

# LGA Leadership Board

## Agenda

Thursday, 15 June 2017  
11.00 am

Rooms A&B, Ground Floor, Layden House,  
76-86 Turnmill Street, London, EC1M 5LG

**To:** Members of the LGA Leadership Board  
**cc:** Named officers for briefing purposes

## **Guidance notes for members and visitors**

### **Layden House, 76-86 Turnmill Street, London, EC1M 5LG**

Please read these notes for your own safety and that of all visitors, staff and tenants.

#### **Welcome!**

Layden House is located directly opposite the Turnmill Street entrance to Farringdon station, which is served by the Circle, Hammersmith & City, and Metropolitan lines as well as the Thameslink national rail route.

#### **Security**

Layden House has a swipe card access system meaning that a swipe enabled security passes will be required to access the lifts and floors 1-5.

Most LGA governance structure meetings will take place on the **ground floor** of Layden House which is open access and therefore does not require a swipe enabled security pass. **Access** to the rest of the building (floors 1-5) is via swipe enabled security passes.

When you visit Layden House, **please show your Local Government House security pass to reception** and they will provide you with a temporary pass which will allow you access to floors 1-5 if required. **Please don't forget to sign out at reception and return your security pass when you depart.**

If you do not have a LGH Security Pass, please email [member services](#) with your name and a recent photo and a pass will be made for you. You can pick this up from the Layden House reception desk on your next visit.

#### **Fire instructions**

In the event of the fire alarm sounding, vacate the building immediately via the nearest fire exit onto Turnmill Street and take the next turning on your left – Benjamin Street to St John's Gardens.  
**DO NOT USE THE LIFTS.**  
**DO NOT STOP TO COLLECT PERSONAL BELONGINGS.**  
**DO NOT RE-ENTER BUILDING UNTIL AUTHORISED TO DO SO.**

#### **Soft Seating Area**

There is a small soft seating area on Floor 2 which will also operate as an 'Open Council' area for visiting members and officers from member councils. Please note however that unlike Open Council, this area does not have tea and coffee facilities, nor access to computers.

#### **Toilets**

There are accessible toilets on the Ground Floor, 2nd and 4th floors.

#### **Accessibility**

If you have special access needs, please let the meeting contact know in advance and we will do our best to make suitable arrangements to meet your requirements.

Parking is available at the rear of the building for Blue Badge holders, accessed via the Turks Head Yard, North underpass. Disabled WCs are situated on the ground and 4<sup>th</sup> floors. An induction loop system is available in the 5<sup>th</sup> floor conference venue. For further information please contact the Facilities Management Helpdesk on 020 7664 3015.

#### **Guest WiFi in Layden House**

WiFi is available in Layden House for visitors. It can be accessed by enabling "Wireless Network Connection" on your computer and connecting to LGA-Free-WiFi. You will then need to register,

either by completing a form or through your Facebook or Twitter account (if you have one). You only need to register the first time you log on.

### **Further help**

Please speak either to staff at the main reception on the ground floor, if you require any further help or information. You can find the LGA website at [www.local.gov.uk](http://www.local.gov.uk)

### **Why have the LGA's Headquarters moved?**

The LGA has temporarily relocated from Local Government House (LGH) in Smith Square to Layden House in Farringdon, effective from Monday 31 October 2016. This is to allow extensive refurbishment work to be carried out to LGH.

The refurbishment works will see the ground floor conference centre and all meeting rooms fully refurbished. Floors 1, 2 and 3 will be upgraded and released for commercial letting to enable the LGA to maximise the income from this building as part of its drive for financial sustainability. A new and larger Open Council will be located on the seventh floor. The refurbishment is expected to last for nine months and we expect to be back in LGH by September 2017.

We appreciate your understanding and flexibility during this time.

LGA Leadership Board  
15 June 2017

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There will be a meeting of the LGA Leadership Board at **11.00 am on Thursday, 15 June 2017**  
Rooms A&B, Ground Floor, Layden House, 76-86 Turnmill Street, London, EC1M 5LG.

**Attendance Sheet:**

Please ensure that you sign the attendance register, which will be available in the meeting room. It is the only record of your presence at the meeting.

**Apologies:**

Please notify your political group office (see contact telephone numbers below) if you are unable to attend this meeting.

<b>Conservative:</b>	Group Office: 020 7664 3223	email: <a href="mailto:lgaconservatives@local.gov.uk">lgaconservatives@local.gov.uk</a>
<b>Labour:</b>	Group Office: 020 7664 3334	email: <a href="mailto:Labour.GroupLGA@local.gov.uk">Labour.GroupLGA@local.gov.uk</a>
<b>Independent:</b>	Group Office: 020 7664 3224	email: <a href="mailto:independent.grouplga@local.gov.uk">independent.grouplga@local.gov.uk</a>
<b>Liberal Democrat:</b>	Group Office: 020 7664 3235	email: <a href="mailto:libdem@local.gov.uk">libdem@local.gov.uk</a>

**Location:**

A map showing the location of Layden House is printed on the back cover.

**LGA Contact:**

Frances Marshall  
0207 664 3220 / [frances.marshall@local.gov.uk](mailto:frances.marshall@local.gov.uk)

**Carers' Allowance**

As part of the LGA Members' Allowances Scheme a Carer's Allowance of up to £7.50 per hour is available to cover the cost of dependants (i.e. children, elderly people or people with disabilities) incurred as a result of attending this meeting.

## LGA Leadership Board – Membership 2016/2017

Councillor	Authority
<b>Conservative ( 6)</b>	
Lord Gary Porter CBE (Chairman)	South Holland District Council
Cllr David Simmonds CBE (Acting Vice Chairman)	Hillingdon London Borough Council
Baroness Coultie of Downe Philippa Coultie (Deputy Chairman)	Westminster City Council
Cllr Peter Fleming OBE (Deputy Chairman)	Sevenoaks District Council
Cllr Sean Anstee (Deputy Chairman)	Trafford Metropolitan Borough Council
Cllr Colin Noble (Acting Deputy Chairman)	Suffolk County Council
<b>Labour ( 6)</b>	
Cllr Nick Forbes (Senior Vice- Chair)	Newcastle upon Tyne City Council
Cllr Sharon Taylor OBE (Deputy Chair)	Stevenage Borough Council
Mayor Sir Steve Bullock (Deputy Chair)	Lewisham London Borough Council
Cllr Anne Western CBE (Deputy Chair)	Derbyshire County Council
Cllr Sue Murphy CBE (Deputy Chair)	Manchester City Council
Cllr Peter Box CBE (Deputy Chair)	Wakefield Metropolitan District Council
<b>Independent ( 2)</b>	
Cllr Marianne Overton MBE (Vice-Chair)	Lincolnshire County Council
Cllr Peter Reeve MBE (Deputy Chair)	Cambridgeshire County Council
<b>Liberal Democrat ( 2)</b>	
Cllr Gerald Vernon-Jackson CBE (Vice-Chair)	Portsmouth City Council
Mayor Dorothy Thornhill MBE (Deputy Chair)	Watford Borough Council



## Agenda

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### LGA Leadership Board

Thursday 15 June 2017

11.00 am

Rooms A&B, Ground Floor, Layden House, 76-86 Turnmill Street, London, EC1M 5LG

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**Date of Next Meeting:** Wednesday, 19 July 2017, 2.00 pm, 5th Floor Board Room, 5th Floor (North side), Layden House, 76-86 Turnmill Street, London, EC1M 5LG





## **Combined Authority Mayors**

### **Purpose**

For discussion and direction.

### **Summary**

To provide an update on the recent election of combined authority mayors and the LGA membership offer.

### **Recommendations**

That the LGA Leadership Board:

- i. note the update on the outcome of the combined authority mayoral elections;
- ii. note activity to support combined authorities;
- iii. note early engagement with combined authority mayors and the development of the mayoral support offer; and
- iv. provide a steer on future work, outlined in the report.

### **Action**

Officers to action members' comments as appropriate.

**Contact officer:** Ian Hughes  
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## **Combined Authority Mayors**

### **Background**

1. The emergence of combined authorities and directly elected mayors has signalled a change in the structure of local governance in some parts of England.
2. The LGA has considered for some time how we ensure that the new Combined Authorities and their directly elected Mayors become and feel part of the LGA and the wider local government family. This work started with the Combined Authority Working Group convened in response to the LGA Executive's request for some "early thinking about the place of Combined Authorities in the LGA". The working group's recommendations, which were endorsed by the Leadership Board, resulted in the development of a comprehensive support offer for combined authorities (CAs), as well as support for mayoral candidates in the run up to elections in May 2017 and beyond.
3. This paper provides an overview of the outcome of the mayoral elections, the extensive work already undertaken to support CAs, early engagement with mayors and the development of the LGA mayoral support offer. It also seeks views from members on next steps to build on our current offer.

### **Outcome of combined authority mayoral elections**

4. On the 5 May 2017 the following six mayors were elected:
  - 4.1. James Palmer (Conservative) – Cambridgeshire and Peterborough CA
  - 4.2. Andy Burnham (Labour) – Greater Manchester CA
  - 4.3. Steve Rotherham (Labour) – Liverpool City Region CA
  - 4.4. Ben Houchen (Conservative) – Tees Valley CA
  - 4.5. Tim Bowles (Conservative) – West of England CA
  - 4.6. Andy Street (Conservative) – West Midlands CA

### **Targeted improvement offer for combined authority mayors**

5. The LGA's devolution improvement offer builds on the comprehensive support offer already in place for councils and is open to all councils considering or negotiating devolution deals, including counties.<sup>1</sup> We will of course be reviewing this offer as the new Government's devolution policy develops.
6. Building on early work to support devolution areas and based on recommendations from the LGA's CA working group, the Leadership Board was keen to ensure that the LGA establishes itself as the obvious 'home' for the new directly elected mayors and that a package of support be put in place for mayors, both as individuals and as a collective. As Chairs of their Combined Authority, it was agreed Mayors would automatically be members of the LGA.

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<sup>1</sup> [www.local.gov.uk/devolution-our-offer-support](http://www.local.gov.uk/devolution-our-offer-support)

7. In the run up to the Mayoral elections, the LGA provided support to Mayoral candidates through programmes led by the political group offices. Feedback from candidates suggests this was successful and the LGA is now well positioned to work with the new mayors.
8. We have engaged with all of the new Mayors since the election. This has included:
  - 8.1. Telephone calls to CA Mayors by Group Leaders during the weekend following the elections.
  - 8.2. A letter sent from the Chairman to all CA mayors congratulating them on their election, welcoming them to the LGA, outlining our support offer and highlighting the programme of key mayoral events.
  - 8.3. Telephone calls between the LGA Chief Executive and each CA chief executive to identify any further support needs.
  - 8.4. Andrew Campbell, in his LGA consultancy role, met the West Midlands mayor Andy Street at the request of the West Midland Combined Authority (WMCA) and provided support for the preparation of a WMCA day one mayoral briefing.
9. From early feedback from CAs, the LGA has refocused our offer. This has included:
  - 9.1. **Support to coordinate joint Mayors and CA work:** we already convene and support a network of mayoral CAs. We have organised a seminar for Mayors (14-15 June) to be hosted in partnership with the Commonwealth Local Government Forum in London. The event will bring new mayors together for the first time. It will act as a taster for the type of support that the LGA can offer mayors and a welcome to the wider LGA family. At LGA annual conference (4-6 July), mayors have been invited to participate in our debates.
  - 9.2. **Bespoke political support:** available through the LGA group offices.
  - 9.3. **Leadership development:** the transition to a mayoral combined authority will require a new way of working for mayors, council leaders and frontline councillors. The LGA has discussed the possibility of leadership development support with a number of combined authorities, and hopes to be able to pilot this in the coming months.

### **Next steps**

10. The Leadership Board wanted to ensure that mayors found a home within the LGA and the wider local government family. Members will be keen to ensure that momentum is maintained and that mayors and CAs are provided with bespoke support to work at pace and deliver their devolution deals.
11. Of course, the work with mayoral CAs is part of a wider devolution agenda. At the time of writing, the national manifestos included new proposals relating to devolution and constitutional reform. There will be a separate paper at the Leadership Board which looks at the results of the General Election and the policy implications for local government. This will include a review of the new Government's devolution agenda.

12. While it is likely to be too early to have a detailed direction of travel on devolution from a new Government, members may wish to reflect on some of the issues where LGA support will be most needed by mayors, CAs and other councils in the coming year.
13. For example:
  - 13.1. **Support to mayoral CAs (MCA) over the next year:** members from MCAs may have insights on where LGA support would be best placed.
  - 13.2. **Support to rural and non-metropolitan areas:** this could include reviving a clear menu of the policies and delivery areas which are better delivered locally and which formed part of devolution proposals in Sept 2016.
  - 13.3. **Addressing capacity challenges for CAs:** devolution is bringing about new challenges for political leaders and senior officers in relation to local policy formulation; with many taking greater responsibility for policy development across a much wider geography and across different agencies and partnerships. We are considering with CAs how these challenges are addressed and what support the LGA can offer.
  - 13.4. **Support for non-mayoral city CAs:** clarity will be needed for those city authorities who have decided not to follow the mayoral model.
  - 13.5. **Broadening the devo asks from councils:** there are new policy boundaries which could form the core of a next wave of devo deals. This could include a debate on wider fiscal devolution – for example a local share of VAT or stamp duty.

### **Financial implications**

14. Proposals are deliverable within existing resources.

### **Implications for Wales**

15. Welsh local government has its own devolution journey. Following the decision of the Welsh Government to end its policy of reducing the number of councils through local government restructuring, councils in Wales have been asked to develop proposals for shared services. We are working with the Welsh Local Government Association (WLGA) to support its work with councils through sharing the learning from English councils and new combined authorities.
16. More generally, we have developed joint work with the WLGA and the associations in Scotland and Northern Ireland to ensure that powers repatriated after Brexit are not centralised in Whitehall, Holyrood, Stormont or Cardiff Bay. We have jointly called for EU powers to be passed to local communities through local government.

**Appendix A****Overview of mayoral devolution deals**

Although each deal has bespoke elements, a consistent pattern or ‘core offer’ has emerged in the mayoral combined authority deals. Broadly, the common elements are set out below:

- a single investment fund enabling pooling of central and local funding streams for economic growth, “seeded” with an annual allocation of central government funding for 30 years
- full devolution of the adult skills budget by 2018/19
- control over the post-16 further education system and the Apprenticeship Grant for Employers
- co-design with Department for Work and Pensions of future employment support for harder-to-help claimants
- greater tailoring and engagement of city regions on UK Trade and Investment services
- Intermediate Body status for the European Regional Development Fund and European Social Fund<sup>2</sup>
- power to pursue bus franchising
- pooled and devolved local transport funding allocated as a multi-year settlement
- introduction of smart ticketing across local modes of transport
- devolved approaches to business support
- powers over strategic planning and to establish public land commissions to influence decisions about the disposal of public assets.

**CA mayoral powers**

The role of the directly elected mayor has some core characteristics shared across the MCAs and the mayor chairs the combined authority cabinet. However, CA mayors have differing degrees of power over different matters and in most areas, they will have an effective veto over some decisions.

Under most current deals, mayoral spending plans are to be subject to rejection by cabinet members on a two-thirds majority. Where powers to create a spatial strategy are available, this will require unanimous approval from the mayor and combined authority members.<sup>3</sup> With the consent of all appropriate authorities, the role of Police and Crime Commissioner can also be merged with the mayor, although only Greater Manchester CA has done this to date, and in some areas the mayor is a member of the Local Enterprise Partnership.<sup>4</sup>

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<sup>2</sup>The devolved powers in relation to both ERDF and UKTI will be affected by Brexit. The LGA has already started to work to develop a proposal for a UK local regeneration fund after we leave the EU and this work is being led by the Resources Board. DExEU have been informed that future trade policy must be undertaken in conjunction with councils. Whilst Central Government has not needed skills for trade deals since 1973, local government has undertaken much work on bilateral agreements with cities and regions across the world. Government will need to tap into its own skill base.

<sup>3</sup> House of Commons Library, Devolution to local government in England. November 2016

<sup>4</sup> West Midlands, West of England, Liverpool City Region





**LGA Leadership Board**

15 June 2017

## **Local elections and LGA political balance 2017-2018**

### **Purpose**

For decision.

### **Summary**

Local government elections took place on Thursday 4 May 2017 in England and Wales.

Following the election results, the definitive figures for the LGA's proportionality for 2017-2018 have been confirmed. This reports sets out the revised proportionality and its implications for the distribution of seats amongst the political groups on the LGA's governance structures.

### **Recommendations**

That the LGA Leadership Board:

1. endorses the proportionality figures for 2017/2018 meeting year; and
2. agrees not to include elected mayors in the LGA's political balance calculations for 2018/19, and to review this position after a year.

### **Action**

Political groups to agree the allocation of places across all LGA structures.

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## Local elections and LGA political balance 2017-2018

### Background

1. The 2017 local government elections took place on Thursday 4 May 2017 in 36 English councils, 22 Welsh councils, as well as mayoral contests in six combined authority areas and two directly elected local authority mayoral elections. The City of London Corporation elections took place on 23 March 2017.

### LGA proportionality

2. Overall, since the LGA's proportionality was calculated in 2016, and including the impact of elections, by-elections, defections, boundary changes and changes in LGA membership, the Conservative Group have gained 355 seats; the Labour Group have lost 231 seats; the Liberal Democrat Group have lost 6 seats; and the Independent Group have lost 95 seats.<sup>1</sup>
3. The final figures for 2017-2018, based on data provided by Professors Rawlings and Thrasher (formerly of the LGC Elections Centre at the University of Plymouth) are set out below along with the 2016-17 figures. The figures include the effect of the 50 per cent weighting for Welsh authorities, and the respective weightings for two tier areas.

	<b>Conservative</b> %	<b>Labour</b> %	<b>Lib Dem</b> %	<b>Ind</b> %
<b>2017/18</b>	<b>43.88</b>	<b>38.07</b>	<b>9.40</b>	<b>8.65</b>
2016/17	40.47	39.86	9.40	10.27

4. Under the LGA Constitution, the largest group appoints the Chair of the Association. For 2017-2018, the Conservative Group takes the LGA chairmanship by 5.81 per cent. The LGA Chairman also chairs the Leadership Board, the LGA Executive and the Councillors' Forum. The remaining Office Holders are appointed according to proportionality. Under the LGA Constitution, the Senior Vice-Chair of the LGA is the leader of the second largest group, which for 2017-18 is the Labour Group.

### LGA governance structures

5. Once the LGA's overall political balance has been calculated, the result is applied to each of our political structures to determine their make-up. Mathematical rounding is applied to allocate available seats to match each Political Group's proportionality. Figures are calculated to two decimal places and any group whose balance is above 0.5 is rounded up and below 0.5 rounded down. The only exception is where adopting this approach would have the effect of increasing the size of the board or committee. In that instance, the group with the smallest amount above 0.5 is rounded down.

<sup>1</sup> The UK Independent Party (UKIP) lost 138 seats, with independent councillors and the smaller parties gaining 43 seats.



**LGA Leadership Board**

15 June 2017



6. Task Groups and the four-member Audit Committee, Commercial Advisory Board and Property Company Boards are included in the political balance.
7. The revised breakdowns are set out in **Appendix A**.

**LGA Leadership Board**

8. The LGA Leadership Board comprises a core group of eleven places, made up of the Chairman, four Vice-Chairs (the LGA's Group Leaders) and six Deputy Chairs. As in 2016/17, one additional place has been negotiated for each group giving a Board comprising six Conservatives, five Labour, two Liberal Democrats and two Independents.

**Chairs**

9. The LGA's nine Boards, together with the Fire Services Management Committee, gives a total of ten Chairs.

**LGA Executive**

10. Core membership of the LGA Executive comprises the LGA Leadership Board, the Chairs of the nine boards and representatives of the nine English regions and Wales. From September 2017, the core membership of the Executive will be 34.
11. Under the LGA Constitution, regional and Welsh appointments to the Executive are encouraged to be made from the largest group. The LGA Executive balance will be calculated when once the regional nominations are confirmed in August. If required, Groups may either appoint additional members as balancing members, or allocate additional voting rights to existing members to achieve the balance.
12. The Chairs of CCN, DCN, SIGOMA and Local Partnerships attend Executive meetings in a non-voting capacity and are not included in the political balance.

**Policy Boards**

13. The seven policy boards have a proportionate membership of 18, including the Chair:
  - 13.1. Children & Young People
  - 13.2. Community Wellbeing
  - 13.3. Culture, Tourism & Sport
  - 13.4. Environment, Economy, Housing & Transport
  - 13.5. Improvement & Innovation
  - 13.6. Resources
  - 13.7. Safer & Stronger Communities



14. In 2017/18, where applying political balance to the seven 18-member policy boards gives each Group a figure above 0.5. This has not occurred during the past five years for which the LGA retains supporting calculations. The strict application of the LGA's normal approach to allocation of places would give:

Places	Cons	Lab	Lib Dem	Ind
18	8 (7.89)	7 (6.85)	2 (1.69)	1 (1.55)

15. The Independent Group, with the smallest fraction above 0.5, would therefore be rounded down. The consequence of this would be to reduce the Group's total Board representation by half at a time when its political balance has reduced by 1.62 per cent.
16. Given the unusual circumstances, the Chairman and Group Leaders of the other three groups have agreed two additional Board places to be allocated to the Independent Group, funded from LGA resources. This is a one-off one-year agreement applicable to the 2017/18 political year and does not set a precedent for future years.

**City Regions and People & Places Boards**

17. The City Regions and People & Places Boards were established in February 2014. The make-up of these Boards reflects the political proportionality of the wider group of councils from which their membership is drawn and each has an additional Deputy Chair drawn from the same group as the Chair.

**Fire Services Management Committee**

18. The Fire Services Management Committee membership of 14 is drawn from authorities with responsibility for fire & rescue.

**Combined authority mayors and proportionality**

19. At its last meeting on 5 April 2017, Leadership Board agreed the Constitution Task Group's recommended amendments to the LGA Constitution, but delegated to the Chairman and Group Leaders responsibility for deciding whether elected mayors of combined authorities should be included in the LGA's annual proportionality calculations.
20. Given the complexities of including a further tier in calculations and the minimal impact the current six combined authority mayors, the Chairman and Group Leaders propose no change to calculations in 2018/19, but recommend a further review in 12 months' time.

