review the proposed changes and consider responding to the consultation.*

Financial reporting

Consultation on Charity SORP 2015

Alongside the above, a separate consultation on the Charities SORP (FRS 102) is being undertaken by the Charity Commission for England and Wales, the Office of the Scottish Charity Regulator and the Chartered Institute of Public Finance and Accountancy.

The purpose of the consultation is to identify any changes needed to improve the SORP. The invitation to comment (which closed back in December 2016) set out five areas where views are sought, covering the SORP's structure, format and accessibility, implementation issues, and suggestions for changes.

The proposed requirement to identify by name and amount any material individual, corporate, government or organisational donations and/or contracts has been removed, as confirmed by the SORP Committee in August 2017.

The Committee has now set up working groups to consider three specific areas:

- A third 'tier' of reporting. The initial consultation proposed that this would be used to increase the level of disclosure needed from the largest charities (defined as those with income over £10.2m). It now seems possible that this could instead be used to reduce the disclosures needed from small charities, but exactly what this would look like is yet to be announced.
- Introduction of a 'Key facts summary'. This is described as a 'simple summary containing key information' and would form part of the Trustees' Report. Concerns over comparability and incorrect conclusions being drawn have been raised by the sector.
- How governance arrangements are disclosed in the Trustees' Report, in particular with a view to ending the use of 'boiler plate' and unhelpful disclosures.

An exposure draft of the changes to the existing SORP could be available in 2018. It was previously anticipated that these changes would take effect from 1 January 2019, though the Commission recently announced this will be delayed.

A whole new SORP is then expected to be issued for accounting periods commencing 1 January 2022.

Action: *Charities should look out for the updated exposure draft, ensure that they understand the impacts of the changes and build these into their reporting processes for the first year affected. In the meantime, charity accounts will need to comply with any changes introduced to FRS 102 from 1 January 2019.*

Gift aid payments from subsidiaries

On 20 September 2017 the Financial Reporting Council (FRC) issued exposure draft FRED 68 in relation to the accounting for gift aid payments made by a subsidiary to its charitable parent.

The purpose is to tackle significant differences being adopted across the sector in how these payments are treated in the accounts of subsidiary companies. The proposal is that:

- The gift aid payment should be shown as a distribution of reserves in the subsidiary financial statements (i.e. recognised in equity, not profit or loss); and
- The tax effects of the gift aid payment should be recognised in profit or loss (i.e. no taxation payable in most cases, see below).

This will leave the Profit and Loss account potentially showing a profit (since the post year end gift aid payment will flow through a Statement of Changes in Equity), but no taxation being payable.

The tax effects of the payment taking place within 9 months following the reporting date will be taken into account at the reporting date – on the basis that it is 'probable' that the gift aid payment will be made in the 9 months following the reporting date.

At the date the subsidiary accounts are signed, consideration will need to be given to how it can be demonstrated that the post year end payment of gift aid from the subsidiary to the charitable parent is 'probable', if this payment has not yet been made.

Action: *The consultation closed on 20 October 2017, and the resulting changes are expected to come into place for accounting periods commencing on or after 1 January 2019 (with early adoption permitted). Charities with trading subsidiaries should keep this under review.*

Tax and VAT

Salary sacrifice and remuneration arrangements

Guidance was published in March 2017 in relation to changes to tax and Class 1A NI contributions on benefits in kind. The new rules result in most benefits provided in connection with salary sacrifice arrangements being liable to tax on the higher of either the cash pay given up or the normal benefit in kind value.

Some benefits - pension contributions and pension advice, childcare and cycle to work - are exempt. Some others - such as most company cars, accommodation benefits and school fees - are not brought within the rules until 2021. Other than these, the rules apply to all new arrangements entered into from 6 April 2017, changes to existing arrangements after 6 April 2017 and at the latest 5 April 2018. The draft guidance is available here:

Optional remuneration arrangements

Action: *If your organisation is affected by these rules, you should take immediate action to identify the tax implications for you and your staff.*

Off-payroll working for public bodies

Public bodies, as defined by the Freedom of Information Acts, are required to determine if new rules are relevant in connection with payments to intermediaries they engage for the provision of personal services, such as IT. The public body needs to determine if, in the absence of the intermediary, its relationship with the individual providing the services is in effect an employment arrangement. There is an online tool on HMRC's website that can be used to determine if the arrangement is caught.

For a relevant arrangement, the public body is responsible for deducting PAYE and NIC on the payments to the intermediary, and paying those amounts direct to HMRC. Failure to do so, would result in the usual penalties for non-compliance with the PAYE regime. The full document is available here:

Off payroll working in the public sector

Action: *Even if your organisation is not a public body, we recommend familiarising yourself with the new rules, as it is anticipated that they will apply to all sectors of the economy at some point in the near future.*

VAT and social media

Whilst advertising services are usually zero-rated, this does not apply to adverts distributed to a 'selected audience.' The relevant legislation is in Items 8 and 8a of Group 15, Schedule 8, VAT Act 1994, which provides relief on supplies of advertising services but only where the advertisements are placed for general consumption.

Charities are increasingly using social media as a mean of reaching their target audience. As a result of the tendency of advertisers to make use of features such as advanced targeting options and reliable conversion tracking, it is understood that HMRC is challenging the application of zero rating to social media advertising since this could constitute advertising to a selected audience.