LGA Leadership Board

15 June 2017



Appendix A: Allocation of places on LGA governance structures

Structure	Year	Cons	Lab	Lib Dem	Ind	Total
<b>LGA Leadership Board (core group is 11 places) * an additional place per group was negotiated</b>	<b>2017/18</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>15*</b>
	2016/17	6	6	2	2	16*
<b>Chairs of Boards and Fire Services Management Cttee</b>	<b>2017/18</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>10</b>
	2016/17	4	4	1	1	10
<b>LGA Executive (excluding regional or balancing places)</b>	<b>2017/18</b>	<b>10</b>	<b>9</b>	<b>3</b>	<b>2</b>	<b>24</b>
	2016/17	10	10	2	3	25
<b>Boards (7) (18 Members) * Plus one additional place on the EEHT and CWB Boards</b>	<b>2017/18</b>	<b>8</b>	<b>7</b>	<b>2</b>	<b>1*</b>	<b>18*</b>
	2016/17	7	7	2	2	18
<b>City Regions Board (22 Members)</b>	<b>Political Balance</b>					
		<b>Lab</b>	<b>Cons</b>	<b>Lib Dem</b>	<b>Ind</b>	
	<b>2017/18</b>	63.33%	23.04%	7.29%	6.34%	
	2016/17	63.7%	23.0%	7.2%	6.1%	
	<b>Seats on the City Regions Board</b>					
	<b>2017/18</b>	<b>14</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>22</b>
2016/17	14	5	2	1	22	
<b>People &amp; Places Board (22 Members)</b>	<b>Political Balance</b>					
		<b>Cons</b>	<b>Lab</b>	<b>Lib Dem</b>	<b>Ind</b>	
	<b>2017/18</b>	63.32%	17.10%	11.09%	8.49%	<b>22</b>
	2016/17	56.3%	20.3%	11.4%	12.1%	22
	<b>Seats on the People &amp; Places Board</b>					
	<b>2017/18</b>	<b>14</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>22</b>
2016/17	12	4	3	3	22	
<b>Fire Services Management Committee</b>		<b>Lab</b>	<b>Cons</b>	<b>Lib Dem</b>	<b>Ind</b>	
	<b>2017/18</b>	<b>6</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>14</b>
	2016/17	6	6	1	1	14





## **2017 Annual Report of the Audit Committee**

### **Purpose of report**

For decision

### **Summary**

The Audit Committee met on 14 June 2017. This annual report provides an overview of areas reviewed and work undertaken by the Committee in 2016/17, in accordance with the Committee's terms of reference.

### **Recommendation**

That the LGA Leadership Board and LGA Executive endorse and commend to the General Assembly the 2017 Annual Report of the Audit Committee.

### **Actions**

The annual report to be presented the General Assembly on 4 July 2017.

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## **2017 Annual Report of the Audit Committee**

### **Introduction**

1. The responsibilities of the LGA's Audit Committee are to:
  - 1.1. review the financial statements prepared for the LGA and its associated companies
  - 1.2. monitor the processes for managing risks, internal controls and corporate governance arrangements
  - 1.3. oversee the appointments of the external and internal auditors and commission and review their work
  - 1.4. consider issues of probity and conduct
  - 1.5. seek expert advice where necessary to provide independent internal or external assurance on key issues
2. The main focus of the Audit Committee's work in 2016/17 has been to review the audited accounts of the LGA and its associated companies and to agree and review the findings and recommendations of the internal audit programme for the year.

### **Financial statements and external audit**

3. Following a tendering exercise in the autumn of 2015, which included input from the Audit Committee, PKF Littlejohn were re-appointed as the external auditors for the LGA, IDeA, LGA (Properties) Ltd and LGMB.
4. In June 2017 the Audit Committee reviewed the LGA's consolidated audited accounts for 2016/17 and the audited accounts for the three associated companies, prior to these being adopted by the Leadership Board and the relevant company boards.
5. The LGA's consolidated financial statements disclose the position of the LGA as a standalone entity, and include the LGA's Income and Expenditure account and Balance Sheet.
6. The consolidated accounts show the LGA and its related bodies made an operating surplus of £1.346m, the main causes of the trading surplus are:

#### **Savings - £1.75m**

- 6.1. Reduced spend on the IT contract - £0.9m.
- 6.2. Additional contributions to overheads from 50% higher than budgeted ring-fenced activities - £0.8m.
- 6.3. Partially offset by a decrease in the budgeted LGA's share of the surplus from GeoPlace LLP £0.050m.

**Accounting Adjustments – £1.557m**

- 6.4. Additional net unrealised gains on revaluation of Layden House and Local Government House - £0.547m
- 6.5. Current year cost adjustment of £1.010m required to account for the pension scheme deficit in accordance with accounting standards. Note this is offset by a £29.230m credit to the Pension Deficit Reserve arising from a negative actuarial loss from our pension funds this year.
7. Gains and losses that relate to changes in the actuarial assumptions used to calculate pension scheme liabilities, as well as the excess contributions made to reduce historic deficits are now all included within the overall Statement of Comprehensive Income for the year of net £28.221m.
8. It is standard practice for issues identified in the course of the external audit to be raised by the auditors with management and for these to be reported to the board members as “Performance Improvement Observations” in what is commonly known as the “Management Letter”. The Audit Committee received this report from the auditors at its meeting on 14 June 2017, and will monitor progress with the recommendations arising from the 2016/17 external audit.

**Internal audit**

9. TIAA are the LGA’s appointed internal auditors following a tender exercise in 2015.
10. The Audit Committee is responsible for agreeing the annual internal audit strategy and programme at the start of each financial year, taking account of the key risks identified in the LGA’s Strategic Risk Register.
11. The Audit Committee agreed the internal audit strategy and audit programme for 2016/17 at its meeting in June 2016. The audit programme was split into two blocks of work and included a follow-up of actions taken by the LGA in response to the recommendations of previous audits. TIAA have completed the programme and full reports were presented to the Audit Committee in November 2016 and June 2017. TIAA’s Annual Report was presented to the Committee meeting in June 2017.
12. In his annual opinion for the year 2016/17, TIAA’s Head Of Internal Audit states “I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of Local Government Association’s risk management, control and governance processes. In my opinion, Local Government Association has adequate and effective management, control and governance processes to manage the achievement of its objectives”.

13. The 2016/17 audit opinions are summarised below:

<b>Internal audit assignment</b>	<b>Internal audit opinion</b>
Key Financial Controls	Substantial Assurance
Building Works Project Assurance	Substantial Assurance
Conference & Events and Venue Management	Limited Assurance
Company Structure and Organisation	Reasonable Assurance
Debt Collection	Substantial Assurance
Procurement	Limited Assurance

14. The audit of Conference & Events and Venue Management reviewed how the LGA operates as a provider of conference and events facilities. The audit gave a 'limited' reassurance around the processes and controls currently in place. However, the audit was carried out in the context of the temporary relocation of the LGA to Layden House and the majority of the recommendations will be addressed when the Association relocates to the refurbished conference centre at Local Government House.
15. The Company Structure and Organisation audit reviewed the specialist work commissioned and the recommendations developed in relation to the review of Company Structures. TIAA recommended that the risks relating to this area of work are better integrated into the LGA's Strategic Risk register and this is being actioned.
16. The audit of Procurement resulted in a 'limited' assurance rating. The auditor's recommendations focus on management support and communications to ensure that colleagues adhere to the LGA Procurement Policy and that the information supplied is correct. Priority has been given to addressing the weaknesses addressed in this area and to ensuring that all staff are fully aware of the procurement policy and procedures.

### **Risk management and internal control**

17. The LGA's approach to risk management is set out in its Risk Management Policy. The policy strengthens risk management arrangements in relation to a number of significant new projects.
18. The Strategic Risk Register is reviewed quarterly by the Strategic Management Team (SMT) and Corporate Leadership Team (CLT) to ensure LGA's strategic and operational risks are identified and the associated scoring reflects the LGA's current situation. The Audit Committee has reviewed the Strategic Risk Register during the course of the year, in particular focusing on ensuring that key risks facing the organisation are being effectively managed.
19. The Audit Committee receives an annual report on instances of fraud occurring in the year. There were no proven instances of fraud or corruption in 2016/17.





## **LGA Group consolidated financial statements for the year to 31 March 2017**

### **Purpose of report**

For members to review.

### **Summary**

The LGA Group consolidated financial statements for the year ended 31 March 2017 have been produced and are expected to receive an unqualified audit opinion by PKF Littlejohn LLP. The final draft of the financial statements is presented for the LGA Leadership Board to agree, prior to these being adopted at the General Assembly on 4 July 2017. The audited financial statements for IDeA, LGA (Properties) Ltd and LGMB are also presented for review, prior to these being presented for adoption to their respective company boards before the end of June. These sets of accounts are all included at **Appendices A - D**.

The attached report substantially reproduces the report going to Audit Committee and the company boards. Members of the Audit Committee have been asked to review these accounts, and make any independent comment they consider appropriate to the Leadership Board or the relevant company boards. Due to timings, these observations will be presented orally at the meeting.

### **Recommendations**

That the LGA Leadership Board:

- i. agree the LGA consolidated financial statements (**Appendix A**) and approve their submission for adoption at General Assembly on 4 July 2017;
- ii. review the financial statements for IDeA, LGMB and LGA(P) (**Appendices B – D**);
- iii. review the external auditors' report to the Leadership Board (**Appendix E**).

### **Action**

As directed by Members

**Contact officer:** Jonathan Gratte  
**Position:** Strategic Finance Manager  
**Phone no:** 020 7187 7309  
**E-mail:** [Jonathan.gratte@local.gov.uk](mailto:Jonathan.gratte@local.gov.uk)

## **LGA consolidated financial statements for the year to 31 March 2017**

### **Background**

1. The consolidated financial statements also disclose the position of the LGA as a stand-alone entity through incorporation of the Association's Statement of Comprehensive Income and Statement of Financial Position. These are the new names required for Income and Expenditure and Balance Sheet in the new FRS102 presentation of the Accounts from this Financial Year.
2. The aim is for all the company accounts that feed into the LGA's consolidated accounts to be reviewed by the Audit Committee and adopted by the respective company boards in June, to ensure that a fully verified set of accounts is presented to the General Assembly. The Committee is therefore being asked to review the LGA accounts and the property company accounts at this meeting along with the IDeA accounts at **Appendices A - D**.
3. Representatives of Littlejohn LLP, the appointed auditors, will be in attendance at the Audit Committee's meeting. Their report on the audit of the LGA and all its associated companies is included at **Appendix E**.
4. The following paragraphs provide commentary on the information disclosed in the financial statements and highlight the most significant points.
5. Members of the individual company boards will also receive a report of the observations of the Audit Committee.

### **LGA – Group – Appendix A**

6. The consolidated accounts show the LGA and its related bodies made an operating surplus of £1.346m, the main causes of the trading surplus are:

#### Savings - £1.75m

- 6.1. Reduced spend on the IT contract - £0.9m.
- 6.2. Additional contributions to overheads from 50% higher than budgeted ring-fenced activities - £0.8m.
- 6.3. Partially offset by a decrease in the budgeted LGA's share of the surplus from GeoPlace LLP £0.050m.

#### Accounting Adjustments – £1.557m

- 6.4. Additional net unrealised gains on revaluation of Layden House and Local Government House - £0.547m.
- 6.5. Current year cost adjustment of £1.010m required to account for the pension scheme deficit in accordance with accounting standards. Note this is offset by a

£29.230m credit to the Pension Deficit Reserve arising from a negative actuarial loss from our pension funds this year.

7. Gains and losses that relate to changes in the actuarial assumptions used to calculate pension scheme liabilities, as well as the excess contributions made to reduce historic deficits are now all included within the overall Statement of Comprehensive Income for the year of net £28.221m.
8. The overall pension fund deficit reported in the accounts has increased by £30.24m from £94.751m to £124.991m. In line with FRS 17 accounting standards, the valuation in the accounts values assets at market value on 31 March 2017, and liabilities using a discount rate based on the return available on AA corporate bonds, also at the balance sheet date. This valuation is therefore subject to market performance on a specific date and will vary by Scheme. While the Pension Scheme Assets have grown in the year by c.£59.2m through investment performance, the Liabilities have grown at a faster rate by c.£89.5m, due primarily to the reduction in the discount rate (c.£51m) and demographic changes (c.£20m) used by the actuaries in their valuations as a result of market conditions and scheme memberships respectively.
9. The LGA's pension deficit with the Merseyside Pension Funds has increased by £3.336m from £35.042m to £38.378m (Asset growth £34.7m - 34% investment performance, Liability growth £38.0m); meanwhile the IDeA's pension deficit with the Camden Pension Fund has significantly increased by £26.904m from £59.709m to £86.613m (Asset growth £24.6m - 20% investment performance, Liability growth £51.5m).
10. For Investment Properties, the accounting standard FRS102 requires the consolidated accounts to show for Layden House (100%) and Local Government House (LGH - 11%) the indicated percentages of the current market values. For LGH this reflects the percentage of the asset which is used by non-group bodies, with the remainder (89%) shown as Tangible Fixed Assets. The consolidated accounts also show a net revaluation gain of £0.548m relating to Group investment properties, due to a gain for Layden house and loss for Local Government House due to its condition at the Balance Sheet date while it goes through refurbishment. The total current market value for each property is Layden House – £28.175m (2015/16 £26.151m) and Local Government House – £22.970m (2015/16 £35.850m).
11. Overall income decreased from £62.012m to £55.727m due to a reduction in Government Grants and Other Income, offset by increased income from the Children's and Adult conference being run by the LGA in alternate years.
12. The LGA's GeoPlace LLP Joint Venture made a useful contribution to income during 2016/17, making a dividend payment of £1.375m (2015/16 £1.425m).
13. Finally as agreed in the LGA's three year Financial strategy, the surplus on the General Reserve created by the LGA £1.035m and IDEA £2.522m operations and the deficit for LGAP £1.613m and LGMB £0.860m has been to the new Risk and Contingency reserve.

The Reserve is created to provide cash resources to fund developments in future years 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). This net adjustment is shown on the new Statement of Changes in Equity.

### **IDeA – Appendix B**

14. IDeA made an operating surplus after interest of £2.993m in 2016/17 (£0.956m 2015/16). The main causes of the trading surplus are:

- 14.1. Additional income arising from Royalties from the New Streets data set provided by Local Authorities - £0.130m;
- 14.2. Additional contributions to overheads from ring-fenced activities - £0.664m;
- 14.3. A small decrease in the budgeted IDeA share of the surplus from GeoPlace LLP £0.125m;
- 14.4. Current year cost adjustment of £0.471m required to account for the pension scheme deficit in accordance with accounting standards. Note this is added to the £27.375m debit to the Pension Deficit Reserve arising from a negative actuarial loss from our pension funds this year;
- 14.5. Savings in the following Business areas: Workforce, Leadership and Productivity - £0.605m, Finance and Policy - £0.313m and Corporate Services - £0.059m; and
- 14.6. Intercompany – Savings on interest due to the delay in lending in relation to the property developments - £0.242m.

15. As explained above, the IDeA's pension deficit with the Camden Pension Scheme has increased by £26.904m as at 31 March 2017. The increase in liabilities in the last year has mainly been driven by the rising Discount rate (expected long term investment return) meaning more money is needed now to pay future benefits.

16. Overall, income reduced from £38.230m to £34.610m. This was mainly due to the continued reduction in government grants.

### **Local Government Management Board – Appendix C**

17. LGMB owns the freehold of Layden House. The company's turnover of £0.394m comprises rent received from a number of third party tenants.

18. The company's net operating Income of £1.164m arises the net costs from running the property of £0.860m and £2.024m gain from the latest revaluation of the property at £28.2m.

19. The accounts highlight the fact that following a detailed options appraisal, the board has agreed to the refurbishment of Layden House in order to increase both the capital value of the building and its income base.

#### **LGA (Properties) Ltd – Appendix D**

20. LGA (Properties) Ltd owns the freehold of Local Government House. The company's turnover of £0.532m comprises rent received from the LGA, the IDeA and a number of external tenants. In accordance with the original lease to the LGA, the rent charged covers the cost of insuring the property and servicing the mortgage loans on it.
21. The company's net operating loss after interest of £16.517m is mainly driven by the FRS102 recognition in this statement of in year losses in the value of Local Government House at £14.904m (2015/16 £35.850m) reflecting the condition of the building at Balance Sheet date.

#### **Audit opinion – Appendix E**

22. A representative of the auditors will be in attendance at the Audit Committee's meeting. As part of the audit process, the auditors' report to the Leadership Board with their observations on the audit. A copy of the final draft of this report (the ISA 260 communication) is presented to the Committee at **Appendix E**. This comments on the differences in figures that resulted in adjustments during the audit, on departures from generally accepted accounting practice and on recommendations for improvement of our financial management and reporting.
23. The auditors note (Page 3 of Littlejohn LLP's report) that at the time of writing, one item of evidence is outstanding for disclosure in the Local Government Association (Properties) Limited financial Statements. This additional disclosure is now included in the version at Appendix D to this report.
24. The report comments (Page 14 of Littlejohn LLP's report) on one matter in which the accounts do not comply with generally accepted accounting practice – there is no separate detailed information on pension scheme assets and liabilities relating to the LGA only. The view of the Strategic Finance Manager is that further lengthening of the pension disclosure information would add complexity without significantly increasing the reader's understanding. The auditors' view is that this element of non-compliance would not prevent them from giving an unqualified 'true and fair view' audit opinion.
25. The report sets out in detail (Section 4 – Control environment) a number of matters that arose in the course of the audit, with suggestions for improvements in the controls and procedures operated by each entity.



### **Representations**

26. The Chairman on behalf of the LGA Leadership Board is required to make various representations to the auditors that all matters relevant to the accounts have been properly disclosed (draft letter is included at **Appendix F**). As well as seeking general representations on matters such as the completeness of the information supplied for audit and the appropriateness of the accounting policies and accounting estimates used, the auditors will be seeking a number of specific representations.

### **Recommendation**

27. Members are asked to agree the financial statements for 2016/17 prior to their adoption at the LGA General Assembly on 4 July 2017.

**LOCAL GOVERNMENT ASSOCIATION**

**Report and Consolidated Financial Statements  
for the year ended 31 March 2017**

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**LOCAL GOVERNMENT ASSOCIATION****CHIEF EXECUTIVE'S REPORT  
Year ended 31 March 2017**

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

We are a politically-led, cross-party organisation that receives funding from our member councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems.

We cover every part of England and Wales, including county and district councils, metropolitan and unitary councils, London boroughs, Welsh unitary councils, fire and rescue and national park authorities. In 2016/17 we had 435 member authorities in England and Wales. The 22 Welsh authorities are in corporate membership through the Welsh Local Government Association.

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.

Supporting local government as the most efficient and accountable part of the public sector, we play a leading role in improvement and innovation so that councils can continue to make a difference in their local areas and to the lives of their residents.

**The year in focus**

For our members, 2016/17 was another difficult one with unprecedented challenges on finance, housing and social care.

Councils are also facing opportunities and challenges from Britain's exit from the European Union.

But the challenges also bring with them once in a generation opportunities. Sound, democratically-elected local leadership will be more important than ever to secure the best outcomes for residents, communities and the country.

It is in this context that over the last year, we have been working with councils to ensure they're heard by all parts of Government.

We've called for the funding and powers needed to make sure that councils are in the best position to serve communities and improve residents' lives. As well as securing extra money for councils, much of our behind the scenes work and collective actions have prevented additional burdens, both costs and duties, being placed on councils.

In the last year, we have focused our campaigning work, both publicly and in meetings with ministers and officials, on a number of things that you have asked us to focus on – overall funding for local government, housing, social care, devolution and ensuring local government is front and centre in any discussion about our exit from the EU.

## CHIEF EXECUTIVE'S REPORT

### Year ended 31 March 2017

#### Our priorities

Our priorities, agreed every year by our politicians, are based on feedback from councils. In 2016/17, our priorities for local government were:

- Funding for local government
- Britain's exit from the EU
- Inclusive growth, jobs and housing
- Children, education and schools
- Promoting health and wellbeing
- Devolution
- Sector-led improvement

#### *Funding for local government*

Our campaigning work on the crisis in social care successfully united charities and health and care providers to achieve wide agreement on the urgent need to help councils tackle the immediate social care pressures they face. In the Spring Budget 2016, the Chancellor used his Statement to announce that councils will receive £2 billion of new funding over the next three years, including £1 billion in 2017/18. We are now working on securing a long-term solution to the pressures facing adult social care.

We have consistently argued for local government to be able to keep more of its business rates income. The Local Government Finance Bill was an important step on the road towards this, it contained a number of provisions which come as a result of our lobbying on behalf of local government. Whilst it did not complete its passage through Parliament before the general election was called, we will be calling for the new Government to reintroduce the Bill.

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

On Britain's membership of the EU, there was a diversity of views among local government. To reflect this, the LGA remained neutral during the referendum campaign. This has put local government in a strong position. It is clear that the EU referendum result is an opportunity to reshape the way this country is run. And local government is clear that money and powers do not stop in Whitehall and must be transferred from Brussels to local areas. We will continue to use our seat at the negotiating table to get the best solutions for councils and local communities.

#### *Inclusive growth, jobs and housing*

Following the launch of our Housing Commission report, we secured a wide range of wins from the Government's Housing White Paper, including a minimum 20 per cent increase in funding for local planning developments and a commitment to further flexibilities for councils to build council homes. We have pushed to make the case for councils to have the powers and money to resume their historic role in house building, to increase housing supply and promoted affordable housing for people who need it.

Government also responded to our call for investment in infrastructure for housing with a £2.3 billion Housing Infrastructure Fund accessible to councils.

## CHIEF EXECUTIVE'S REPORT

### Year ended 31 March 2017

In response to concerns about changes to bus services we supported the Bus Services Act through Parliament. The Act gives elected mayors and local transport authorities the power to improve bus services for the people who use them.

Our national broadband campaign, 'Up to Speed,' resulted in the Government committing to "keeping the initial minimum download speed under review...to make sure it keeps pace with consumers' needs." Following our work with Ofcom, it recommended that the Government implement a social tariff for those who would face undue hardship by paying for a connection. Our work with the Advertising Standards Agency has led to it publicly calling for the way broadband providers advertise speeds to be reviewed to ensure they are more fair and transparent.

Following the 'Up to Speed' activity, Government has also agreed it will trial new 5G technology in rural areas and provide a further investment of £200 million to fund a programme of local projects to test ways to accelerate market delivery of new full-fibre broadband networks.

Following our calls for much needed additional road maintenance money the Government announced £1.2 billion of roads funding for 2017/18.

#### *Children, education and schools*

Over the course of the last Parliament, we worked with parliamentarians and the Government to remove the power, contained in the Children and Social Work Bill, to relax or amend children's social care legislation in local authority intervention without proper local consultation or support. The proposal to relax or amend social care legislation was subsequently withdrawn by the Government.

Our calls for independent fostering agencies to stop using "golden hellos" when approaching council foster carers resulted in the largest independent fostering company in the UK agreeing to end the practice to entice foster carers away from councils, meaning lower costs for councils and councils are more likely to be able to retain talent.

When the previous Government announced that all council maintained schools would be forced into academisation, we provided a robust opposition on behalf of councils which was echoed by MPs, teachers and parents and backed up by evidence. The Government listened and the Education Secretary responded by announcing that schools rated as 'good' or 'outstanding' will not be forced in to academy status.

#### *Promoting health and wellbeing*

We have been a strong voice calling for and ensuring the role and expertise of local government, and in particular, councillors, is recognised in the Sustainability and Transformation Plans (STP) process. There remain many issues we are still pressing to improve, but there is now clear recognition from NHS national bodies that councils, which are skilled at leading and engaging with their local communities, must be involved closely in shaping local STPs.

We also ensured that the Better Care Fund (BCF) rules in 2016/17 delivered protection for NHS funding to social care, except where there was local agreement for something different.

## CHIEF EXECUTIVE'S REPORT

### Year ended 31 March 2017

We secured the removal of an unfair policy which meant some of our armed forces veterans were required to use their service pension to pay for social care. We listened to your concerns on this issue and as a result of our subsequent campaigning work on your behalf, the War Disablement Pension is no longer regarded as income. We also secured £14 million of funding from the Department of Health and Ministry of Defence to cover the cost of the change.

In 2016, the National Aids Trust challenged NHS England's decision that it did not have the power to commission the drug PrEP for those with HIV. NHS England's argument was that councils were responsible for preventative medication. The costs of commissioning PrEP could have been in the region of £20 million. We made representations on behalf of local government in the High Court proceedings and then in the Court of Appeal. The Court of Appeal upheld the High Court's decision that NHS England did, in law, have the power to commission PrEP.

#### *Devolution*

We provided initial support and preparation for Combined authorities ahead of the Mayoral elections in May 2017, including voter registration campaign and communications support.

This year we launched our devolution support programme, helping interested councils to secure the benefits of devolution for their residents. Based on feedback from councils, we have put in place bespoke support packages that can include:

- leadership support from member and officer peers with experience of setting up new governance arrangements and/or negotiating deals
- access to technical advice to support the development of business cases and financial modelling to support proposals
- strategic advice for negotiations with government departments including up-to-date assessments of the national picture on devolution
- policy advice to support the development and implementation of deals
- support to develop devolution communications strategies
- support with civic and community engagement to ensure residents and communities are involved
- expert support from the Centre for Public Scrutiny to develop governance arrangements and advice on overview and scrutiny arrangements within combined authorities
- expert support from Local Partnerships for transformation and service redesign
- access to an officer devolution network involving a cohort of officers from councils who are negotiating or implementing deals. The network receives regular devolution updates, and meets when appropriate to share experiences and learning on devolution.

#### *Sector-led support*

Sector-led improvement (SLI) is the approach to improvement put in place by local authorities and the LGA alongside the abolition of the previous national performance framework. Through a coordinated approach to SLI across local government, LGA support helps councils continue their own improvement journey and contribute to the improvement of local government as a whole.

**CHIEF EXECUTIVE'S REPORT**  
**Year ended 31 March 2017**

In the last 12 months for example, the LGA has delivered 119 peer challenges to councils. This approach, helping to co-ordinate improvement work on behalf of councils, has helped them to deliver millions of pounds of savings. Our offer however is far wider than simply peer challenges and so far over the last year has included the support listed below.

Over the last year, we supported councils by:

- delivering 119 peer challenges
- providing tailored support to 222 different local authorities
- 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
- providing support to 34 councils with total projected savings of £26.5 million through the Productivity Experts Programme
- providing leadership training for 714 councillors
- supporting a further 122 councils to transform their workforces and modernise the way they are managed
- Phase 5 of the One Public Estate programme (OPE) was launched in January 2017 with an additional 89 councils, bringing the total number of councils supported to 249.
- The Planning and Advisory Service supported every council at risk of designation.

**LGA in the media**

Over the last year, through our proactive media work, we generated more than 71,000 media hits for local government – that's on average 1,365 times a week or 194 times each day in national, regional, local and specialist trade press.

2,207 separate national media hits during 2016/17.

45% increase in national media hits, from 1,520 in 2015/16.

87% of coverage was positive about local government.

85% of coverage was through pro-active media work by the LGA, often working with member councils.

**CHIEF EXECUTIVE'S REPORT  
Year ended 31 March 2017**

**LGA in Parliament**

Promoting and defending the reputation of local government and representing councils' interests in Parliament are key areas of work that are priorities for our member councils.

In making the case for local government, the LGA has been referenced on 691 occasions in the House of Commons and on 362 occasions in the House of Lords during this parliamentary session, or the equivalent of 4 times every day that Parliament sat in 2016/17.

The LGA has supported or secured positive change to the following legislation that passed through Parliament:

- Bus Services Act 2017
- Children and Social Work Act 2017
- Digital Economy Act 2017
- Homelessness Reduction Act 2017
- Investigatory Powers Act 2017
- National Citizen Service Act 2017
- Neighbourhood Planning Act 2017
- Policing and Crime Act 2017
- Local Government Finance Bill

In 2016/17, we gave evidence to more than 40 parliamentary inquiries, encompassing a range of issues including health and care, housing, council finances, child migrants, food waste, rural tourism, multi-academy trusts and housing for older people.

**At a glance****At a glance: A year in the LGA****April**

Launched our 'Journey to integration' independent report detailing the experience of seven local areas in developing integrated care.

**May**

Our national broadband campaign, 'Up to Speed', which called on the Government to ensure broadband provision kept paces with minimum speeds across the country, launched.

**June**

Published the first in our 'Don't be left in the Dark' series of short explainers on business rate retention and devolution.

**July**

Brought together more than 1,400 delegates at our Annual Conference in Bournemouth.

**August**

Launched a new manual for councils to support them to take account of the health implications of the decisions they make.

**September**

Unveiled 'Come Back to Social Work' – a recruitment drive in partnership with Government – which saw hundreds of candidates registering for refresher training.

**October**

Hosted debates at the autumn party political conferences and secured more than 40 opportunities for our councillors to contribute to stakeholder events, including debates and roundtables.

**November**

#OurDay took place with people and organisations from across local government sending nearly 37,000 tweets.

**December**

Published the final report from the LGA's Housing Commission which was established to help councils deliver their ambition for places and which engaged with over 100 partners; hearing from councils, developers, charities, health partners, and many others.

**January**

In response to our ongoing calls for funding for roads maintenance, the Government announced £1.2 billion for roads to be allocated to councils in 2017/18.

**February**

We launched our new, customisable website with a searchable database of council best practice.

**March**

LGA Chairman, Lord Porter, spoke during the debate on the Budget, raising concerns that the Budget did not include greater measures to facilitate local authority housebuilding, but acknowledging the announcement of £2 billion to alleviate the immediate pressures on social care.

**LOCAL GOVERNMENT ASSOCIATION****STRATEGIC REPORT  
Year ended 31 March 2017****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 2016/17 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, all three 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 2016/17. From 1 April 2016, IDeA become the recipient of Direct Government Grant ("DCLG Grant") to pay for improvement services to councils, replacing Revenue Support Grant ("RSG top slice"). Although our income from subscriptions, DCLG Grant and other income including grants fell by a total of 11.4 per cent in 2016/17 as compared with the previous year, we kept 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 2016/17 consolidated operating surplus has been allocated to the risk and contingency reserve in our balance sheet. This will be used to provide opportunities to invest to save costs or generate additional commercial income, and also to cover the potential risks to the 3 Year plan included in the LGA's Financial Strategy.



**STRATEGIC REPORT**  
**Year ended 31 March 2017**

During 2017/18 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 / or 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 £4.16 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 £124.99 million at 31 March 2017 (£94.75 million deficit at 31 March 2016). 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 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.

**STRATEGIC REPORT  
Year ended 31 March 2017***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 decreased to 415 in 2016/17, with only four councils out of membership. The National Association of Local Councils 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 four years employee numbers have fallen from 529 employees in the year ended March 2012 to 319 employees in the year ended 31 March 2017. We continue to monitor employee absence, which has fallen from an average annual number of sick days per employee of 4.2 days in March 2016 to 2.14 days in March 2017.

We continue to pay close attention to the collection of outstanding debt. The percentage of debtors over 12 months was 4 per cent of the total trade debtors at March 2017.

**Market Value of Land and Buildings**

The market value of Local Government House, which is owned by LGA Properties Ltd, is considered at the latest valuation in March 2017 to be £22.970 million with a net reduction of £12.880 million in the year as it is undergoing refurbishment and is vacant. Refurbishment costs capitalised in the year amounted to £2.024 million. In the Group accounts 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 £16.2 million.

**STRATEGIC REPORT**  
**Year ended 31 March 2017**

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 £28.175 million (£25.800 million 2016). As mentioned above, the LGA's Leadership Board has now agreed to the refurbishment of Layden House from 2017.

**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.

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**

**REPORT OF THE CHAIRMAN OF THE LEADERSHIP BOARD****Year ended 31 March 2017****Business Review**

Over the last two 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 2016/17, following a real terms reduction in subscription income of over 44 per cent over the last six 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

**MEMBERSHIP OF THE LEADERSHIP BOARD**

The members of the Leadership Board for the year were:

Conservative

Lord Porter of Spalding CBE [Chair]	
David Hodge [Vice-chair]	Resigned 23 March 2017
David Simmonds CBE [Deputy-chair/Acting Vice Chair]	Appointed 24 March 2017
Peter Fleming OBE [Deputy-chair]	
Sean Anstee [Deputy-chair]	
Colin Noble (Acting Deputy Chair)	Appointed 31 March 2017

Labour

Nick Forbes [Senior Vice-chair]	
Anne Western [Deputy-chair]	
Sue Murphy CBE [Deputy-chair]	
Sharon Taylor OBE [Deputy-chair]	
Mayor Sir Steve Bullock [Deputy-chair]	
Keith Wakefield [Former Deputy-chair]	
Peter Box CBE [Deputy-chair]	Appointed 5 July 2016

Liberal Democrat

Gerald Vernon-Jackson [Vice-chair]	
Mayor Dorothy Thornhill MBE [Deputy-chair]	

Independent

Marianne Overton MBE [Vice-chair]	
Peter Reeve [Deputy-chair]	

**STATEMENT OF LEADERSHIP BOARD'S RESPONSIBILITIES****Year ended 31 March 2017**

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 2017. The Leadership Board has decided to prepare these financial statements in accordance with UK Generally Accepted Accounting Practice.

In preparing these financial statements, the Leadership Board has:

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

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

**Provision of information to Auditor**

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

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

**Auditors**

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

**Approved** by the Leadership Board and signed on their behalf

15 June 2017

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 2017**

We have audited the financial statements of the Local Government Association (LGA) for the year ended 31 March 2017 which comprise the Consolidated and Association Statements of Comprehensive Income, Balance Sheets, Statements of Cash Flows and Statements of Changes in Equity and the related Notes 1 to 20. The financial reporting framework that has been applied in their preparation is as set out within Note 1 to these financial statements.

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 have been engaged to state to them in this 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 Members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Leadership Board and auditors**

As explained more fully in the Statement of the Leadership Board's Responsibilities set out on page 16, the Members of the Leadership Board are responsible for the preparation of the financial statements and for being satisfied that they have been properly prepared. Our responsibility is to audit, and express an opinion on, the financial statements in accordance our contract dated 22 January 2016, with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

**LOCAL GOVERNMENT ASSOCIATION**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LOCAL**  
**GOVERNMENT ASSOCIATION**  
**Year ended 31 March 2017**

Agenda Item 6a

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the Group's and Association's affairs as at 31 March 2017 and of the Group's and Associations 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

In our opinion 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.

Alastair Duke  
Senior Statutory Auditor

For and on behalf of  
PKF Littlejohn LLP

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

Date:



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 March 2017**

	Note	2017 £000	2016 £000
Income: Group and share of joint ventures' income		55,732	62,012
Less share of joint ventures' income		(8,244)	(8,419)
Group Income	2	47,488	53,593
Administrative expenses		(48,834)	(55,120)
<b>GROUP OPERATING DEFICIT BEFORE INTEREST</b>	4	<b>(1,346)</b>	<b>(1,527)</b>
Interest receivable and similar income		437	237
Interest payable		(109)	(186)
Contract restructuring costs		-	-
Share of operating surplus of joint ventures		2,025	1,660
Dividend and profits share from Joint Ventures	9	1,375	1,750
Finance discounts allowed	5	(526)	(526)
Share of joint ventures distribution to members		(1,385)	(1,771)
Unrealised gain on revaluation in respect of investment property		548	3,523
<b>GROUP OPERATING SURPLUS FOR THE FINANCIAL YEAR</b>		<b>1,019</b>	<b>3,160</b>
<b>Other Comprehensive Income:</b>			
Actuarial (loss)/gain recognised in respect of the pension fund	15	(29,230)	19,924
<b>GROUP TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(28,211)</b>	<b>23,084</b>

All amounts relate to continuing operations.

The accounting policies and notes in pages 27 to 48 form part of these financial statements.

**ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 March 2017

	Note	2017 £000	2016 £000
Income	2	19,762	24,039
Administrative expenses		(19,924)	(24,655)
		<u>(162)</u>	<u>(616)</u>
<b>OPERATING DEFICIT BEFORE INTEREST</b>	4		
Interest receivable and similar income		252	158
Contract restructuring costs		-	-
Finance discounts allowed	5	(526)	(526)
Dividend and profits share from Joint Ventures	9	-	-
		<u>(436)</u>	<u>(984)</u>
<b>OPERATING DEFICIT FOR THE FINANCIAL YEAR</b>			
<b>Other Comprehensive Income:</b>			
Actuarial (loss)/gain recognised in respect of the pension fund	15	(1,855)	4,107
		<u>(2,291)</u>	<u>3,123</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>(2,291)</u></u>	<u><u>3,123</u></u>

All amounts relate to continuing operations.

The accounting policies and notes in pages 27 to 48 form part of these financial statements.

**CONSOLIDATED BALANCE SHEET**

As at 31 March 2017

	Note	2017 £000	2016 £000
<b>FIXED ASSETS</b>			
Tangible assets	7	16,380	15,707
Investment Properties	8	31,137	30,006
Intellectual Copyright Assets		1	1
Investments - MBA	9	500	500
Investments in Joint Ventures:			
Share of gross assets of joint ventures	9	6,018	6,838
Share of gross liabilities of joint ventures	9	(1,589)	(3,098)
		52,447	49,954
<b>CURRENT ASSETS</b>			
Debtors	10	6,118	5,840
	1		
Short term Investments	12	15,147	17,272
Cash at bank and in hand		3,001	2,642
		24,266	25,754
<b>CREDITORS: amounts falling due within one year</b>	13	(9,414)	(9,123)
		14,852	16,631
<b>NET CURRENT ASSETS</b>			
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		67,299	66,585
<b>CREDITORS: amounts falling due after more than one year</b>	13	(13,333)	(14,581)
<b>PROVISIONS FOR LIABILITIES</b>			
Provision for organisation restructuring	14	(222)	(468)
Pension Fund deficit	15	(124,991)	(94,751)
<b>NET LIABILITIES</b>		<b>(71,247)</b>	<b>(43,215)</b>
<b>ACCUMULATED FUNDS</b>			
General Reserve		28,264	28,264
Revaluation Reserve		22,033	21,485
Risk & Contingency Reserve		3,447	1,787
Pension Deficits Reserve			
- Pension Fund Assets		283,283	224,054
- less Defined Liabilities		(408,274)	(318,805)
		<b>(71,247)</b>	<b>(43,215)</b>

These financial statements were approved by the LGA Leadership Board on 15 June 2017 and signed on their behalf by

Lord Porter of Spalding CBE

The accounting policies and notes in pages 27 to 48 form part of these financial statements.

## ASSOCIATION BALANCE SHEET

For the year ended 31 March 2017

	Note	2017 £000	2016 £000
<b>FIXED ASSETS</b>			
Tangible Assets	7	220	439
Investments	9	1,370	1,500
<b>LONG TERM DEBTORS</b>			
	10	15,000	120
<b>CURRENT ASSETS</b>			
Debtors	11	2,377	8,009
Short term Investments	12	3,763	645
Cash at bank and in hand		23	53
		<u>6,163</u>	<u>8,707</u>
<b>CREDITORS: amounts falling due within one year</b>	13	(2,407)	(2,224)
<b>NET CURRENT ASSETS</b>		<u>3,756</u>	<u>6,483</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>20,346</u>	<u>8,542</u>
<b>CREDITORS: amounts falling due after more than one year</b>	13	(11,550)	(768)
<b>PROVISIONS FOR LIABILITIES</b>			
Provision for Organisation restructuring	14	-	(22)
Pension Fund deficit	15	(38,378)	(35,042)
<b>NET LIABILITIES</b>		<u>(29,582)</u>	<u>(27,290)</u>
<b>ACCUMULATED FUNDS</b>			
General Reserve		7,091	7,091
Risk & Contingency Reserve		1,705	661
Pension Deficits Reserve			
- Pension Fund Assets		137,812	103,136
- less Defined Liabilities		(176,190)	(138,178)
		<u>(29,582)</u>	<u>(27,290)</u>

These financial statements were approved by the LGA Leadership Board on 15 June 2017 and signed on their behalf by

Lord Porter of Spalding CBE

The accounting policies and notes in pages 27 to 48 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**Year ended 31 March  
2017

	Risk & Contingency Reserve	Revaluation Reserve	Pensions Deficit Reserve	Retained Earnings	Total
	£000	£000	£000	£000	£000
<b>Balance at 1 April 2015</b>	-	17,962	(112,860)	28,309	(66,589)
<b>Changes in equity for 2015/16</b>					
Income for the year	-	-	-	3,160	3,160
Pensions Adjustments in Statement of Consolidated income	-	-	(1,815)	1,815	-
Actuarial gains on defined benefit plans	-	-	19,924	-	19,924
Unrealised gain on revaluation in respect of investment property	-	3,523	-	(3,523)	-
<b>Total comprehensive income for the year</b>	-	3,523	18,109	1,452	23,084
Movement on Joint Venture Reserves	-	-	-	290	290
Transfer to Risk and Contingency reserve (LGA and IDEA only)	1,787	-	-	(1,787)	-
<b>Balance as at 31 March 2016</b>	<b>1,787</b>	<b>21,485</b>	<b>(94,751)</b>	<b>28,264</b>	<b>(43,215)</b>
<b>Balance at 1 April 2016</b>	<b>1,787</b>	<b>21,485</b>	<b>(94,751)</b>	<b>28,264</b>	<b>(43,215)</b>
<b>Changes in equity for 2016/17</b>					
Loss for the year	-	-	-	1,019	1,019
Pensions Adjustments in Statement of Consolidated income	-	-	(1,010)	1,010	-
Actuarial losses on defined benefit plans	-	-	(29,230)	-	(29,230)
Unrealised gain on revaluation in respect of investment property	-	548	-	(548)	-
<b>Total comprehensive income for the year</b>	-	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)	-
<b>Balance as at 31 March 2017</b>	<b>3,447</b>	<b>22,033</b>	<b>(124,991)</b>	<b>28,264</b>	<b>(71,247)</b>

## ASSOCIATION STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

	Risk & Contingency Reserve	Pensions Deficit Reserve	Retained Earnings	Total
	£000	£000	£000	£000
<b>Balance at 1 April 2015</b>	-	(37,504)	7,091	(30,413)
<b>Changes in equity for 2015/16</b>				
Operating Deficit for the year	-	-	(984)	(984)
Pension adjustment included in Operating Surplus / Deficit for the year	-	(1,645)	1,645	-
Actuarial gains/(losses) on defined benefit plans	-	4,107	-	4,107
Total comprehensive income for the year	-	<b>2,462</b>	<b>661</b>	<b>3,123</b>
Transfer to Risk and Contingency reserve	661	-	(661)	-
<b>Balance as at 31 March 2016</b>	<b>661</b>	<b>(35,042)</b>	<b>7,091</b>	<b>(27,290)</b>
<b>Balance at 1 April 2016</b>	661	(35,042)	7,091	(27,290)
<b>Changes in equity for 2016/17</b>				
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	-	<b>(3,336)</b>	<b>1,044</b>	<b>(2,292)</b>
Transfer to Risk and Contingency reserve	1,044	-	(1,044)	-
<b>Balance as at 31 March 2017</b>	<b>1,705</b>	<b>(38,378)</b>	<b>7,091</b>	<b>(29,582)</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 March 2017

	2017 £000	2016 £000
<b>Net cash outflow from operating activities</b>		
Surplus/(Deficit)	1,019	3,160
Adjustments for:		
FRS17 Pension adjustments	1,010	1,815
Investment and dividend Income	(1,812)	(1,987)
Revaluation gains on Investment Properties	(548)	(3,523)
Joint Venture Non Cash Adjustments	(640)	111
Finance discounts for former members of AMA	526	526
Interest expense	110	186
Depreciation	536	600
Loss on Disposal of Fixed Asset	584	-
Decrease/(increase) in debtors	(278)	2,306
(Decrease)/increase in creditors	290	(173)
(Decrease)/Increase in provisions	(246)	(448)
(Decrease)/Increase in creditors due after one year	(1,248)	(857)
<b>Cash generated from operations</b>	<u>(697)</u>	<u>1,716</u>
Interest paid	(110)	(186)
<b>Net cash generated from operating activities</b>	<u>(807)</u>	<u>1,530</u>
<b>Cash flow from investing activities</b>		
Interest received	437	237
Repayment of Loan Capital from Local Partnerships	130	300
Investment in redevelopment of Property, Plant and Equipment	(1,792)	(1,418)
Investment in redevelopment of Investment Properties	(583)	(966)
Distribution from Joint Venture	1,375	1,750
	<u>(433)</u>	<u>(97)</u>
<b>Cash flow from financing activities</b>		
Finance discounts for former members of AMA	(525)	(526)
	<u>(525)</u>	<u>(526)</u>
Net (Decrease)/ Increase in cash	(1,765)	907
<b>Cash and cash equivalents at the start of the year</b>	19,913	19,006
<b>Cash and cash equivalents at the end of the year</b>	<u><b>18,148</b></u>	<u><b>19,913</b></u>

The accounting policies and notes in pages 27 to 48 form part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS****As at 31 March 2017****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 £71.3 million as at 31 March 2017. 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 FRS102.

**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 2017. 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 2017****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 89% of Local Government House cost and depreciation will be accounted for as Tangible Fixed Assets for the Financial Years 2015/16 and 2016/17 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
Furniture 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 11% of Local Government House valuation on the above basis will be accounted for as Investment Property Assets for the Financial Years 2015/16 and 2016/17 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 2017****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
- (ii) LGPS Pension costs.