Action: *Charities which pay for social media adverts should ensure they understand the VAT implications.*

Changes to the taxation of termination payments

Proposals to change how termination payments are subject to Income Tax and NIC were first published in the summer of 2016, and there have been a number of updates and changes since then, but the effective date has not changed and there will be a new regime in place from 6 April 2018.

There are a number of new concepts to understand in determining the Income Tax and NIC liabilities arising on termination payments, such as "Relevant Termination Awards" and "Post-employment notice pay". The "tax-free" element remains at £30,000, but there are changes to how the qualifying element of a termination payment is determined. In addition, whilst the qualifying termination payment will still not be liable to employee NIC, the excess of the payment over £30,000 will be liable to employer NIC.

Foreign Service relief included in the old rules will be scrapped, though until the actual legislation is published as part of the 2018 Finance Bill, what replaces it is not fully known. The changes to the rules are included in a number of HMRC publications, and the most recent summary can be found here:

Income tax and NI contributions (treatment of termination payments)

Action: *If you are considering having to make staff redundant in the next few months you should take advice to ensure you understand the implications of the new rules which will apply from 6 April 2018.*

People with purpose

Passionate about helping you achieve your goals

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6 June 2018

Letter of Representation

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of the following representations to you in connection with your audit of the Financial Statements of the Local Government Association (the “Company”) for the year ended 31 March 2018.

General representations

1 We have fulfilled our responsibilities under the Companies Act 2006 (“the Act”), and as set out in your engagement letter, for preparing Financial Statements that give a true and fair view of the state of the Group and Company’s affairs at the end of the financial year and of the Group’s profit for the financial year in accordance with United Kingdom Generally Accepted Accounting Practice (“UK GAAP”), and for making accurate representations to you.

2 All the accounting records and relevant information have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the Group and Company, and with all other records and related information requested, including minutes of all management and shareholder meetings.

3 All the transactions undertaken by the Group and Company have been properly reflected and recorded in the accounting records.

4 The financial statements are free of material misstatements, including omissions.

5 We confirm that we have considered the unadjusted items advised to us by you as detailed below. We confirm we are not aware of any other unadjusted items that are not clearly trivial. In our opinion, the adjustments that you have identified and recommended us to make are not relevant to the financial statements because the combined effect of the unadjusted items is not material, and we do not consider that their absence from the financial statements affects the true and fair view given.

18 Smith Square, London, SW1P 3HZ **T** 020 7664 3000 **F** 020 7664 3030 **E** info@local.gov.uk www.local.gov.uk
Chief Executive: Mark Lloyd

	SoCI		Balance Sheet	
	Dr £	**Cr £**	**Dr £**	**Cr £**
Dr Income (donations and grants) Cr Income (project delivery) *Being: An item of income which was classified incorrectly (IDA)*	124,126.51	124,126.51		

6 We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

7 Each director has taken all the steps that he/she ought to have taken as a director in order to make himself aware of any relevant audit information (as defined in Section 418 of the Act) and to establish that you are aware of that information.

Internal control and fraud

8 We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud

9 We have disclosed to you all instances of known or suspected fraud affecting the Group and Company involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.

10 We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

Assets and liabilities

11 The Group and Company has satisfactory title to all assets and there are no liens or encumbrances on the company's assets, except for those that are disclosed in the notes to the financial statements.

12 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

13 We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Accounting estimates

14 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Loans and arrangements

15 The Group and Company has not granted any advances or credits to, or made guarantees on behalf of, directors other than those disclosed in the financial statements.

Legal claims

16 We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

17 We are not aware of any material provisions, contingent liabilities, contingent assets or contracted-for capital commitments that need to be provided for or disclosed in the financial statements in accordance with the financial reporting framework.

Laws and regulations

18 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations, including any breaches or possible breaches of statute, regulations**,** contracts, agreements or the Company's Memorandum and Articles of Association, whose effects should be considered when preparing the financial statements.

Related parties

19 Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements of company law or accounting standards.

Subsequent events

20 All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed. Should further material events occur that may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

Going concern

21 We believe that the Group’s financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Group’s needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that

no further disclosures relating to the Group's ability to continue as a going concern need to be made in the financial statements.

22 We confirm that the assets, liabilities and activities of the Local Government Association have not yet been transferred to LGA unlimited (company number 11177145). It is the stated intention of the Leadership Board, subject to approval by General Assembly on 3 July 2018, to transfer the assets, liabilities and activities of the Local Government Association as a going concern at some point in the near future. As a result, on this basis, we confirm that the Association's financial statements are prepared on a going concern basis.

Specific representations

23 We confirm that the Merseyside Pension Plan is in deficit and that contributions have been made by the Association to the scheme during the year of £3,104,000.

24 With regard to the defined benefit pension scheme, we confirm that we are satisfied that the actuarial assumptions underlying the valuation are consistent with our knowledge of the business and the scheme membership, active and retired. There were current service costs of £2,276,000 and past service costs of £nil with the defined benefit pension scheme during 2017/18.

Yours faithfully

Lord Porter of Spalding CBE

Signed on behalf of the board of Directors of the Local Government Association

Date: 6 June 2018