**NOTES TO THE FINANCIAL STATEMENTS  
As at 31 March 2017****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 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 income and expenditure 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 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 2017

**2. INCOME**

<b>CONSOLIDATED</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Group</b>		
Subscriptions	9,979	9,947
Conferences and seminars	1,724	2,429
Government Grants	30,242	34,264
Shared Services – external to group	574	468
Other income	4,969	6,485
	<hr/> 47,488	<hr/> 53,593
<b>Joint Ventures</b>	8,244	8,419
	<hr/> 55,733	<hr/> 62,012
	<hr/> <hr/>	<hr/> <hr/>
<b>ASSOCIATION</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Subscriptions	9,956	9,947
Conferences and seminars	1,398	2,112
Shared Services	4,843	6,206
Other income	3,565	5,774
	<hr/> 19,762	<hr/> 24,039
	<hr/> <hr/>	<hr/> <hr/>

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 March 2017

**3. STAFF INFORMATION**

	CONSOLIDATED		ASSOCIATION	
	2017	2016	2017	2016
<b>Average number of persons employed</b>	319	322	162	160
<b>Staff costs</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Wages and salaries	17,726	17,880	9,152	9,000
Social security costs	1,971	1,679	962	801
Pension costs – employer payments	2,195	2,229	730	699
Pension costs – employer deficit payments	3,570	3,330	494	362
Pension costs – current service costs less contributions	(2,417)	147	131	147
<u>Less</u> income from secondments	(867)	(1,196)	(426)	(665)
	<u>22,178</u>	<u>24,069</u>	<u>11,043</u>	<u>10,344</u>
<b>Staff related costs</b>				
Agency, freelance and secondment costs	1,217	1,397	513	620
Redundancy costs & provision	129	1,171	164	804
Travel, subsistence and staff expenses	1,173	1,318	439	755
Recruitment costs	114	150	28	102
Training costs	94	63	72	34
Other personnel costs	60	46	45	40
	<u>2,787</u>	<u>4,145</u>	<u>1,261</u>	<u>2,355</u>
<b>Total staff costs</b>	<u>24,965</u>	<u>28,214</u>	<u>12,304</u>	<u>12,699</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 31 March 2017**

**3. STAFF INFORMATION (continued)**

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

	2017		2016	
	Salary	Employer pension contribution	Salary	Employer pension contribution
	£	£	£	£
<b>Senior staff employed by the Association and associated organisations</b>				
Carolyn Downs – Chief Executive	-	-	68,532	6,785
Mark Lloyd – Chief Executive	201,690	20,098	83,750	8,291
Stephen Hughes - Executive Director	-	-	53,028	-
Sarah Pickup – Deputy Chief Executive	161,600	15,998	93,333	9,240
<b>Other senior staff</b>				
Andrew Webster – Associate Director of Health	-	-	92,900	16,443

**Current Employees**

Mark Lloyd was appointed Chief Executive with effect from 1 November 2015

Sarah Pickup was appointed Deputy Chief Executive with effect from 1 September 2015

**Ex - Employees**

Carolyn Downs served as Chief Executive with effect from 21 November 2011 to 21 August 2015

Stephen Hughes served as Executive Director with effect from 9 February 2015 to 30 September 2015

Andrew Webster served as Associate Director of Health with effect from 1 April 2013 to 22 November 2015; this post was funded by government grant.

Further details of the remuneration of named senior staff who were members of the senior management teams of companies controlled by the Association are disclosed in the financial statements of the respective companies.

**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 31 March 2017**

**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 2017 figures include 6 staff (2016: 6 staff) seconded to other organisations, of which 2 were employed by the Association.

<b>CONSOLIDATED</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	Remuneration including redundancy	Remuneration excluding redundancy	Remuneration including redundancy	Remuneration excluding redundancy
£50,000 - £54,999	7	10	10	9
£55,000 - £59,999	9	15	15	23
£60,000 - £64,999	21	14	14	25
£65,000 - £69,999	16	30	30	10
£70,000 - £74,999	30	29	29	26
£75,000 - £79,999	10	3	3	4
£80,000 - £84,999	1	8	8	6
£85,000 - £89,999	3	1	1	2
£90,000 - £94,999	2	6	6	2
£95,000 - £99,999	5	6	6	8
£100,000 - £104,999	5	4	4	3
£105,000 - £109,999	3	-	-	-
£110,000 - £114,999	1	1	1	2
£115,000 - £119,999	-	4	4	3
£120,000 to £124,999	1	-	-	-
£135,000 to £139,999	-	1	1	1

<b>ASSOCIATION</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	Remuneration including redundancy	Remuneration excluding redundancy	Remuneration including redundancy	Remuneration excluding redundancy
£50,000 - £54,999	4	4	6	5
£55,000 - £59,999	2	2	9	7
£60,000 - £64,999	7	7	1	1
£65,000 - £69,999	3	3	11	10
£70,000 - £74,999	13	13	14	13
£75,000 - £79,999	5	5	2	2
£80,000 - £84,999	-	-	5	4
£85,000 - £89,999	3	3	-	-
£90,000 - £94,999	2	2	1	1
£95,000 - £99,999	-	-	2	1
£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	-	-	1	1
£120,000 - £124,999	1	1	-	-



**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 March 2017

**4. OPERATING SURPLUS**

	CONSOLIDATED		ASSOCIATION	
	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016
	£000	£000	£000	£000
<b>Operating surplus is after charging:</b>				
Depreciation and amortisation	537	599	219	219
Loss on disposal of fixed assets		-	-	-
Auditor's remuneration				
- audit fee	38	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 Local Government House 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.

**6. TAXATION**

The Association and the companies (with the except of Local Government Management Board Limited) it controls 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. Discussions are ongoing with HMRC to determine if there is any historic tax liability.

**7. FIXED ASSETS**

**Group Assets**

The property from which the Association operates, Local Government House, Smith Square, London SW1 is owned by Local Government Association (Properties) Ltd a subsidiary company. The property is undergoing refurbishment and is vacant at balance sheet date. 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 occupy parts of the accommodation on short term leases.

As a result of the introduction FRS102 89% of Local Government House cost and depreciation have been accounted for as Tangible Fixed Assets in the Group figures for the Financial Years 2015/16 and 2016/17 to reflect the area of the building utilised by the group.

**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 March 2017

**TANGIBLE FIXED ASSETS**

<b>CONSOLIDATED</b>	<b>Freehold Land and Buildings £000</b>	<b>Fixtures, fittings and equipment £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 April 2016	18,477	2,559	21,036
Additions	1,792	-	1,792
Disposals	-	(1,900)	(1,900)
<b>At 31 March 2017</b>	<b>20,269</b>	<b>659</b>	<b>20,928</b>
<b>Depreciation</b>			
At 1 April 2016	3,856	1,473	5,329
Charge for year	254	283	537
Disposal in year	-	(1,317)	(1,317)
<b>At 31 March 2017</b>	<b>4,110</b>	<b>439</b>	<b>4,549</b>
<b>Net book value</b>			
At 31 March 2017	16,159	220	16,380
At 31 March 2016	14,621	1,086	15,707

**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.

<b>ASSOCIATION</b>	<b>ICT equipment £000</b>	<b>Total £000</b>
<b>Cost</b>		
At 1 April 2016	659	659
Additions	-	-
At 31 March 2017	<b>659</b>	<b>659</b>
<b>Depreciation</b>		
At 1 April 2016	220	220
Charge for year	219	219
At 31 March 2017	<b>439</b>	<b>439</b>
<b>Net book value</b>		
At 31 March 2017	<b>220</b>	<b>220</b>
At 31 March 2016	<b>439</b>	<b>439</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 March 2017

**8. INVESTMENT PROPERTIES**

<b>CONSOLIDATED</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Brought forward valuation	30,006	25,517
Capital Expenditure	583	966
Unrealised gain on revaluation	548	3,523
	<hr/>	<hr/>
Carried forward valuation	<b>31,137</b>	<b>30,006</b>
	<hr/> <hr/>	<hr/> <hr/>

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 2017/18.

As a result of the requirements of FRS102, in the Group Accounts 11% of Local Government House valuation have been accounted for as Investment Property Assets for the Financial Years 2015/16 and 2016/17 to reflect the area of the building available for occupation by 3rd parties.

The freehold land and buildings Layden House and Local Government Houses, were valued at open market value on a commercial rental use basis. The valuations were performed as at 31 March 2017 by an independent professional valuer, Farebrother Chartered Surveyors.

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

**LOCAL PARTNERSHIPS LLP**

<b>Balance Sheet</b>	<b>31 March</b>	<b>31 March</b>
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Current Assets	4,341	5,246
Share of gross assets	<hr/> 4,341	<hr/> 5,246
Liabilities due within one year or less	(828)	(596)
Other	-	(1,350)
Loans and other Debts due to members	<hr/> (70)	<hr/> (200)
Share of gross liabilities	<hr/> (898)	<hr/> (2,146)
<b>Share of net assets</b>	<b>3,443</b>	<b>3,100</b>
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 March 2017

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

The operating results for Local Partnerships LLP are shown below:

Profit and Loss Summary	Year ended	Year ended
	31 March	31 March
	2017	2016
	£000	£000
Revenue	9,238	9,086
Operating costs	(8,548)	(8,545)
Interest Receivable	23	21
Operating profit	<u>713</u>	<u>562</u>
<b>Share of operating profit</b>	<b><u>357</u></b>	<b><u>281</u></b>

The Association formed a joint venture, Local Partnerships LLP, with Partnerships UK plc in July 2009. The joint venture took over part of the business of Public Private Partnerships Programme Ltd, then a related company of the Association. In November 2009 Partnerships UK transferred part of its own business to Local Partnerships LLP. The Association's investment in Local Partnerships LLP originally consisted of Equity of £500,000 and £500,000 of 6% Convertible Loan Stock, repayable at par on 31 March 2029. An identical investment was made by Partnerships UK plc.

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

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

In the Financial Year 2016/17 Local Partnerships LLP did not pay any dividends to either party. In 2016/17 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	31 March
	2017	2016
	£000	£000
Fixed Assets	-	14
Intangible Assets	88	88
Current Assets	1,276	907
Share of gross assets	<u>1,364</u>	<u>1,009</u>
Liabilities due within one year or less	(378)	(369)
Share of gross liabilities	<u>(378)</u>	<u>(369)</u>
<b>Share of net assets</b>	<b><u>986</u></b>	<b><u>640</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 31 March 2017**

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

The operating results for GeoPlace LLP are shown below:

<b>Profit and Loss Summary</b>	<b>Year ended 31 March 2017 £000</b>	<b>Year ended 31 March 2016 £000</b>
Revenue	13,248	13,173
Operating costs	(6,577)	(7,659)
Interest Receivable and Payable	-	-
Operating profit	<u>6,671</u>	<u>5,514</u>
<b>Share of operating profit</b>	<b><u>1,668</u></b>	<b><u>1,379</u></b>

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 2017.

**LGA DIGITAL SERVICES**

<b>Balance Sheet</b>	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
Fixed Assets	-	-
Intangible Assets	-	-
Current Assets	313	583
Share of gross assets	<u>313</u>	<u>583</u>
Liabilities due within one year or less	(313)	(583)
Share of gross liabilities	<u>(313)</u>	<u>(583)</u>
<b>Share of net assets</b>	<b><u>-</u></b>	<b><u>-</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 March 2017

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

The operating results for LGA Digital Services are shown below:

<b>Profit and Loss Summary</b>	<b>Year ended 31 March 2017 £000</b>	<b>Year ended 31 March 2016 £000</b>
Revenue	626	1,165
Operating costs	(626)	(1,165)
Operating profit	-	-
<b>Share of operating profit</b>	<b>-</b>	<b>-</b>

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 2016.

**9. INVESTMENTS**

<b>Investment in UK Municipal Bonds Agency PLC (MBA)</b>	<b>Year ended 31 March 2017 £000</b>	<b>Year ended 31 March 2016 £000</b>
Opening balance	500	500
Invested in year	-	-
Closing Value	<b>500</b>	<b>500</b>

**LGA**

	<b>Equity £000</b>	<b>Debt £000</b>	<b>Total £000</b>
<b>Investment in Local Partnerships LLP</b>			
<b>Year ended 31 March 2016</b>			
Opening balance	800	500	1,300
Reversal of impairment in year	-	(300)	(300)
Closing value	800	200	1,000
<b>Year ended 31 March 2017</b>			
Opening balance	800	200	1,000
Repaid in year	-	(130)	(130)
Closing value	800	70	870

**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 March 2017

**9. INVESTMENTS (continued)**

**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 Properties 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.

**11. DEBTORS**

	CONSOLIDATED		ASSOCIATION	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade debtors	4,385	3,780	1,460	1,010
Due from related entities	7	625	288	1,793
Loan due from LGA (Properties)	-	-	120	1,600
Loan due from Local Government Management Board	-	-	-	2,500
Other debtors	460	339	138	605
Prepayments and accrued income	1,266	1,096	371	501
	<b>6,118</b>	<b>5,840</b>	<b>2,377</b>	<b>8,009</b>

**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

**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 March 2017

**13. CREDITORS**

	CONSOLIDATED		ASSOCIATION	
	2017 £000	2016 £000	2017 £000	2016 £000
<b>Amounts falling due within one year</b>				
Accounts payable and accruals	3,982	4,093	543	746
Income received in advance	3,735	3,402	601	453
Other creditors	1,697	1,628	891	859
Owed to related entities	-	-	372	166
	<u>9,414</u>	<u>9,123</u>	<u>2,407</u>	<u>2,224</u>
<b>Amounts falling due beyond one year</b>				
1 to 2 Years	270	918	270	270
2 to 5 years	1,840	2,214	280	498
More than 5 years	11,223	11,449	11,000	-
	<u>13,333</u>	<u>14,581</u>	<u>11,550</u>	<u>768</u>

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 £279,725 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:

	2017 £000	2016 £000
Bank loans	3,640	4,160
Loan from ACC (Properties) Limited	2,000	2,000
Loan from AMA (Properties) Limited	6,200	6,200
Barclays Swap Liability	943	1,131
	<u>12,783</u>	<u>13,491</u>

The above Swap agreement liability is the value on the balance sheet as at 31 March 2017 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.



## NOTES TO THE FINANCIAL STATEMENTS

### As at 31 March 2017

#### 13. CREDITORS (continued)

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 £2.780 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 Local Government House by Local Government Association (Properties) Ltd. In recognition of this, authorities in membership of the Local Government Association that were formerly members of the Association of Metropolitan Authorities receive a discount on their membership subscriptions. The discount, originally at the rate of £6,000 per authority, currently stands at £7,965 and increases every five years in line with inflation.

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.

#### 14. PROVISION FOR ORGANISATION RESTRUCTURING

	CONSOLIDATED		ASSOCIATION	
	2017	2016	2017	2016
	£000	£000	£000	£000
Balance at 1 April	468	680	22	393
Arising during year	222	468	-	22
Utilised during year	(468)	(680)	(22)	(393)
Balance at 31 March	222	468	-	22

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

#### 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 2017 as £1.621 million (2016 £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 2016. 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 2017**

**15.PENSION COMMITMENTS (continued)**

**Investment returns**

The investment returns on the funds used in calculating the year end assets were in the range 12.37% to 21.90% (2016, 1.2% to 12.37%).

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

	<b>31 March 2017</b>	<b>31 March 2016</b>
Equities	53.6% to 78.0%	51.8% to 75.0%
Bonds (HR)	11.0%	13.0%
Government Bonds (M)	4.0%	4.6%
Other Bonds (M)	11.4%	11.3%
Property	7.8% to 9.0%	8.9% to 11.0%
Cash	2.0% to 3.4%	1.0% to 3.4%
Other (M)	19.8%	20.0%

**a) Actuarial assumptions**

Full actuarial valuations were carried out at 31 March 2016 and updated to 31 March 2017 by qualified independent actuaries. The next Triennial valuation will be as at 31 March 2019.

The range of assumptions used by the actuaries was:

	<b>31 March 2017 % per annum</b>	<b>31 March 2016 % per annum</b>
Pension increase rate	2.3% to 2.4%	2.0% to 2.2%
Salary increase rate	3.0% to 3.8%	3.5% to 4.2%
Discount rate	2.5% to 2.6%	3.4% to 3.5%
Inflation assumption	2.3%	2.0% to 2.2%

<b>Mortality Rates*</b>	<b>31 March 2017 Years</b>	<b>31 March 2016 Years</b>
Current Pensioners – Male	22 to 22.5	22 to 22.5
Current Pensioners – Female	21.9 to 24.1	24.4 to 25.4
Future Pensioners – Male	23.9 to 24.9	24.3 to 24.9
Future Pensioners – Female	24.9 to 26.1	26.8 to 28.2

\*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 2017

**15. PENSION COMMITMENTS (continued)**

**b) Scheme assets**

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

	<b>Fair value at 31 March 2017 £000</b>	<b>Fair value at 31 March 2016 £000</b>
<b>Fair value of employer assets</b>		
Equities	73,867	53,425
Bonds (HR)	-	-
Government Bonds (M)	5,512	4,744
Other Bonds (M)	15,711	11,654
Property	10,749	9,179
Cash	4,686	3,507
Other (M)	27,287	20,627
<b>Total Market Value of Assets</b>	<b>137,812</b>	<b>103,136</b>

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

<b>Balance sheet</b>	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
Fair value of employer assets	283,283	224,054
Present value of funded liabilities	(394,588)	(305,238)
Net underfunding in funded plans	(111,305)	(81,184)
Present value of unfunded liabilities	(13,686)	(13,567)
<b>Net liability</b>	<b>(124,991)</b>	<b>(94,751)</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 March 2017

**15. PENSION COMMITMENTS (continued)**

Recognition in the statement of Comprehensive Income	Year to 31 March 2017 £000	Year to 31 March 2016 £000
Current service cost	(603)	(1,073)
Interest cost	8,981	8,402
Expected return on employer assets	(9,826)	(9,603)
Administration expenses	37	35
Past service cost	-	-
Losses on curtailments and settlements	118	234
<b>Total</b>	<b>(1,293)</b>	<b>(2,005)</b>
Actual return on plan assets	<b>21,107</b>	<b>632</b>
<b>Reconciliation of defined benefit obligation</b>	<b>2017 £000</b>	<b>2016 £000</b>
Opening defined benefit obligation	318,805	339,535
Current service cost	3,409	3,983
Interest cost	11,026	10,779
Contribution by members	1,353	1,376
Actuarial (gains)/losses	84,027	(28,026)
Past service costs	32	88
Losses on curtailments	150	322
Estimated unfunded benefits paid	(606)	(600)
Estimated benefits paid	(9,922)	(8,652)
<b>Closing defined benefit obligation</b>	<b>408,274</b>	<b>318,805</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
As at 31 March 2017

**15. PENSION COMMITMENTS (continued)**

<b>Reconciliation of fair value of employer assets</b>	<b>2017 £000</b>	<b>2016 £000</b>
Opening fair value of employer assets	224,054	226,675
Expected return on assets	7,781	7,226
Contributions by members	1,353	1,376
Contributions by the employer	5,257	5,566
Contributions in respect of unfunded benefits	606	600
Administrative Expenses	(37)	(35)
Actuarial (losses)/gains	54,797	(8,102)
Unfunded Benefits paid	(440)	(434)
Benefits paid	<u>(10,088)</u>	<u>(8,818)</u>
<b>Closing fair value of employer assets</b>	<b><u>283,283</u></b>	<b><u>224,054</u></b>

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

	<b>2017 £000</b>	<b>2016 £000</b>	<b>2015 £000</b>	<b>2014 £000</b>	<b>2013 £000</b>
Fair value of employer assets	283,283	224,054	226,675	202,130	168,408
Present value of defined benefit obligation	(408,274)	(318,805)	(339,535)	(294,067)	(235,382)
<b>Deficit</b>	<b><u>(124,991)</u></b>	<b><u>(94,751)</u></b>	<b><u>(112,860)</u></b>	<b><u>(91,937)</u></b>	<b><u>(75,570)</u></b>
Experience gains/(losses) on assets	(54,797)	(8,102)	6,224	977	13,921
Experience gains/(losses) on liabilities	-	-	1,451	(13,075)	253

The total of employer pension contributions estimated to be payable in 2017/18 is £6.184 million (£2.423 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.

**NOTES TO THE FINANCIAL STATEMENTS****As at 31 March 2017****17. RELATED ENTITIES**

The Association exercises control of the following entities, all companies limited by guarantee, 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

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 Management Board are that any surplus arising on winding up is to be transferred to the Local Government Association. 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 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. The other member of Local Partnerships LLP is HM Treasury. The members share profits and losses equally.

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 2016/17 there were no exceptional items to report.

**19. POST BALANCE SHEET EVENTS**

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

**20. CONTROLLING ENTITY**

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

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

**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 2017**

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

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

**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS**

Cllr David Simmonds (Chairman)	(resigned 1 September 2016 re-appointed 24 March 2017)
Sir Stephen Bullock	
Cllr John William Nunn	(appointed 1 September 2016)
Richard Priestman	
Philip Sellwood	
Cllr Marianne Overton	
Lord Porter of Spalding CBE	
Cllr David Hodge	(resigned 4 April 2017)
Cllr Gerald Vernon Jackson	

**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

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

### **DIRECTORS' REPORT**

The Directors present their report and audited financial statements for the Year ended 31 March 2017.

#### **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
- 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
- councils have collective responsibility for the performance of local government as a whole.

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

**DIRECTORS' REPORT**

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

- delivering 119 peer challenges
- providing tailored support to 222 different local authorities
- 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
- providing support to 34 councils with total projected savings of £26.5m through the Productivity Experts Programme
- providing leadership training for 714 councillors
- supporting a further 122 councils to transform their workforces and modernise the way they are managed
- updating the adult social care risk awareness tool. This is now being used by almost all councils with social care responsibility and will soon be offered to up to 30 councils as a facilitated event if required
- delivering a Health and Wellbeing Chairs Summit, attended by over 60 councillors, and two Leadership Essentials events for new Chairs and Vice Chairs.

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.

Phase 5 of the One Public Estate programme (OPE) was launched in January 2017 with an additional 89 councils, bringing the total number of councils supported to 249.

**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.

Lord Porter of Spalding CBE

15 June 2017

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

### **STRATEGIC REPORT**

#### **Principal Activities**

The IDeA is wholly owned 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.

During 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 2016/17. From 1 April 2016, the Company became the recipient of Direct Government Grant ("DCLG Grant") to pay for improvement services to councils, replacing Revenue Support Grant. Our income from the DCLG Grant and other income including grants has reduced by 9% 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.

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

### **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 £86.613 million at 31 March 2017, an increase of £26.904 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.

We review our financial sustainability by carefully controlling our staff costs. Following a reduction in our core grant funding, over the last two years employee numbers have fallen from 162 employees in the year ended March 2016 to 157 employees in the Year ended 31 March 2017. We continue to monitor employee absence, which has fallen from an average annual number of sick days per employee of 4.2 days in March 2016 to 2.1 days in March 2017.

We continue to pay close attention to the collection of outstanding debt. The percentage of debtors over 12 months was 4 per cent of the total debtors at March 2017.

### **Environment**

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

- continually reduce waste and increase our recycling rate
- reduce paper use

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

### **STRATEGIC REPORT**

- 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 18-19.

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.

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

**STRATEGIC REPORT**

**Auditors**

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

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

Lord Porter of Spalding CBE

15 June 2017

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

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS  
Year ended 31 March 2017**

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.



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

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

We have audited the Financial Statements of Improvement and Development Agency for Local Government Limited for the Year ended 31 March 2017 which comprise of the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flow, the Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

**Respective responsibilities of Directors and Auditor**

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

**Scope of the audit of the Financial Statements**

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

**Opinion on Financial Statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 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.

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

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

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

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

Alastair Duke  
Senior Statutory Auditor

For and on behalf of  
PKF Littlejohn LLP

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

Date:

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

**STATEMENT OF COMPREHENSIVE INCOME  
Year ended 31 March 2017**

	Note	2017 £000	2016 £000
Income	2	34,610	38,230
Administrative expenses		(33,167)	(39,097)
<b>OPERATING SURPLUS</b>	5	<u>1,443</u>	<u>(867)</u>
Share of joint ventures' distribution to members	7	1,375	1,750
Interest receivable and similar income		175	73
<b>SURPLUS FOR THE YEAR</b>		<u><b>2,993</b></u>	<u><b>956</b></u>
<b>Other Comprehensive Income</b>			
Actuarial (loss)/gain recognised in respect of the pension fund		(27,375)	15,817
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	6	<u><b>(24,382)</b></u>	<u><b>16,773</b></u>

All amounts relate to continuing operations.

The accounting policies and notes on pages 15 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 2017**

**Company Registration No. 3675577**

	Note	2017 £000	2016 £000
<b>INTANGIBLE ASSETS</b>			
Intellectual Copyright Assets		1	1
<b>LONG TERM DEBTORS</b>			
Loans to Group companies	9	11,000	-
<b>CURRENT ASSETS</b>			
Debtors	8	4,230	3,672
Short term Investments	10	7,925	17,989
Cash at bank and in hand	13	10	392
		<u>12,165</u>	<u>22,053</u>
<b>CREDITORS: amounts falling due within one year</b>	11	(5,736)	(6,982)
<b>NET CURRENT ASSETS</b>		<u>6,429</u>	<u>15,071</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>17,430</b></u>	<u><b>15,072</b></u>
<b>CREDITORS: amounts falling due after more than one year</b>	12	(102)	(42)
<b>PROVISIONS FOR LIABILITIES</b>			
Pension fund deficit	15	(86,613)	(59,709)
Restructuring Provision	14	(222)	(446)
		<u>(86,835)</u>	<u>(60,155)</u>
<b>TOTAL NET LIABILITIES</b>		<u><b>(69,507)</b></u>	<u><b>(45,125)</b></u>
<b>ACCUMULATED FUNDS</b>			
General Reserve		13,458	13,458
Risk and Contingency Reserve		3,648	1,126
Pension deficit Reserve			
- Pensions Fund Assets		145,471	120,918
- less Defined Liabilities		(232,084)	(180,627)
		<u><b>(69,507)</b></u>	<u><b>(45,125)</b></u>

These financial statements were approved by the Board of Directors on 15 June 2017

Signed on behalf of the Board of Directors

Lord Porter of Spalding CBE

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

The accounting policies and notes on pages 15 to 26 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 March 2017**

	Risk & Contingency Reserve £000	Pensions Deficit Reserve £000	General Reserve £000	Total £000
<b>Balance at 1 April 2015</b>	-	(75,356)	13,458	(61,898)
<b>Changes in equity for 2015/16</b>				
Surplus for the year	-	-	956	956
Pensions Adjustments in Statement of Consolidated income	-	(170)	170	-
Actuarial gains/loss on defined benefit plans	-	15,817	-	15,817
Total comprehensive income for the year	-	15,647	1,126	16,773
Transfer to Risk and Contingency Reserve	1,126	-	(1,126)	-
<b>Balance as at 31 March 2016</b>	<b>1,126</b>	<b>(59,709)</b>	<b>13,458</b>	<b>(45,125)</b>
<b>Balance at 1 April 2016</b>	1,126	(59,709)	13,458	(45,125)
<b>Changes in equity for 2016/17</b>				
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)	-
<b>Balance as at 31 March 2017</b>	<b>3,648</b>	<b>(86,613)</b>	<b>13,458</b>	<b>(69,507)</b>

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

**STATEMENT OF CASH FLOWS  
Year ended 31 March 2017**

	Note	2017 £000	2016 £000
<b>Net cash inflow from operating activities</b>			
Surplus		2,993	956
Adjustments for:			
Investment and dividend income		(1,471)	(1,822)
FRS102 Pension Service Costs		(471)	170
Decrease/(increase) in debtors		(559)	3,002
Increase in long term debtors		(11,000)	-
Increase in creditors		(1,245)	(331)
Increase in provisions		(224)	159
Decrease in creditors due after one year		60	(2)
Net cash generated from operating activities		<u>(11,917)</u>	<u>2,132</u>
<b>Cash flow from investing activities</b>			
Interest received		96	73
Distribution from Joint Venture		1,375	1,750
		<u>1,471</u>	<u>1,823</u>
Net (Decrease)/ Increase in cash		(10,446)	3,955
<b>Cash and cash equivalents at the start of the year</b>		<u>18,381</u>	<u>14,426</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><u>7,935</u></u>	<u><u>18,381</u></u>

The accounting policies and notes on pages 15 to 26 form part of these financial statements.

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

### **NOTES TO THE ACCOUNTS**

**Year ended 31 March 2017**

#### **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 £86,613 million as at 31 March 2017. 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 Department for Communities and Local Government (DCLG) (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.

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

### **NOTES TO THE ACCOUNTS**

**Year ended 31 March 2017**

#### **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 DCLG 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.

#### **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 LGA 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 director's contribution towards the liabilities is limited to £1.



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

**NOTES TO THE ACCOUNTS**

**Year ended 31 March 2017**

**2. INCOME**

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Government grants	30,237	34,350
Subscriptions	1,270	1,000
Services recharged	2,384	2,257
Other income	719	623
	<u><b>34,610</b></u>	<u><b>38,230</b></u>

From 1 April 2016, the Company became the recipient of DCLG Grant income replacing Revenue Support Grant. Of the £21.400 million DCLG Grant received in 2016/17 (£23.382 million 2015/16 - RSG), £3.350 million (£5.132 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.

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Total emoluments	98	10
Emolument of the chairman and highest paid director	<u>7</u>	<u>1</u>

No director is an active member of the pension scheme (2016: 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.

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

**NOTES TO THE ACCOUNTS**

**Year ended 31 March 2017**

**4. STAFF INFORMATION**

Staff information for the Company is as follows:

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
<b>Average number of persons employed</b>		
Administration	157	162
	<u>157</u>	<u>162</u>
	<b>£000</b>	<b>£000</b>
<b>Staff costs during the year</b>		
Wages and salaries	8,574	8,880
Social security costs	1,009	878
Pension costs – cash payable by employer	1,465	1,530
Pension deficit payments	3,076	2,968
Pension costs – current service costs less contributions	(2,548)	(2,295)
<u>Less income from secondments</u>	<u>(441)</u>	<u>(531)</u>
	<u>11,135</u>	<u>11,430</u>
<b>Staff Related Costs</b>		
Agency, freelance and secondment costs	704	777
Redundancy payments and provision	(35)	400
Travel, subsistence and staff expenses	739	563
Recruitment costs	86	48
Training costs	23	29
Other personnel costs	15	6
	<u>1,532</u>	<u>1,823</u>
<b>Total</b>	<u><b>12,667</b></u>	<u><b>13,253</b></u>

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

**NOTES TO THE ACCOUNTS**

**Year ended 31 March 2017**

**4. STAFF INFORMATION (CONTINUED)**

Details of the remuneration of the Company's senior staff are given below.

	2017		2016	
	Salary	Employer Pension Contribution	Salary	Employer Pension Contribution
Andrew Webster – Associate Director of Health	-	-	92,900	16,443

Andrew Webster served as Associate Director of Health until 22 November 2015.

The above position title is an internal job title. The individual concerned was not a director of the Company within the meaning of the Companies Act 2006.

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

	2017	2017	2016	2016
	Salaries + Redundancy Costs	Salaries Only	Salaries + Redundancy Costs	Salaries Only
£50,000 - £54,999	3	3	4	3
£55,000 - £59,999	7	7	6	6
£60,000 - £64,999	14	13	13	13
£65,000 - £69,999	13	13	19	18
£70,000 - £74,999	17	17	15	15
£75,000 - £79,999	5	5	1	1
£80,000 - £84,999	1	1	3	3
£85,000 - £89,999	-	-	-	-
£90,000 - £94,999	-	-	4	4
£95,000 - £99,999	5	5	5	5
£100,000 - £104,999	4	4	2	1
£105,000 - £109,999	1	1	-	-
£110,000 - £114,999	-	-	-	-
£115,000 - £119,999	-	-	3	3
£120,000 - £124,999	-	-	-	-
£125,000 - £129,999	-	-	1	1

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

**NOTES TO THE ACCOUNTS  
Year ended 31 March 2017**

**5. OPERATING SURPLUS**

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
<b>Operating surplus is after charging:</b>		
Auditors' remuneration		
- audit fee	15	15
	<hr/>	<hr/>
- non audit services	3	3
	<hr/> <hr/>	<hr/> <hr/>

**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 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 2017. The company received a dividend of £1,375m in 2016/17 (£1,750m in 2015/16).

**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 has 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 DCLG 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 £65.2m to both income and expenditure which would give the impression that the group and IDeA are much larger organisations than they really are.

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

**NOTES TO THE ACCOUNTS**

Year ended 31 March 2017

**8. DEBTORS**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	2,906	2,477
Due from related entities	388	133
Other debtors	176	63
Prepayments and accrued income	760	999
	<u>4,230</u>	<u>3,672</u>

**9. LONG TERM DEBTORS**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Loan to related party - LGA	11,000	-
	<u>11,000</u>	<u>-</u>

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.

**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**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Trade creditors and accruals	2,200	2,577
Income received in advance	3,028	2,894
Other Creditors	473	737
Owed to related entities	35	774
	<u>5,736</u>	<u>6,982</u>

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

**NOTES TO THE ACCOUNTS**

**Year ended 31 March 2017**

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

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Deferred Income	<u>102</u>	<u>42</u>

**13. NOTES TO THE STATEMENTS OF CASH FLOWS**

**Cash and Cash equivalents**

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Cash at bank and in hand	10	392
Short Term Investments	<u>7,925</u>	<u>17,989</u>
	<u>7,935</u>	<u>18,381</u>

**14. PROVISIONS FOR LIABILITIES**

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Balance at 1 April	446	286
Arising during year	222	446
Utilised during year	(446)	(286)
	<u>222</u>	<u>446</u>
Balance at 31 March	<u>222</u>	<u>446</u>

The provision as at 31 March 2017 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 2016. 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 2017 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary.

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

**NOTES TO THE ACCOUNTS**

**Year ended 31 March 2017**

**15 - PENSION COMMITMENTS (CONTINUED)**

Actual return for period from 1 April 2016 to 31 December 2016	16.3%
Estimated return for period from 1 April 2016 to 31 March 2017	21.9%

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

	At year end 31 March 2017	At year end 31 March 2016
	% p.a.	% p.a.
Equities	78%	75%
Bonds	11%	13%
Property	9%	11%
Cash	2%	1%

**a) Actuarial assumptions**

The assumptions used by the actuary were:

	At year end 31 March 2017	At year end 31 March 2016
	% p.a.	% p.a.
Inflation/pension increase rate	2.4%	2.2%
Salary increase rate	3.0%	4.2%
Discount rate	2.6%	3.5%
Expected return on assets		
Mortality Rates*	Years	Years
Current Pensioners – Male	22.0	22.0
Current Pensioners – Female	24.1	24.4
Future Pensioners – Male	23.9	24.3
Future Pensioners – Female	26.1	26.8

\*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.

<b>Balance sheet</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Fair value of employer assets	145,471	120,918
Present value of funded liabilities	<u>(224,444)</u>	<u>(173,513)</u>
Net underfunding in funded plans	(78,973)	(52,595)
Present value of unfunded liabilities	<u>(7,640)</u>	<u>(7,114)</u>
<b>Net liability</b>	<u>(86,613)</u>	<u>(59,709)</u>

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

**NOTES TO THE ACCOUNTS**

Year ended 31 March 2017

**15 - PENSION COMMITMENTS (CONTINUED)**

**Recognition in the Statement of Comprehensive Income**

	<b>Year to 31 March 2017 £000</b>	<b>Year to 31 March 2016 £000</b>
Current service cost	(2,006)	(2,528)
Interest income on plan assets	4,228	3,891
Interest cost on defined benefit obligation	(6,273)	(6,268)
Past service cost/(gain)	(32)	(88)
<b>Total</b>	<b>(4,083)</b>	<b>(4,993)</b>

	<b>2017 £000</b>	<b>2016 £000</b>
<b>Reconciliation of defined benefit obligation</b>		
Opening defined benefit obligation	180,627	196,150
Current service cost	2,006	2,528
Interest cost	6,273	6,268
Contribution by members	737	776
Actuarial losses/(gains)	47,751	(21,216)
Past service cost/(gains)	32	88
Estimated unfunded benefits paid	(440)	(434)
Estimated benefits paid	(4,902)	(3,533)
<b>Closing defined benefit obligation</b>	<b>232,084</b>	<b>180,627</b>

	<b>2017 £000</b>	<b>2016 £000</b>
<b>Reconciliation of fair value of employer assets</b>		
Opening fair value of employer assets	120,918	120,794
Expected return on assets	4,228	3,891
Contributions by members	737	776
Contributions by the employer	4,114	4,389
Contributions in respect of unfunded benefits	440	434
Actuarial gains/(losses)	20,376	(5,399)
Unfunded benefits paid	(440)	(434)
Benefits paid	(4,902)	(3,533)
<b>Closing fair value of employer assets</b>	<b>145,471</b>	<b>120,918</b>



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

**NOTES TO THE ACCOUNTS**

Year ended 31 March 2017

**15 - PENSION COMMITMENTS (CONTINUED)**

**AMOUNTS FOR THE CURRENT AND PREVIOUS ACCOUNTING PERIODS**

	Year to 31 March 2017 £000	Year to 31 March 2016 £000	Year to 31 March 2015 £000	Year to 31 March 2014 £000	Year to 31 March 2013 £000
Fair value of employer assets	145,471	120,918	120,794	107,992	105,995
Present value of defined benefit obligation	(232,084)	(180,627)	(196,150)	(166,170)	(144,969)
<b>Surplus /(deficit)</b>	<b>(86,613)</b>	<b>(59,709)</b>	<b>(75,356)</b>	<b>(58,178)</b>	<b>(38,974)</b>
Experience gains/(losses) on assets	20,375	(5,399)	4,230	7,925	(2,240)
Experience gains/(losses) on liabilities	-	-	1,451	140	5,816

The estimated employer's contributions for the year to 31 March 2018 is £3.761 million.

**16. CONTROLLING ENTITY**

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

**17. RELATED PARTIES**

The Company had the following transactions with related parties:

	Value of related party transactions in year 2017 exp / (inc) £000	Outstanding balance at 31 March 2017 dr / (cr) £000	Value of related party transactions in year 2016 exp / (inc) £000	Outstanding balance at 31 March 2016 dr / (cr) £000
Local Government Association (LGA)	(5,869)	11,374	7,814	(833)
Local Government Association Properties (LGAP)	240	-	794	15
Local Government Management Board (LGMB)	234	(27)	86	(29)
Local Partnerships	1,292	5	1,512	-
Public Sector Audit Appointments Limited (PSAA)	-	-	-	-
Geoplace LLP	(1,375)	-	(1,750)	-

All companies are controlled by the LGA entity. The transactions between these companies are a result of

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

**NOTES TO THE ACCOUNTS  
Year ended 31 March 2017**

the shared service costs, property rental charges, DCLG 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.

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

**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 2017**

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

**REPORT AND FINANCIAL STATEMENTS 2017**

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

**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS**

Councillor Ian Swithenbank CBE (Chairman)

Councillor David Neighbour

Councillor Graham Whitham

(Appointed 29 August 2016)

Nicholas Chard

Sarah Pickup - LGA, Deputy Chief Executive

Adrian Naylor

(Resigned 30 August 2016)

Anthony Jackson

(Resigned 7 March 2017)

**SECRETARY**

Claire Holloway

**REGISTERED OFFICE**

Local Government House

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

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

**DIRECTORS' REPORT**

The directors present their report and audited financial statements for the year ended 31 March 2017.

**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 the entities controlled by the Local Government Association then temporarily decanted over from Local Government House whilst it is being refurbished. Once Local Government House is complete the redevelopment project for Layden House will commence 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.

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

**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**

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

**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 19th June 2017

Councillor Ian Swithenbank

Signed on behalf of the Board of Directors

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

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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.



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

**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF THE LOCAL GOVERNMENT MANAGEMENT BOARD**

We have audited the financial statements of the Local Government Management Board Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

**Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the Financial Statements**

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

**Opinion on Financial Statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its surplus for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

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

**Alastair Duke (Senior statutory auditor)  
For and on behalf of PKF Littlejohn LLP  
Statutory auditor**

1 Westferry Circus  
Canary Wharf  
London E14 4HD 2017

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 March 2017**

	Note	2017 £000	2016 £000
Income	2	394	892
Administrative expenses		(1,153)	(974)
<b>OPERATING (DEFICIT)/SURPLUS BEFORE INTEREST</b>	5	<b>(759)</b>	<b>(82)</b>
Interest receivable		1	1
Interest payable	6	(102)	(45)
Gain on revaluation of investment property	8	2,024	2,932
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,164</b>	<b>2,806</b>

All amounts relate to continuing operations.

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

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

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

**BALANCE SHEET**  
**As at 31 March 2017**

**Company Registration No. 2553768**

	Note	2017 £000	2016 £000
<b>FIXED ASSETS</b>			
Investment property	8	28,175	25,800
		<u>28,175</u>	<u>25,800</u>
<b>CURRENT ASSETS</b>			
Debtors	9	203	45
Short term investments	11	2,427	684
Cash at bank and in hand		10	10
		<u>2,640</u>	<u>739</u>
<b>CREDITORS: amounts falling due within one year</b>	0	(214)	(3102)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>2,426</u>	<u>(2,363)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>30,601</u>	<u>23,437</u>
<b>CREDITORS: amounts falling due after more than one year</b>	13	(6,000)	-
<b>TOTAL NET ASSETS</b>		<u><u>24,601</u></u>	<u><u>23,437</u></u>
<b>ACCUMULATED FUNDS</b>			
General Reserve		2,908	3,768
Revaluation Reserve		21,693	19,669
		<u>24,601</u>	<u>23,437</u>

These financial statements were approved by the Board of Directors on 19 June 2017.

Councillor Ian Swithenbank

Signed on behalf of the Board of Directors

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

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

**STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 March 2017**

	Retained Earnings £000	Revaluation Reserve £000	Total £000
<b>Balance at 1st April 2015</b>	<b>3,894</b>	<b>16,737</b>	<b>20,631</b>
<b>Changes in equity for 2015/16</b>			
Deficit for the year	(126)	-	(126)
Gain on revaluation of property	-	2,932	2,932
Total comprehensive income for the year	(126)	2,932	2,806
<b>Balance as at 31st March 2016</b>	<b>3,768</b>	<b>19,669</b>	<b>23,437</b>
<b>Balance at 1st April 2016</b>	<b>3,768</b>	<b>19,669</b>	<b>23,437</b>
<b>Changes in equity for 2016/17</b>			
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
<b>Balance as at 31st March 2017</b>	<b>2,908</b>	<b>21,693</b>	<b>24,601</b>

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

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

**STATEMENT OF CASHFLOWS**  
**Year ended 31 March 2017**

	Note	2017 £000	2016 £000
<b>Cash flow from operating activities</b>			
Operating Surplus		1,164	2,806
Adjustments for:			
Gain on revaluation of Property		(2,024)	(2,932)
Investment income		(1)	-
Interest expense		102	45
Decrease in Debtors		(158)	348
Increase/(decrease) in Creditors		(388)	247
<b>Cash generated from operations</b>		<u>(1,305)</u>	<u>514</u>
Interest Paid		(102)	(45)
<b>Net cash generated/(used) from operating activities</b>		<u>(1,407)</u>	<u>469</u>
<b>Cash flow from investing activities</b>			
Repayment of Borrowings		1	1
Expenditure on LH Redevelopment		(351)	(868)
		<u>(350)</u>	<u>(867)</u>
<b>Cash flow from financing activities</b>			
Borrowing from LGA		6,000	1,000
Repayment of borrowings		(2,500)	-
		<u>3,500</u>	<u>1000</u>
Net Increase/(Decrease) in cash		1,743	602
<b>Cash and cash equivalents at start of the year</b>		<u>694</u>	<u>92</u>
<b>Cash and cash equivalents at the end of the year</b>	10	<u>2,437</u>	<u>694</u>

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

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

**NOTES TO THE ACCOUNTS  
Year Ended 31 March 2017**

**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.

**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 2017 and 2018 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 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".

**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 2017, 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.

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

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2017**

**2. INCOME**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Rental	394	892
Other	1	-
	<u>395</u>	<u>892</u>

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.

**3. DIRECTORS' EMOLUMENTS**

None of the directors received any emoluments in respect of their services to the Company (2016: nil).  
There were no retirement benefits accruing to the directors in respect of services to the Company (2016: 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**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Operating (deficit) is after charging:</b>		
Auditors' remuneration		
- audit fee	<u>4</u>	<u>4</u>

**6. INTEREST PAYABLE**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Local Government Association loan	<u>102</u>	<u>45</u>
	<u>102</u>	<u>45</u>

**7. CONTINGENT LIABILITY**

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. Discussions are ongoing with HMRC to determine if there is any historic tax liability.

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

**NOTES TO THE ACCOUNTS**

**Year ended 31 March 2017**

**8. INVESTMENT PROPERTIES**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Brought forward valuation	25,800	22,000
Unrealised gain on revaluation	2,024	2,932
Capitalised items	351	868
Carried forward valuation	<u>28,175</u>	<u>25,800</u>

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 to fees and costs incurred in preparing to develop the property in 2016/17.

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 2017 by an independent professional valuer, Farebrother Chartered Surveyors.

**9. DEBTORS**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	5	6
Due from related entities	196	29
Other debtors	1	4
Prepayments and accrued income	1	6
	<u>203</u>	<u>45</u>

**10. CASH AND CASH EQUIVALENTS**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	10	10
Short Term Investments	2,427	684
	<u>2,437</u>	<u>694</u>

**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.



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

**NOTES TO THE ACCOUNTS**

**Year ended 31 March 2017**

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Local Government Association loan	-	2,500
Trade creditors and accruals	39	164
Income received in advance	4	4
Other creditors	-	69
Owed to related entities	171	365
	<u><b>214</b></u>	<u><b>3,102</b></u>

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 have been repaid in March 2017.

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

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Local Government Association loan	6,000	-
	<u><b>6,000</b></u>	<u><b>-</b></u>

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 Local Government House, Smith Square, London, SW1P 3HZ.

**15. RELATED PARTIES**

The company had the following transactions with related parties:

	<b>Value of related party transactions in year 2017 exp / (inc) £000</b>	<b>Outstanding balance at 31 March 2017 dr / (cr) £000</b>	<b>Value of related party transactions in year 2016 exp / (inc) £000</b>	<b>Outstanding balance at 31 March 2016 dr / (cr) £000</b>
Local Government Association	451	(15)	371	(365)
Local Government Association – Loans	(3,500)	(6,000)	-	(2,500)
Improvement and Development Agency	(234)	27	(86)	29
Improvement and Development Agency - Loan	-	-	-	-

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

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2017**

**15. RELATED PARTIES (CONTINUED)**

	Value of related party transactions in year 2017 exp / (inc) £000	Outstanding balance at 31 March 2017 dr / (cr) £000	Value of related party transactions in year 2016 exp / (inc) £000	Outstanding balance at 31 March 2016 dr / (cr) £000
Local Partnerships	67	9	-	-
PSAA	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 company limited by guarantee)**

**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 2017**

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

**REPORT AND FINANCIAL STATEMENTS 2017**

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

**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS**

Councillor Ian Swithenbank CBE (Chairman)

Councillor David Neighbour

Sarah Pickup LGA, Deputy Chief Executive

Councillor Graham Whitham

Appointed 30 August 2016

Councillor Nicholas Chard

Appointed 3 March 2017

Councillor Philippa Roe

Resigned 1 September 2016

Councillor Adrian Naylor

Resigned 30 August 2016

Anthony Jackson

Appointed 1 September 2016,

Resigned 7 March 2017

**SECRETARY**

Claire Holloway

**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

## **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 2017.

#### **Principal activities**

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

The Company is wholly owned by the Local Government Association.

#### **Business review**

The Company's principal business is the rental of the Local Government House property for use by entities controlled by the Local Government Association. A small part of the property was rented to third parties. The Company is currently being refurbished with a view to creating better utilisation of the accommodation for Local Government Association and its related activities.

#### **Future Developments**

Once the refurbishment has been completed the Company will be planning on generating extra revenue through leasing 3 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 planned development will reduce 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**

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

#### **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 19 June 2017

Councillor Ian Swithenbank  
Signed on behalf of the Board of Directors

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

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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.

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

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

We have audited the financial statements of Local Government Association (Properties) Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

**Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the Financial Statements**

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

**Opinion on Financial Statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its deficit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

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

**Alastair Duke (Senior statutory auditor)**  
**For and on behalf of PKF Littlejohn LLP**  
**Statutory auditor**

1 Westferry Circus  
Canary Wharf  
London E14 4HD



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

**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 31 MARCH 2017**

	Note	2017 £000	2016 £000
Income	2	532	1,601
Administrative expenses		(1,927)	(1,204)
<b>OPERATING SURPLUS BEFORE INTEREST</b>	5	<u>(1,395)</u>	<u>397</u>
Interest receivable		5	6
Interest payable	7	(223)	(247)
(Loss)/Gain on revaluation of Property	9	(14,904)	4,293
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>(16,517)</u></u>	<u><u>4,449</u></u>

All amounts relate to continuing operations.

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

The accounting policies and notes on pages 9 to 144 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 2017**

**Company Registration No. 03487186**

	Note	2017 £000	2016 £000
<b>FIXED ASSETS</b>			
Tangible assets	8	-	647
Investment Property	9	22,970	35,850
		<u>22,970</u>	<u>36,497</u>
<b>CURRENT ASSETS</b>			
Debtors	10	170	245
Short term Investments	12	3,980	131
Cash at bank and in hand		10	10
		<u>4,160</u>	<u>386</u>
<b>CREDITORS: amounts falling due within one year</b>	13	(1,818)	(3,226)
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		<u>2,342</u>	<u>(2,840)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>25,312</u>	<u>33,657</u>
<b>CREDITORS: amounts falling due after more than one year</b>	14	(21,783)	(13,611)
<b>TOTAL NET ASSETS</b>		<u><u>3,529</u></u>	<u><u>20,046</u></u>
<b>ACCUMULATED FUNDS</b>			
General Reserve		3,451	5,064
Revaluation Reserve		78	14,982
		<u>3,529</u>	<u>20,046</u>

These financial statements were approved by the Board of Directors on 19 June 2017

Councillor Ian Swithenbank

Signed on behalf of the Board of Directors

The accounting policies and notes on pages 9 to 144 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 2017**

	Retained Earnings £000	Revaluation Reserve £000	Total £000
<b>Balance at 1st April 2015</b>	<b>4,907</b>	<b>10,689</b>	<b>15,596</b>
<b>Changes in equity for 2015/16</b>			
Surplus for the year	157	-	157
Gain on revaluation of property	-	4,293	4,293
Total comprehensive income for the year	157	4,293	4,450
<b>Balance as at 31st March 2016</b>	<b>5,064</b>	<b>14,982</b>	<b>20,046</b>
<b>Balance at 1st April 2016</b>	<b>5,064</b>	<b>14,982</b>	<b>20,046</b>
<b>Changes in equity for 2016/17</b>			
Surplus for the year	(1,613)	-	(1,613)
Gain on revaluation of property	-	(14,904)	(14,904)
Total comprehensive income for the year	(1,613)	(14,904)	(16,517)
<b>Balance as at 31st March 2017</b>	<b>3,451</b>	<b>78</b>	<b>3,529</b>

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

**STATEMENT OF CASH FLOWS**  
**Year ended 31 March 2017**

	Note	2017 £000	2016 £000
<b>Cash flow from operating activities</b>			
Operating Surplus		(16,517)	4,449
Adjustments for:			
Gain on revaluation of property		14,904	(4,293)
Investment income		(5)	(6)
Interest expense		223	247
Adjustment for Interest Rate Swap liability		(188)	(157)
Depreciation		63	127
Loss on Disposal of Tangible Fixed Assets		584	-
Decrease in debtors		75	91
Increase/(decrease) in creditors		72	(305)
<b>Cash generated from operations</b>		<u>(789)</u>	<u>153</u>
Interest paid		(223)	(247)
<b>Net cash (used)/generated from operating activities</b>		<u>(1,012)</u>	<u>(94)</u>
<b>Cash flow from investing activities</b>			
Interest received		5	6
Expenditure on LGH Redevelopment		<u>(2,024)</u>	<u>(857)</u>
		<u>(2,019)</u>	<u>(851)</u>
<b>Cash flow from financing activities</b>			
Borrowing from LGA		9,000	-
Repayments of borrowings		<u>(2,120)</u>	<u>(800)</u>
		<u>6,880</u>	<u>(800)</u>
Net (Decrease)/Increase in cash		3,849	(1,745)
<b>Cash and cash equivalents at start of the year</b>		<u>141</u>	<u>1,886</u>
<b>Cash and cash equivalents at the end of the year</b>	11	<u><b>3,990</b></u>	<u><b>141</b></u>

The accounting policies and notes on pages 9 to 14 form part of these financial statements.

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

**NOTES TO THE ACCOUNTS**  
**Year Ended 31 March 2017**

**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, 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:

Fixtures and fittings	15 years
-----------------------	----------

**Investment Property**

The freehold land and buildings investment property, 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 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 2017/18 the company will not fully recover in year costs as a result of income reductions while tenants move to alternate accommodation while building refurbishments are completed. These costs will be recovered in subsequent years via income from group and external tenants.

**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

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

**NOTES TO THE ACCOUNTS**

**Year Ended 31 March 2017**

for write-off. In the year to 31 March 2017, 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. In accordance with the original lease dated 21 January 2000, the rent charged to the Local Government Association is the greater of £50,000 and the amount required to cover the cost of insuring and servicing the mortgage loans on it.

**3. DIRECTORS' EMOLUMENTS**

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

**4. STAFF INFORMATION**

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

**5. OPERATING SURPLUS**

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
<b>Operating (deficit)/surplus is after charging:</b>		
Depreciation	63	127
Loss on Disposal of Tangible Fixed Assets	584	-
Auditors' remuneration		
- audit fee	4	4

**6. INTEREST PAYABLE**

	2017 £000	2016 £000
Barclays loan	100	187
Local Government Association loan	113	60
	<u>223</u>	<u>247</u>

**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.

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

**NOTES TO THE ACCOUNTS**  
**Year Ended 31 March 2017**

**8. TANGIBLE FIXED ASSETS**

Fixtures and Fittings	<b>Fixtures and fittings £000</b>
<b>Cost</b>	
At 1 April 2016	1,901
Additions	-
Disposals	(1,901)
<b>At 31 March 2017</b>	<u>-</u>
<b>Depreciation</b>	
At 1 April 2016	(1,254)
Charge for year	(63)
Disposals	1,317
<b>At 31 March 2017</b>	<u>-</u>
<b>Net book value</b>	
At 31 March 2017	<u>-</u>
At 31 March 2016	<u>647</u>

**9. INVESTMENT PROPERTIES**

	<b>2017 £000</b>	<b>2016 £000</b>
Brought forward valuation	35,850	30,700
Unrealised (loss)/gain on revaluation	(14,904)	4,293
Capitalised items	2,024	857
Carried forward valuation	<u>22,970</u>	<u>35,850</u>

Local Government House 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 £23million as at 31 March 2017 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**

	<b>2017 £000</b>	<b>2016 £000</b>
Trade debtors	1	78
Due from related entities	6	165
Other Debtors	163	2
	<u>170</u>	<u>245</u>

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

**NOTES TO THE ACCOUNTS**  
**Year Ended 31 March 2017**

**11. CASH AND CASH EQUIVALENTS**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	10	10
Short Term Investments	3,980	131
	<u><b>3,990</b></u>	<u><b>141</b></u>

**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**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Accounts payable and accruals	1,062	249
Other creditors	-	47
Income received in advance	-	8
Bank loans -see note 15	520	700
Loan from Local Government Association	120	1,600
Owed to Related Companies	116	622
	<u><b>1,818</b></u>	<u><b>3,226</b></u>

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

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Bank loans	3,640	4,160
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	120
Barclays Swap Liability	943	1,131
	<u><b>21,783</b></u>	<u><b>13,611</b></u>

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

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 31<sup>st</sup> of March that would be payable if the loan was repaid (See Note 15 below). The movement in the Swap liability between the years £188,000 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 £2,780 million.



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

**NOTES TO THE ACCOUNTS**  
**Year Ended 31 March 2017**

Under an agreement dated 22 January 1998 made between Association of Metropolitan Authorities (Properties) Ltd, Local Government Association (Properties) Ltd and the Association, the AMA property.

Company contributed the net sale proceeds of its former property in Great Smith Street to the purchase of Local Government House by Local Government Association (Properties) Ltd. In recognition of this, authorities in membership of the Local Government Association that were formerly members of the Association of Metropolitan Authorities receive a discount on their membership subscriptions. The discount, originally at the rate of £6,000 per authority, currently stands at £7,965 and increases every five years in line with inflation.

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

**15. BANK LOAN AGREEMENT**

The Barclays Bank plc loans of £4.16 million are secured against Local Government House. The liability relates to 13% of the current valuation of £22.970 million. 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 £3.64 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 2017 as follows:

<b>Instrument</b>	<b>Notional Amount</b>	<b>Maturity Date</b>	<b>Trade Date</b>	<b>Mark to Market Value Notional (Gain)/Loss</b>
<b>Tranche 1</b>	<b>£000</b>			<b>£000</b>
CAP/CMPLX	1,067	21/01/2025	27/01/2000	222
SWAP	2,133	21/01/2025	27/01/2000	508
<b>Total</b>	<b>3,200</b>		<b>Net Notional Loss</b>	<b>730</b>
<b>Tranche 2</b>	<b>£000</b>			<b>£000</b>
CAP/CMPLX	320	21/01/2025	13/07/2000	65
SWAP	640	21/01/2025	13/07/2000	148
<b>Total</b>	<b>960</b>		<b>Net Notional Loss</b>	<b>213</b>
<b>Combined total</b>	<b>4,160</b>		<b>Net Notional Loss</b>	<b>943</b>

**16. CONTROLLING ENTITY**

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

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

**NOTES TO THE ACCOUNTS**  
**Year Ended 31 March 2017**

**17. CAPITAL AND OTHER COMMITMENTS**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Contracts for future capital expenditure not provided in the financial statements	116	-
	<u>116</u>	<u>-</u>

**18. RELATED PARTIES**

The Company had the following transactions with related parties:

	<b>Value of related party transactions in year 2017 exp / (inc) £000</b>	<b>Outstanding balance at 31 March 2017 dr / (cr) £000</b>	<b>Value of related party transactions in year 2016 exp / (inc) £000</b>	<b>Outstanding balance at 31 March 2016 dr / (cr) £000</b>
Local Government Association	(262)	(112)	(416)	(441)
Local Government Association - Loans	(7,400)	(9,120)	-	(1,720)
Improvement and Development Agency	(240)	-	(794)	(15)
Local Partnerships	(57)	2	-	-
The Leadership Centre	(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.

# Local Government Association Group Audit Findings Report to the Leadership Board

External Audit for the year ended 31 March 2017



Date of Issue: 7 June 2017

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# 1 Introduction

## PURPOSE AND USE OF OUR REPORT

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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 2017, 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; and
- Local Government Management Board.

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 & Ireland) (ISAs). 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 2017, and anticipate issuing an unqualified 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 Leadership Board meeting at which this report is considered:

- Receipt of third party bank confirmations;
- Inclusion of capital commitment disclosure in the Local Government Association (Properties) Limited financial statements;
- 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.

### AUDIT PROCEDURES

Our engagement contract dated 22 January 2016 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 primarily to enable us to form an opinion on your financial statements, 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 financial systems and 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 & Ireland) (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 their 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 on page 17.

## 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	£550,000	£27,500	1% of income
Parent Association figures in the group accounts	£240,000	£12,000	1% of income
Improvement and Development Agency	£400,000	£20,000	1% of income
Local Government Association (Properties) Limited	£11,000	£550	2% of income
Local Government Management Board	£8,000	£400	2% of income

## 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.

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## FRAUD INDICATORS

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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

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We refer to our Audit Planning Report issued in April 2017 in which we set out the results of our review of our independence and objectivity as auditors in the light of Ethical Standards. We confirm that there have been no additional matters that might have an influence on our independence or objectivity.

## LETTERS OF MANAGEMENT REPRESENTATION

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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

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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

The Audit Planning Report issued in April 2017 set out the significant audit risks which we identified in relation to the audit of the financial statements for the year ended 31 March 2017. A summary of the significant risks, audit approach and conclusions reached is shown below.

Significant Risk	Description	Audit Findings
Revenue recognition	<p>Under ISA 240 there is a presumption that revenue recognition is a fraud risk.</p> <p>For Local Government Association, the significant risk was viewed as relating to the recognition of subscription discounts.</p> <p>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.</p> <p>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.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>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;</li> <li>Substantive transactional testing of income recognised in the financial statements, including deferred and accrued income balances recognised at year end;</li> <li>A review of post year end receipts to ensure completeness of income recorded in the accounting period.</li> </ul> <p>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 2017.</p>

Revenue recognition

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Agenda Item 6e

Significant Risk	Description	Audit Findings
Management override	<p>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.</p> <p>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.</p> <p>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.</p> <p>Our audit is designed to provide reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.</p>	<p>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.</p> <p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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: <ul style="list-style-type: none"> <li>- Apportionment of shared service costs in line with the use of resources (all entities);</li> <li>- 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 11 for more detail);</li> <li>- 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</li> <li>- The valuation of investment properties including any assumptions used in these calculations (Local Government Association (Properties) Limited and Local Government Management Board, see page 8 for more detail).</li> </ul> </li> <li>• An assessment of whether the financial results and accounting records included any significant or unusual transactions where the economic substance was not clear.</li> </ul> <p>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 2017.</p>

## OTHER AREAS OF AUDIT FOCUS

Area of Focus	Description	Audit Findings
<p>Investment properties</p>	<p>FRS 102 defines an investment property as property that is held to earn rentals or capital appreciation or both. Investment property must be accounted for at fair value at each reporting date, with any change in value recognised in profit or loss.</p> <p>Layden House is owned by Local Government Management Board. During 2015/2016 it was being rented out to third parties on normal commercial terms. It was correctly 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 2016.</p> <p>Local Government House is owned by Local Government Association Properties. During 2015/16 it was 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 2016.</p> <p>Local Government House was 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, which was the proportion being used by Group entities. The remaining 11%, available for use by third parties, was treated as an investment property and included at 11% of the valuation at 31 March 2016.</p> <p>In the year to 31 March 2017, Local Government House has been vacated and the operations of all Group entities have moved over to Layden House. This is to allow the completion of substantial capital works to Local Government House by September 2017 when the operations of the Group entities will move back in.</p> <p>At that point, capital works will commence at Layden House with the intention that this property will come back into use for rental to third parties from September 2018.</p> <p>The Directors will need to consider whether this temporary change of use for Local Government House and Layden House impacts on the accounting treatment of these properties in the accounts of Local Government Management Board, Local Government Association (Properties) Limited, and the consolidated financial statements of the Local Government Association.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>• A review of the accounting policies for investment property to determine whether these are in line with FRS 102 Section 16 'Investment Property';</li> <li>• A review of the rationale for the treatment of Local Government House as an investment property or otherwise in the financial statements of Local Government Association (Properties) Limited and in the consolidated financial statements of Local Government Association, and to determine whether this is appropriate in line with the requirements of FRS 102;</li> <li>• A review of the rationale for the treatment of Layden House as an investment property or otherwise in the financial statements of Local Government Management Board and in the consolidated financial statements of Local Government Association, and to determine whether this is appropriate in line with the requirements of FRS 102; and</li> <li>• An examination of the valuations undertaken for investment properties at 31 March 2017 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 valuer(s).</li> </ul> <p>No issues have been noted in relation to the work performed above.</p> <p>We concur with management's rationale for the treatment of Layden House as an investment property in the financial statements of Local Government Management Board and Local Government Association for the year ended 31 March 2017, on the basis that the change of use is temporary and the intention is that once the works are completed this property will come back into use for rental to third parties from September 2018.</p> <p>We also 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 (89% cost, 11% at valuation as an investment property) in the consolidated financial statement of Local Government Association. This too is on the basis that the intention is that the use of this property will revert back once the works to the property are completed.</p>

Area of Focus	Description	Audit Findings
<p>Investment properties (continued)</p>		<p>Farebrother provided a valuation of £28,175,000 for Layden House at 31 March 2017, which resulted in a gain of £2,024k being recognised in the financial statements of Local Government Management Board at that date.</p> <p>Farebrother provided a valuation of £22,970,000 for Government House at 31 March 2017, which resulted in a loss of £14,904k being recognised in the financial statements of Local Government Association Properties at that date. This loss was largely due to the fact that the valuation is provided at a point in time, when the refurbishment works were only partially complete.</p> <p>We challenged the key assumptions applied by Farebrother in their valuations of Layden House and Local Government House at 31 March 2017. 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.</p> <p>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.</p>

Area of Focus	Description	Audit Findings
Fixed Asset Additions	<p>As discussed above we understand that significant capital works are being planned within Local Government Management Board (at Layden House) and within Local Government Association (Properties) Limited (at Local Government House). The total costs of these works in anticipated to be in the region of £30m once complete.</p> <p>The works at Local Government House are scheduled to complete in September 2017 and those at Layden House in September 2018.</p> <p>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.</p> <p>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.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>Obtaining an update on the receipt of planning permission for the developments at Layden House, and consideration of any implications on the accounting treatment of expenses incurred to date;</li> <li>Substantive sample testing of fixed asset additions in the year to ensure that these were correctly capital in nature in line with FRS 102 Section 17 'Property, Plant and Equipment';</li> <li>Review of 'repairs and maintenance' ledger codes for any capital items which had been incorrectly expensed; and</li> <li>Substantive testing of retentions and capital commitments at year end, to ensure that these have been accounted for and disclosed correctly.</li> </ul> <p>At the time of writing we await confirmation of the capital commitment figure to be disclosed in the financial statements of Local Government Association Properties.</p> <p>Other than this, no issues arose from the above testing.</p>
Joint Ventures	<p>The Group has entered into joint venture arrangements as follows:</p> <ul style="list-style-type: none"> <li>Local Partnerships LLP is a joint venture between Local Government Association and Partnerships UK.</li> <li>GeoPlace LLP is a joint venture between Ordnance Survey and the Improvement and Development Agency.</li> <li>LGA Digital Services Limited is a joint venture between Local Government Association and London Borough of Brent.</li> </ul> <p>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'.</p>	<p>We have reviewed the accounting for these joint venture arrangements in line with FRS 102 Section 15 'Investments in Joint Ventures'.</p> <p>We have agreed the share of the results and post-acquisition reserves of the joint ventures to the audited financial statements of each entity.</p> <p>No issues noted from the above audit procedures.</p>

Area of Focus	Description	Audit Findings
<p>Defined benefit pension schemes</p>	<p>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.</p> <p>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.</p> <p>The pension fund deficit reported in the Local Government Association balance sheet at 31 March 2016 was £35,042,000 and that in the Improvement and Development Agency on the same date was £59,709,000. We understand that a full triennial review of the schemes has been undertaken as at 31 March 2016.</p> <p>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.</p> <p>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 £1,652,000 at 31 March 2016.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>• Obtaining the actuarial reports on both schemes as at 31 March 2017 and agreeing to the disclosures included within the financial statements to ensure these were sufficient and appropriate in line with FRS 102;</li> <li>• 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</li> <li>• Assessing the reasonableness of the assumptions used by the actuaries in their calculation of the gross liabilities of the schemes as at 31 March 2017 through comparison to publically available information.</li> </ul> <p>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 2017.</p>

Area of Focus	Description	Audit Findings
<p>Consideration of Related Party Transactions</p>	<p>International Standard on Auditing (UK and Ireland) 550 Related Parties requires us as auditors to conclude whether:</p> <ul style="list-style-type: none"> <li>• There is sufficient audit evidence in respect of related party transactions and arrangements;</li> <li>• All related parties have been identified to ensure that all material related party transactions and arrangements have been disclosed in the financial statements;</li> <li>• 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</li> <li>• There is a fair presentation of related party transactions and arrangements in the financial statements which is not misleading.</li> </ul>	<p>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.</p> <p>We reviewed the declaration of interest forms and register of interest for all Members and Key Management Personnel.</p> <p>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.</p> <p>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.</p> <p>No issues were noted in relation to undisclosed related party transactions in the financial statements of the Group or subsidiary companies.</p>
<p>Going Concern</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>Our work in relation to going concern included:</p> <ul style="list-style-type: none"> <li>• Consideration of the financial performance in the year ended 31 March 2017 and the financial position at the year-end; and</li> <li>• Review of the financial forecasts (including cash flows) for the next two years.</li> </ul> <p>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 2017.</p> <p>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.</p>

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## ACCOUNTING POLICIES

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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 entities in your sector. There were no changes to the accounting policies adopted in the year to 31 March 2017. We are satisfied that the accounting policies adopted are appropriate.

We did not identify any accounting policies applied by subsidiary entities that were not consistent with the Group adopted policies.

## ACCOUNTING ESTIMATES

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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 11 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 8 for more detail).

## FINANCIAL STATEMENT DISCLOSURES

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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

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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.

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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 and Ireland) (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 2017, 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').

## 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

We are required to report to you, in writing, significant deficiencies in the internal control environment which we have identified during the audit. It is the responsibility of the Members to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice.

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.

Area	Observation	Risk	Recommendation	Management response
<b>Manual Journals</b>	<p>When a manual journal is raised, the existing control is that this should be logged on a control sheet and backing documentation retained.</p> <p>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.</p> <p>We also note that there is no periodic review of the manual journal control sheet or backing documentation.</p>	<p>Lack of audit trail for manual journals or independent review of journal entries increases the risk of fraud or error in financial postings.</p>	<p>We recommend that all manual journal entries are recorded on the control sheet and backing documentation retained.</p> <p>We recommend that ledger codes are set up for transactions which are put through on a frequent basis e.g. bank and sweeper transactions.</p> <p>This would help to differentiate between true 'manual' journals and regularly occurring transactions.</p> <p>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</p>	<p>We accept that there needs to be a clear differentiation between manual journals versus system-generated, frequent or transactional journals that will be subject to controls through other methods such as bank reconciliations.</p> <p>We will set up a new Transaction Type for Treasury Management (TM) journals (such as bank and sweeper transactions) to aid that differentiation.</p> <p>We will ensure that all manual journals are included on the control sheets, with appropriate back-up, and subject to peer review (including electronic sign-off) on a monthly basis, either prior to posting, or via a retrospective monthly review process.</p> <p>We accept the recommendation for a periodic review by a senior member of the finance team – to include the control sheet and relevant backing documentation – and the finance processes will be updated to include review by the Strategic Finance Manager at least quarterly. [Strategic Finance Manager, September 2017]</p>

OTHER DEFICIENCIES

Area	Observation	Risk	Recommendation	Management Response
Register of Member's Interest Confirmations	<p>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.</p> <p>This was particularly the case when reviewing for Local Government Management Board.</p> <p>This issue was also identified in the audit for year ended 31 March 2016.</p>	<p>Risk of unrecorded related parties increases the risk of conflicts of interest not being identified and managed appropriately, and also of undisclosed related party transactions in the financial statements.</p>	<p>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.</p>	<p>We will liaise with Member Services on a regular basis (at least quarterly) to ensure that Members/Directors are reminded of their obligations to keep their declarations up to date so that related parties can be appropriately identified. [Strategic Finance Manager, June 2017]</p>
Salary Update Letters	<p>Whilst completing wages testing across the group it was noted there are no formal letters to employees for automatic salary banding movements.</p>	<p>It is best practice to have signed salary update letters for all contracted employees, for example in the event of a dispute.</p>	<p>We recommend all increases or decreases of salaries including automatic banding movements should be confirmed to employees in writing.</p> <p>This correspondence should be retained the individual's personnel files.</p>	<p>The recommendation is noted, but the LGA and IDeA have determined that notifying automatic increases in writing is an unnecessary administrative burden. It would be required twice a year if incremental and National Joint Council (NJC - Local Government pay award) awards do not line up.</p> <p>All staff are on a grade range contractually and LGA terms and conditions explain incremental progression and the link with the NJC pay award. We publish any changes to the pay scales (in line with NJC) and staff have access to their pay and grade information in Agresso self-service.</p> <p>Where there are contractual changes (i.e. changes to job, hours etc) we do communicate this in writing to staff. [HR &amp; Payroll Manager]</p>

Area	Observation	Risk	Recommendation	Management Response
Credit Notes	<p>During our testing we noticed a significant volume of credit notes being raised during the year, primarily due to miscoding and error.</p> <p>Within the Improvement and Development Agency 133 were raised (total £1,526k) and in Local Government Association there were 498 were raised (total £537k).</p>	Increased risk of error in the financial records and financial statements.	We recommend the group look into any potential underlying reasons for these corrections and solutions to avoid such a high number occurring.	<p>We note the relatively high number of credit notes raised in the year. Initial investigation indicates that the majority of credit notes are related to corrections regarding the treatment and accounting of VAT.</p> <p>Therefore finance will undertake additional training with stakeholders across the business to reinforce the correct processes for invoice creation, and the control implications of high numbers of corrections. [Strategic Finance Manager, September 2017]</p>

## FOLLOW UP OF PRIOR YEAR DEFICIENCIES

Entity	Original Observation	Original Recommendation	Audit Update	Management Response
<b>Local Government Association</b>	The ING Euro account reconciliation did not agree to the initial TB due to a mis-posting of a journal. The journal was trivial however reconciliations should agree to the underlying ledgers.	We recommend that all reconciliations agree to the accounting ledgers.	The ING Euro account did again not reconcile, whilst the difference was trivial it is good practice to ensure bank accounts reconcile back to the TB.	We note that all bank accounts should reconcile to the TB, and an additional control will be added to ensure that this is the case.
<b>Local Government Association</b>	We noted 2 instances where analysis and receipts had been provided by the employee after the 2 month timeframe outlined in the internal procedures for expense claims. We also noted 1 instance where no receipts had been received by the audit date when the deadline had already passed. This point was also identified by the internal auditors.	We recommend that employees are reminded if the procedures in providing their payment card expense receipts and analysis within the 2 month timeframe follow up action taken when this is not completed.	No issues have been identified in relation to this control point in the year and we are therefore satisfied the point has been resolved.	N/A
<b>Local Government Association</b>	January and February 2016 VISA statements had been posted to the trade creditor's ledger but the underlying analysis had not been provided by the year end. As a result expenses were understated. The understatement was trivial and not adjustments made.	We recommend that all payment card statements that relate to expenditure incurred in the year are analysed out into the correct expense codes by the year end.	No issues have been identified in relation to this control point in the year and we are therefore satisfied the point has been resolved.	N/A
<b>Local Government Association</b>	We identified that CEMR fees are posted when the instalment payments are made with no accrual or prepayment posted to correct the expense in the accounts for the year end. The differences were immaterial but this could lead to a material error in the future.	We recommend that the expense reflects the period that the fees relate to by posting appropriate accruals/prepayments at the year end.	No issues have been identified in relation to this control point in the year and we are therefore satisfied the point has been resolved.	N/A
<b>Improvement and Development Agency</b>	Assets which are individually trivial have not been capitalised. The cost of the assets is immaterial and individually all assets were trivial however this is a different treatment to assets in the parent entity.	Group entities are applying different treatment for assets which could lead to material differences in the future. Consistent accounting policies should be applied across the Group.	Consistent accounting policies are now in place across the group.	N/A

Entity	Original Observation	Original Recommendation	Audit Update	Management Response
<b>Improvement and Development Agency</b>	Two declaration of interest forms have discrepancies compared to information at Companies House.	We recommend that the conflicts of interest register is kept up-to-date and reviewed at least annually for all directors.	This has still not been resolved and was identified as another control point in the financial year under audit.	As noted above, finance will regularly liaise with Member Services to ensure declarations are up to date. [Strategic Finance Manager, June 2017]
<b>Local Government Association (Properties) Limited</b>	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.	We recommend that rental agreements for all entities that rent space in Local Government House for good practice.	The Local Government Association and the Improvement Development Agency moved out of Local Government House in the financial year, this point was therefore not as relevant. However we recommend that new contracts are in place when the refurbishment of the building has been completed.	Noted. It is the intention to create formal rental agreements for all tenants of Local Government House when the refurbishment is completed. [Strategic Finance Manager, December 2017]
<b>Local Government Management Board</b>	The Boundary Commission were being overcharged for the footage they used from 2010 to 2014, the impact of which was rates were not being recharged to tenants on the previously agreed basis.	We recommend that when tenants return to the building that all expenses are recharged on the agreed basis and calculated correctly.	All tenants moved out from Layden House in the financial year, it is therefore not relevant for the financial year under audit. We recommend however when external tenants return to the building that this is kept in mind.	Noted. It is the intention that the square footage (and the related rates) of the new demises are clearly set out in the new rental agreements to come into force when Layden House is returned to its rentable condition, such that all expenses are calculated and charged on the correct basis. [Strategic Finance Manager, December 2018]
<b>Local Government Management Board</b>	There is a legal charge outstanding over Layden House as reported at Companies House, where the charge no longer needs to be in place.	We recommend that the charge is investigated.	This has now been removed from Companies House (done on the 26/07/2016).	N/A

# 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.

Entity	Unadjusted Misstatements (Current period)	SOFA		Balance Sheet	
		Dr (£)	Cr (£)	Dr (£)	Cr (£)
<b>LOCAL GOVERNMENT ASSOCIATION</b>	Dr Income in advance	-	-	13,502	-
	Cr VAT control account	-	-	-	13,502
	<i>Being: Adjustment for recognition of VAT liability when tax point created (payment in advance)</i>				
<b>LOCAL GOVERNMENT ASSOCIATION (PROPERTIES)</b>	Dr P&L Various Expense Codes	10,117	-	-	-
	Cr Accruals	-	-	-	10,117
	<i>Being: Adjustment of various invoices relating to 2016/17 which were not accrued at the year end</i>				
<b>LOCAL GOVERNMENT MANAGEMENT BOARD</b>	Dr Trade Debtors	-	-	1,273	-
	Cr Trade Creditors	-	-	-	1,273
	<i>Being: Adjustment to reclassify a debit balance in the purchase ledger control account as a trade debtor</i>				

Entity	Unadjusted Misstatements (Current period)	SOFA		Balance Sheet	
		Dr (£)	Cr (£)	Dr (£)	Cr (£)
LOCAL GOVERNMENT MANAGEMENT BOARD	Dr Expenses	1,758	-	-	-
	Cr Accruals	-	-	-	1,758
<i>Being: Adjustment to account for an invoice not accrued at the year end</i>					
<b>Total</b>		<b>11,875</b>	<b>-</b>	<b>14,775</b>	<b>26,650</b>

## ADJUSTED MISSTATEMENTS

A number of misstatements were identified during the audit and have been adjusted in the financial statements. Of these a number were material and details of these are provided below. Copies of all adjusted items are available to the Members on request.

Local Government Association Adjusted Misstatements	Statement of Comprehensive Income		Balance Sheet	
	Dr (£)	Cr (£)	Dr (£)	Cr (£)
1. Dr Other creditors <1 year	-	-	52,000	-
Cr Other creditors 2-5 years	-	-	-	52,000
<i>Being: Presentational split in other creditors.</i>				
2. Dr Additional staff related payments	5,380	-	-	-
Cr Accruals	-	-	-	5,380
<i>Being: Adjustment to account for actuary fees.</i>				



Local Government Association (continued) Adjusted Misstatements	Statement of Comprehensive Income		Balance Sheet	
	Dr (£)	Cr (£)	Dr (£)	Cr (£)
3. Dr Intercompany investments	-	-	217,966	-
Cr Grant income	-	217,966	-	-
<i>Being: DCLG grant adjustment.</i>				
4. Dr Rent expense	100,301	-	-	-
Cr Room and equipment hire	-	100,301	-	-
<i>Being: Rent refund adjustment.</i>				
5. Dr LGMB related party recharge (debtor)	-	-	15,622	-
Cr Shared services recharges	-	15,622	-	-
<i>Being: Adjustment to account for recharged fees.</i>				
6. Dr Loans internal liability - debtor	-	-	11,000,000	-
Cr Loans internal liability - creditor	-	-	-	11,000,000
<i>Being: Adjustment to remove the netting off of the intercompany loans</i>				
<b>Total</b>	<b>105,681</b>	<b>333,889</b>	<b>11,285,588</b>	<b>11,057,380</b>

Improvement and Development Agency Adjusted Misstatements	Statement of Comprehensive Income		Balance Sheet	
	Dr (£)	Cr (£)	Dr (£)	Cr (£)
1. Dr Various expense codes	103,897	-	-	-
Cr Accruals	-	-	-	103,897
<i>Being: Adjustment of various invoices relating to 2016/17 which were not accrued at the year end</i>				
2. Dr Income in advance	-	-	11,375	-
Cr Various income codes	-	11,375	-	-
<i>Being: Reclassification of income which should have been initially not recognised in the 2016/17 financial year</i>				
3. Dr Accrued income	-	-	14,875	-
Cr Various income codes	-	14,875	-	-
<i>Being: Adjustment of various invoices relating to 2016/17 which were not accrued at the year end</i>				
<b>Total</b>	<b>103,897</b>	<b>26,250</b>	<b>26,250</b>	<b>103,897</b>

Local Government Association (Properties) Adjusted Misstatements	Statement of Comprehensive Income		Balance Sheet	
	Dr (£)	Cr (£)	Dr (£)	Cr (£)
1. Dr Loss on disposal	-	-	583,532	-
Cr Depreciation expense	-	-	-	583,532
Dr Tangible fixed assets – accumulated depreciation	1,900,338	-	-	-
Cr Tangible fixed assets	-	1,900,338	-	-
<i>Being: Reclassification of accelerated depreciation to disposal of asset</i>				
<b>Total</b>	<b>1,900,338</b>	<b>1,900,338</b>	<b>583,532</b>	<b>583,532</b>

# Appendix I - Draft Letters of Representation

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

## LOCAL GOVERNMENT ASSOCIATION

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 Local Government Association (the "Company") for the year ended 31 March 2017.

### 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 appended to this letter. 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.
- 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**

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

**Loans and arrangements**

16. 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**

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 Group's and 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 Group's and 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 Group's and Company's ability to continue as a going concern need to be made in the financial statements.

**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 £1,343,000.
- 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 £1,403,000 and past service costs of £nil with the defined benefit pension scheme during 2016/17.

Yours faithfully

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

**IMPROVEMENT AND DEVELOPMENT AGENCY**

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 2017.

**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 Company's affairs at the end of the financial year and of the Company'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 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 appended to this letter. 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.
- 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 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 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**

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

**Loans and arrangements**

20. 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**

21. 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.
22. 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**

- 25 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**

- 26 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**

- 27 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**

- 28 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**

- 29 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 £4,114,000.
- 30 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 £2,006,000 and past service costs of £32,000 with the defined benefit pension scheme during 2016/17.

Yours faithfully

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

**LOCAL GOVERNMENT MANAGEMENT BOARD**

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 2017.

**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 Company’s affairs at the end of the financial year and of the Company’s loss 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 appended to this letter. 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.
- 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 entity 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 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 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 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**

- 22 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 the Local Government Management Board

**LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED**

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) (the "Company") for the year ended 31 March 2017.

**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 Company's affairs at the end of the financial year and of the Company's loss 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 appended to this letter. 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.
- 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 entity 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 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 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 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**

- 22 We confirm that the valuation of LGA 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)

# Appendix II - Emerging Issues

## EMERGING ISSUES

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Future financial reporting and legislative developments which may be of relevance to the Group are detailed below. This information is provided as a summary only. Where the Company requires further information it should obtain appropriate advice and assistance accordingly.

### The Small Business, Enterprise and Employment Act

The Small Business, Enterprise and Employment Act 2015 ('the SBEE Act') received royal assent on 26 March 2015 and makes significant changes to company and insolvency law.

The SBEE Act is being implemented in stages. The majority of measures have now come into effect, including the transparency and company filing measures which amended the Companies Act 2006. The following measure has not yet been implemented:

- Prohibition of corporate directors

The SBEE Act<sup>1</sup> prohibits companies, and other corporate entities, from becoming directors subject to limited exceptions<sup>2</sup>. The reason for the change is to stop corporate structures from hiding illegal activity. This element of the SBEE Act is expected to be implemented in October 2017.

For those entities which already have corporate directors, there will be a 12 month transitional period from the date of implementation in which to appoint replacement directors.

### Results of the EU referendum

The decision to leave the European Union has created greater uncertainty in the UK economy which has implications for the financial statements of all entities.

The Company and its subsidiaries should assess the impact of the EU referendum result and consider the reporting requirements within the Strategic Report.

The directors should consider the nature and extent of risks and uncertainties arising from the result of the EU referendum and the impact on the future performance and position of the business including solvency, liquidity and going concern. These may also have an impact on reported amounts which could lead to further consequences such as an effect on debt covenants.

### Non-financial information reporting requirements

The draft *Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016* ('the Regulations')<sup>3</sup> will introduce new reporting requirements for companies and qualifying partnerships within the Strategic Report for financial years commencing on or after 1 January 2017. Where an entity is a 'public interest entity' (PIE) and has more than 500 employees, a non-financial information statement must be included in the Strategic Report.

Additionally, the Regulations have clarified that, any undertaking which is part of a small group and includes a member that is a PIE established in an EEA State, will no longer be exempt from producing group accounts.

### UK GAAP

#### Amendments to FRS 101 and FRS 102: shareholder notification

FRS 101 and FRS 102 have been amended to remove the requirement to notify shareholders when seeking advantage of the disclosure exemptions in the two standards.

With effect for accounting periods beginning on or after 1 January 2016, qualifying entities are no longer required to notify shareholders in writing of the intention to apply the reduced disclosure framework under FRS 101 or FRS 102.

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<sup>1</sup> Part 7 S87-88 of SBEE Act

<sup>2</sup> The details of the exceptions are yet to be announced.

<sup>3</sup> Published on 7 November 2016

#### Amendment to FRS 102: Optional interim relief for Directors' Loans (small entities)

The Financial Reporting Council (FRC) has issued an optional interim relief for small entities accounting for Directors' loans under FRS 102 in May 2017.

The relief will allow small entities to initially measure a loan from a Director, who is a natural person and a shareholder in the small entity (or a close member of the family of that person), at transaction price. FRS 102 previously required such loans ('financing transactions') to be initially measured at present value, with the discount rate being a market rate of interest for a similar debt instrument.

This amendment is effective immediately with retrospective application also available.

#### Proposed amendments to FRS 101 (FRED 66)

The FRC has issued Financial Reporting Exposure Draft 66 (FRED 66) Draft amendments to FRS 101 - 2016/17 cycle which proposes limited amendments to FRS 101 as a result of the latest annual review.

FRED 66 suggests one minor exemption from the requirement to provide a single disclosure note for all lease-related information under IFRS 16 *Leases* for qualifying entities<sup>4</sup>.

#### Proposed amendments to FRS 102 (Triennial review of UK and Ireland standards)

The FRC has issued a consultation on the proposed updates to FRS 102 to reflect the changes in IFRS. This consultation forms part of the triennial review of FRS 102 and follows on from the feedback request issued by the FRC earlier in 2016.

FRS 102 will be amended in a 'two phase' process.

1. Phase 1<sup>5</sup> will be implemented with effect from 1 January 2019 and the amendments to the Standard are intended to:
  - Incorporate relevant improvements from the 2015 Amendments to the IFRS for SMEs;
  - Incorporate the control model of IFRS 10 Consolidated Financial Statements;
  - Update definitions and the fair value hierarchy for greater consistency with IFRS 13 Fair Value Measurement; and
  - Improve the separation of contracts for the purposes of recognising and measuring revenue, so that it is similar in this regard to IFRS 15 Revenue from Contracts with Customers.
2. Phase 2<sup>6</sup>, which includes significant amendments to the Standard, will be effective from 1 January 2022 and proposes to amend FRS 102 in order to:
  - Incorporate the expected loss model for impairment of financial assets, based on IFRS 9 Financial Instruments; and
  - Update lease accounting by lessees for consistency with IFRS 16 Leases.

The reason for the differing effective dates is to allow entities more time to prepare for the transition and learn from the experience of listed groups already applying the IFRS standards.

#### Proposed amendments to FRS 102 (FRED 67)

The FRC has issued the Financial Reporting Exposure Draft 67 (FRED 67) Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland which proposes incremental improvements and clarification to FRS 102 as a result of the recent triennial review.

The principal amendments proposed relate to:

- Intangible assets - fewer intangible assets will need to be separately identified and valued from goodwill in a business combination;

<sup>4</sup> IFRS 16 is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted (subject to EU-endorsement) for entities that also apply IFRS 15 Revenue from Contracts with Customers.

<sup>5</sup> Phase 1 – Incremental improvements and clarifications.

<sup>6</sup> Phase 2 – Expected Loss model and leases.

- Undue cost or effort exemption – the undue cost or effort exemption will be removed for investment properties and investments in associates and joint ventures;
- Investment property rented to another group entity – an accounting policy choice will be available for entities which rent investment property to another group entity. Entities will be able to measure these investment properties at cost less depreciation and impairment or fair value through profit or loss;
- Classification of financial instruments – a new principal-based definition will be added which will result in more financial instruments being classified as 'basic'; and
- Statement of cash flows disclosure – entities will be required to disclose an analysis of changes in net debt.

The FRC aims to finalise the amendments to FRS 102 in December 2017 with a proposed effective date for accounting periods beginning on or after 1 January 2019.

# People with purpose

Passionate about helping you achieve your goals

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

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June 2017 ©







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

15 June 2017

Dear Sirs

**Letter of representation – Local Government Association**

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 2017.

**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 appended to this letter. 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.
- 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 and 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 Group's and 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 Group's and Company'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 £1,343,000.
- 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 £1,403,000 and past service costs of £nil with the defined benefit pension scheme during 2016/17.

Yours faithfully

Lord Porter of Spalding CBE

LGA Chairman and Chairman of the LGA Leadership Board

**Appendix – Unadjusted audit finding**

Description	Balance sheet		Income and Expenditure Account	
	Dr	Cr	Dr	Cr
Income in advance VAT control account  <i>Being adjustment for recognition of VAT liability when tax point created (payment in advance).</i>	£13,502	£13,502		



## Chief Executive's Report – June 2017

### Purpose

For discussion and direction.

### Summary

The LGA business plan for 2017/18 centres on seven external priorities:

- Britain's exit from the EU
- Funding for local government
- Inclusive growth, jobs and housing
- Children, education and schools
- Promoting health and wellbeing
- Devolution
- Sector-led improvement

Part 1 of the six-weekly Chief Executive's report sets out the LGA's main achievements against those priorities. Part two focusses on our internal priority – a single voice for local government - including membership and our media outreach activities.

### Recommendation

That the LGA Leadership Board notes the Chief Executive's report for June 2017.

### Action

As directed by members.

**Contact officer:** Mark Lloyd  
**Position:** Chief Executive  
**Phone no:** 020 7664 3237  
**Email:** [mark.lloyd@local.gov.uk](mailto:mark.lloyd@local.gov.uk)

## Chief Executive's Report – June 2017

### Achievements against our seven external priorities

#### Priority 1 – Exit from the EU

- 1.1. **Regional seminars** – we organised regional seminars jointly with DCLG to debate opportunities and challenges to local areas. Sessions took place in Newcastle, Cornwall, London and Chelmsford with three more planned for June and July in Staffordshire, Bristol & SW and West Lancashire.
- 1.2. **White Paper on the Great Repeal Bill** – the Government published 'Legislating for the United Kingdom's withdrawal from the EU' White Paper in March. Our briefing response highlighted the lack of commitment to devolved powers, the LGA's five priorities for Brexit negotiations and the Paper's possible effects for local government.
- 1.3. **Brexit Conferences** - in March we held a conference considering the challenges and developments for regulatory services to manage in the coming years including Brexit, major changes to food regulations, supporting the industrial strategy and opportunities from devolution.

#### Priority 2 – Funding for Local Government

- 2.1. **Business Rates Retention Consultation** –we submitted a [response](#) to the Government's [consultation](#) on proposals for the design of the reformed business rates system. The Local Government Finance Bill did not complete its passage before the dissolution of Parliament. The new Government will decide whether or not to reintroduce the Bill.
- 2.2. **Business Rates Retention Regional Events** – we held six [regional events](#) jointly with DCLG during March and April to update local authorities on the consultation and reform proposals. Around 270 elected members and officers attended the events and provided feedback on the plans.
- 2.3. **Business Rates Reliefs: Spring Budget 2017** – we submitted a [response](#) to the Government's [consultation](#) on business rates reliefs for ratepayers facing increases due to the 2017 revaluation. DCLG has now confirmed funding allocations for the main £300 million discretionary relief scheme.
- 2.4. **Personal Injury Discount Rate Consultation** – we submitted a [response](#) to the Government's [consultation](#) on setting the discount rate for personal injury damages claims. Our response called on the Government to commit funding to support the additional costs of higher insurance premiums and higher pay-outs, resulting from the recent rate change, as it has for the NHS.
- 2.5. **CIPFA Treasury Management Consultations** – we submitted a [response](#) to CIPFA's review of the [Prudential Code for Capital Finance](#) and the [Treasury Management Code of Practice](#). The consultations sought initial views on whether changes to the documents are needed.
- 2.6. **General Election 2017** – we monitored election manifestos for proposals relevant to local government finance and public finances more widely. Provided an update to councils on implications for previously announced, but unconfirmed, funding for 2017/18, following the election announcement.

### Priority 3 – Inclusive Growth, Jobs and Housing

- 3.1. **Industrial Strategy** – we submitted a [response](#) to the Industrial Strategy Green Paper welcoming the recognition of the importance of place and highlighting the importance of local leaders being able to access appropriate levers of growth and match the economic performance of their global competitors.
- 3.2. **Bus Services Act** – the Act passed through parliament last month, giving mayoral combined authorities the ability to franchise bus services, allowing all authorities to franchise with Secretary of State approval and giving councils access to new partnership powers. We supported the bill and will work to ensure regulations are implemented in a way that allows authorities to access the new powers.
- 3.3. **Air Quality Consultation** – we are currently drafting a response to DEFRA’s consultation on its new strategy to reduce Nitrogen Dioxide levels and bring the UK into compliance with legal limits for clean air. We will seek guidance and assurance that any compulsory actions contained will be fully funded.
- 3.4. **Housing white paper** – we responded to DCLG consultation on changes to planning policy and legislation in relation to planning for housing. We raised local government’s ambitions for the future of housing and our concerns about increasing accountability for housing delivery on local planning authorities whilst limiting their tools to affect change.
- 3.5. **Build to rent** – we responded to DCLG consultation on new planning measures to support an increase in Build to Rent housing schemes. We called on government to ensure that the Build to Rent market aligns with local housing priorities.
- 3.6. **Neighbourhood Planning Act** – received Royal Assent. We secured guarantees from the Government that planning departments would be able to charge application fees in some cases.
- 3.7. **Digital Economy Act** – received Royal Assent. The Government strengthened its broadband Universal Service Order (USO) and we will continue to push for the USO to be further strengthened.
- 3.8. **Homelessness Reduction Act** – received Royal Assent. We secured a commitment from Government to fully fund the new duties in the Act, leading to £61 million in additional funding for councils, and will work to ensure the legislation is deliverable for councils.
- 3.9. **Work and Pensions Committee inquiry into the benefit cap** – we submitted written evidence to the inquiry into the benefit cap, outlining how the consequences of households being unable to absorb the reduction in benefit income are primarily felt at a local level.
- 3.10. **The Public Accounts Committee** – published its report [Housing: State of the Nation](#). LGA Chairman, Lord Porter, gave evidence to this inquiry, and the report includes recommendations for the next Government on borrowing for housing.

### Priority 4 – Children, education and schools

- 4.1. **Children and Social Work Act** – received Royal Assent. We were pleased that the Government amended the legislation to include our call for sex and relationships education (SRE) to be made compulsory in all secondary schools.
- 4.2. **The Soulbury Committee** – has produced [a revised terms and conditions of service report](#) for Educational Improvement Professionals, Educational Psychologists and Young People’s/Community Service Managers.
- 4.3. **Local Government Services** – the NJC has issued [an update](#) on the review of term time working.

### Priority 5 – Promoting Health and Wellbeing

- 5.1. **ADASS Annual Spring Forum** - Chief Executive, Mark Lloyd, delivered a plenary address on sustainability in adult social care, a funding settlement to secure the future of the service and the need to stop transform services to tackle the causes of demand on hospitals.
- 5.2. **Dementia 2020 Conference at the Royal Society of Medicine** - Sarah Pickup, LGA Deputy Chief Executive, spoke on 'Dementia friendly communities and the role of councils'. The conference was chaired by Angela Rippon CBE and the LGA guide to dementia friendly communities was also distributed.
- 5.3. **APPG on Primary Care and Public Health** – we submitted written evidence to the APPG highlighting the LGA's report on self-care and outlining the importance of adequately investing in preventative services and public health.
- 5.4. **Environmental Audit Committee inquiry into disposal packaging** – we submitted evidence to the Committee, highlighting councils' efforts to encourage recycling and reduce landfill, and the challenges councils face from the design of some disposal packaging.
- 5.5. **The Public Accounts Committee** – published a report on [integrating health and social care](#). Our Deputy Chief Executive, Sarah Pickup, gave evidence to this inquiry.
- 5.6. **The Health Committee** – published a report on [Brexit and Health and Social Care](#). We gave written evidence to this inquiry.
- 5.7. **The Women and Equalities Committee** – published its report [Building for Equality](#) on access and inclusion in the built environment. This includes recommendations on planning following the LGA's evidence to the inquiry.

### Priority 6 – Devolution

- 6.1. **Combined Authorities (CAs)** – we continued to support the work of combined authorities and identified areas where more is required, including West of England CA. Held individual telephone calls with each of the of the mayoral CA CEXs to discuss support needs. Facilitated a CA CEX network telephone conference to discuss devolution of the adult skills budget and continued to update the online DevoHub.
- 6.2. **Support to elected mayors** – new CA mayors, and their officers were contacted in the days following the mayoral elections to outline the mayoral support offer and initial programme of events including an inaugural mayoral forum (hosted jointly with CLGF) between CA mayors and some of the international peers to discuss Commonwealth international trade and investment.
- 6.3. **Local Growth Academy** – is a collaborative leadership programme for higher education, local government and the health sector that the LGA has worked with HEFCE, UUK, NHS Confederation and others to develop. HEFCE are currently delivering the first stage of the programme to regional groups across the country.

### Priority 7 – Sector-led Improvement

- 7.1. **Sport England strategy** – we met with Sport England to determine our improvement support package for councils in 2017/18 and make the case for increased investment to local authorities, especially in relation to the Local Delivery Pilots, which will invest at least £130 million into ten localities over the next few years.
- 7.2. **Arts Council England grants** – we met with Arts Council England to discuss the continued funding for the leadership programme for local authorities, including the Leadership Essentials events for cabinet/portfolio holders with responsibility for cultural services as well as peer challenges and other bespoke support for local authorities.
- 7.3. **Chief Executives Disciplinary Investigations** – the JNC has established [a list of Independent](#)



- [Investigators](#) to assist councils in dealing with matters of disciplinary measures against Chief Executives.
- 7.4. **Chief Executives 360 tool** – the Workforce Team has developed a 360 tool for CEXs which links into the appraisal process to support personal development and provides feedback to elected members/CEXs to assess the impact of a CEX. For more information contact [Martin Denny](#).
- 7.5. **National database for taxi/PHV license refusals and revocations** – we have commissioned the National Anti-Fraud Network (NAFN) to begin work on the development of a national database of taxi/PHV licence refusals and revocations and will allow councils to check the database when they receive a new application.
- 7.6. **Public Sector Audit Appointments (PSAA)** - after lobbying the government to amend the Local Audit and Accountability Bill in 2013, the LGA established PSAA. Over 98% of eligible bodies have opted in to the scheme and the procurement process is now almost complete. The successful firms will be announced in late June/early July with a consultation on the individual appointments to follow. The new contracts will become operational from April 2018.
- 7.7. **CLG Committee inquiry into overview and scrutiny in local government** – we submitted written evidence to the inquiry, highlighting the good practice which fully-funded overview and scrutiny functions can bring about in our member councils.
- 7.8. **National graduate development programme (ngdp)** – has had a record year for attracting talent to local government. We currently have 170 candidates vying for 150 places on the programme spread across 60 different councils. Successful candidates will start their placements this autumn.
- 7.9. **DCLG Improvement Grant** – has been formally agreed for 2017/18. After consultation with councils, peer support and peer challenge, political leadership development and support, helping councils save money and pay and workforce support will remain, with expanded provision in areas including housing, officer leadership and development, community cohesion, cyber-security and apprenticeships.
- 7.10. **DH Improvement Grant** – for 2017/18 has also been confirmed. Delivered in partnership with ADASS and a range of health bodies, work will focus on; resilience in adult social care, effective care and health systems and transforming care.
- 7.11. **Change of control support** – following the local elections we are in discussion with a number of councils about our change of control support which is available to all councils that change political control, including up to five days free support per council from experienced member peers and free support for members in oppositions likely to form administrations.
- 7.12. **Councillors' guide 2017/18** – has been [launched](#). This online resource is a quick reference guide to provide new councillors with the essential information they need to know as they begin their roles.



**Internal Priority – A single voice for local government**

**LGA Membership**

1. Following Manchester City Council's decision to withdraw its notice, 11 councils currently remain on notice to leave LGA membership on 31 March 2018:-
  - West Sussex County Council
  - Hart District Council
  - East Staffordshire Borough Council
  - London Borough of Richmond
  - Hartlepool Borough Council
  - Surrey County Council
  - Leicestershire County Council
  - Essex County Council
  - Lincolnshire County Council
  - Southend Borough Council
  - Broads Authority National Park
  
2. A further four councils remain out of membership – the London Boroughs of Bromley, Wandsworth and Barnet, as well as Gosport Borough Council.

**Membership visits by the Strategic Management Team:**

<b>Chief Executive's Membership Visits: 6 April – 7 June 2017</b>	
20 April	West Midlands District Councils Chief Executives
20 April	Combined Authority Chief Executives Network Meeting
27 April	Bristol South, Gloucestershire, Bath & North East Somerset
8 to 10 May	ADASS Spring Seminar
11 May	Chief Executives' Conference Call with CQC
16 May	South London Partnership Meeting
18 May	Kent County Council
19 May	Birmingham City Council
23 May	Bassetlaw District Council
<b>Forward plan: 8 June – 19 July 2017</b>	
8 June	Association of County Council Chief Executives Meeting
14 June	Hertfordshire Chief Executives Meeting
14 June	Combined Authority Mayoral Event
16 June	East of England Chief Executives Forum
22 June	Yorkshire and Humber Chief Executives Meeting
28 June	Chief Executives Sound Board Lunch
<b>Deputy Chief Executive's Membership Visits: 6 April – 7 June 2017</b>	
21 April	Key Cities Chief Executives Meeting
8 to 10 May	ADASS Spring Seminar
11 May	Chief Executives' Conference Call with CQC
19 May	Association of Local Authority Treasurers Meeting
1 June	LGA West Midlands ADCS National Workshops
<b>Director of Communication's Membership Visits: 6 April – 7 June 2017</b>	
7 June	Stevenage
<b>Forward Plan: 7 June – 19 July 2017</b>	
13 June	London Borough of Hackney
16 June	Thanet District Council
<b>Head of Improvement: 6 April – 7 June 2017</b>	
24 April	London Councils
22 May	Metropolitan Borough of Rotherham
22 May	Metropolitan Borough of Doncaster



**Media and Public Affairs**

6. The LGA was **mentioned 26 times** in Parliament in April-May. We submitted responses to **6 inquiries**, including the Home Affairs Committee inquiry into child migrants, Public Accounts Committee inquiry into business rates and Communities and Local Government Committee inquiry into housing for older people.
7. We also worked on **5 Bills**, seeking to influence them before they were given Royal Assent becoming Acts of Parliament, including;
  - 7.1. The Neighbourhood Planning Bill,
  - 7.2. The Digital Economy Bill,
  - 7.3. The Homelessness Reduction Bill,
  - 7.4. The Bus Services Bill, and
  - 7.5. The Children and Social Work Bill.
8. We will be producing a report on our work in the last parliamentary session, including our work lobbying on legislation and influencing parliamentary committees.
9. **General election:** Our Chairman and Group Leaders wrote to the Party Leaders setting out local government's priorities for the party manifestos. We also published a briefing outlining our policy priorities for the next government.

Media Source	Issue
<b>Britain's exit from the EU/Devolution</b>	
<b>ITV Online</b>	The LGA's response to a report by the House of Lords Committee on Charities. The report said charities are expected to lose £200 million in EU funding when Britain leaves the Union. The LGA urged charities to engage with devolution of powers to councils as it will give them "considerable" opportunities.
<b>Funding for local government</b>	
<b>Cllr Forbes on BBC Radio 4's File on Four</b>	Senior Vice Chair Cllr Nick Forbes was interviewed about how local government is having to find new ways to raise money and pay for services.
<b>Observer, Guardian, Guardian Online, BBC Daily Politics</b>	The LGA's warning that councils will have to continue reductions to essential services, in order to plug shortfalls in adult social care and the funding gap facing councils by 2020
<b>Times, BBC Online</b>	The LGA's press release calling for councils to be given "full flexibility" in how they use the £2 billion in new social care funding
<b>Cllr Secombe on BBC Radio 4's Today and BBC Radio 5 Live, BBC</b>	Chairman Cllr Izzi Secombe was interviewed about the LGA's response to a Panorama investigation into

<b>Online, Guardian Online, i paper online, Mirror Online, Sun Online, BBC Victoria Derbyshire Show (mention)</b>	home care contracts being handed back to councils.
<b>Mail, Mirror</b>	The LGA's statement in response to the Communities and Local Government Select Committee report into funding for adult social care.
<b>Guardian, Times, Sun, Telegraph, Mirror, Mail, Express, Metro, i paper online</b>	The LGA's response to a survey about how nine in 10 councils in England are expected to increase their council tax rates from April.
<b>Sky News Online, LBC Online</b>	The Public Accounts Committee's report on the Better Care Fund, which referenced the LGA's contribution as a witness to the inquiry.
<b>Cllr Tett on Sky News Sunrise</b>	EEHT Chairman Cllr Martin Tett about the LGA's response to a National Audit Office report into the Government's roads investment strategy.
<b>Mail</b>	The LGA's response to the Budget announcement of £300 million for councils to provide discretionary business rates relief.
<b>Inclusive growth, jobs and housing</b>	
<b>Lord Porter on BBC Online</b>	Chairman Lord Porter featured with the LGA's response to the Homelessness Reduction Bill passing its final parliamentary hurdle.
<b>Cllr Fleming on BBC Radio 4 Today and BBC Breakfast, Good Morning Britain news bulletins, Times, BBC Online (twice)</b>	Deputy Chairman Cllr Peter Fleming was interviewed live with the LGA's response to the Asphalt Industry Alliance's annual ALARM survey, highlighting the state of the nation's roads.
<b>Express, BBC Online</b>	The LGA's previous research which found that only 20 per cent of 25-year-olds are homeowners today, compared to 46 per cent in 1996.
<b>Times, Sunday Times</b>	The LGA's release calling on government to close a legal loophole which allows landlords to convert properties into multiple tiny "units" which are marketed as self-contained flats.
<b>Guardian</b>	The LGA's release about how councils are being forced to spend £2 million a day to house homeless families in temporary accommodation.
<b>Lord Porter on BBC Radio 4's You and Yours</b>	Lord Porter was interviewed about the LGA's response to the Home Builders Federation's report into planning approvals.
<b>Sun Online, Mail Online and Mirror</b>	The LGA's response to the launch of a public consultation by the Committees of Advertising Practice

Online	(CAP) on different options to strengthen the standards around broadband speed claims.
Observer	The LGA's previous warnings about the financial pressures facing local authorities, in a feature about councils investing in the commercial property market.
<b>Children, education and schools</b>	
<b>Cllr Watts on BBC Radio 5 Live, Sky News Radio, Mirror, Independent Online, Guardian</b>	CYP Chair Cllr Richard Watts was interviewed about the LGA's press release, warning that children with special educational needs and disabilities could miss out on a mainstream education, due to a lack of funding.
<b>Cllr Watts on BBC Radio 5 Live, BBC News, Sky News, Talk Radio, Sky News Radio, Guardian, i paper, Star</b>	CYP Chair Cllr Watts featured with the LGA's press release, warning vital school support services are at risk following cuts to the Education Services Grant.
<b>Cllr Simmonds on BBC Radio 5 Live, 5 Live news bulletins, BBC Radio 4 news bulletins, Mail Online, Guardian Online</b>	Acting Vice Chairman Cllr David Simmonds was interviewed about the LGA's response to the Supreme Court ruling on taking pupils out of school during term time.
<b>Cllr Watts on Sky News Radio, BBC Online, Guardian Online, Independent Online</b>	Children and Young People Board Chair Cllr Richard Watts was interviewed about the LGA's release warning of a potential £2 billion funding gap in children's social care by 2020.
<b>Promoting health and wellbeing</b>	
<b>Cllr Secombe on BBC Radio 5 Live, Sky News Radio, Times, Telegraph, Mail, Mirror, Sun, Express Online, Guardian Online. Cllr Simmonds on BBC Breakfast, BBC Radio 2, BBC Radio 4 Today, BBC local radio news bulletins.</b>	Cllr Izzi Secombe and Cllr David Simmonds were interviewed about the LGA's press release on how poor health in rural areas is being "masked" by idyllic images of the countryside.
<b>ITV Online, Express Online, Mirror Online</b>	The LGA's response to new figures showing teenage pregnancies have fallen to their lowest level on record.
<b>BBC Online</b>	The LGA's statement in response to BBC analysis that more than 2,500 hospital beds a day are taken up by patients delayed from leaving hospital due to problems in the social care system.
<b>Guardian</b>	The LGA's previous call for calorie information to be on alcoholic cans and bottles, as it is with soft drinks.
<b>Mail Online</b>	The LGA's statement in response to a Health Committee report on suicide prevention.

<b>ITV Online</b>	The LGA's previous research about how councils have spent £800 million tackling alcohol misuse in adults.
<b>Good Morning Britain, Times, Mirror</b>	The LGA's statement in response to an Independent Age report on varying levels of care home quality across England.
<b>Sector-led improvement</b>	
<b>Cllr Tett on BBC Radio 5 and BBC Radio 2, Sky News bulletins, Telegraph, Times, Express Online (three times), Mirror Online, Sky News Online, ITV Online and LBC Online.</b>	EEHT Board Chairman Cllr Martin Tett was interviewed about the LGA's press release calling for laws allowing London local authorities to ban pavement parking to be rolled out across the country, to help crack down on inconsiderate motorists.
<b>Cllr Fleming on BBC Breakfast, BBC News channel and BBC Radio 5 Live. Sky News, BBC Radio 2, BBC Radio 4's Today programme, BBC local radio, LBC, TalkSport, Sky News Radio bulletins, BBC Online, Sky News Online, LBC Online, Times, Sun, Mail, Express (twice), Telegraph, i paper.</b>	Deputy Chairman Cllr Peter Fleming was interviewed about the LGA's press release urging chewing gum manufacturers to help more with the growing multi-million pound cost to local communities of removing discarded gum.
<b>FT, FT Online</b>	The LGA's consultation response to new Off-Payroll legislation.
<b>The Times</b>	An opinion piece arguing that bonds issued by the UK Municipal Bonds Agency - owned by 57 local authorities and the LGA - should be less risky to investors and should, theoretically, lower borrowing costs for councils.
<b>Sun Online, Channel 4 News</b>	The LGA's response to the Government's new litter strategy, which could see those who drop litter hit with a fine of up to £150.
<b>BBC Rip Off Britain programme</b>	Safer and Stronger Communities Board Chairman Cllr Simon Blackburn featured about the innovative joint working of council trading standards teams and other services, despite pressures on local authority budgets.
<b>Mail Online</b>	The LGA's earlier release calling on government to make it mandatory for lorries to use commercial sat nav systems.
<b>BBC Online</b>	The LGA's guidelines on taxi licensing





## **LGA Forward Plan**

### **Purpose of report**

For discussion and direction.

### **Summary**

The LGA Leadership Board is responsible for driving the Association's activities and business, taking a lead in developing and overseeing delivery of the business plan and identifying the emerging and key issues to highlight to the LGA Executive.

As part of this, Members are invited to consider which items they would like to see on future agendas of the LGA Leadership Board, LGA Executive and Councillors' Forum.

### **Recommendation**

That the LGA Leadership Board endorses the Forward Plan and specifies topics and items for future meetings of the LGA Executive, Leadership Board and Councillors' Forum.

### **Action**

Officers to brief members and officers in line with steer.

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**E-mail:** [frances.marshall@local.gov.uk](mailto:frances.marshall@local.gov.uk)



**LGA Forward Plan**

**LGA Leadership Board  
LGA Executive  
Councillors' Forum**

**JULY**

<b>LGA LEADERSHIP BOARD 19.07.17</b>	
<b>Item</b>	<b>Summary / Purpose</b>
<b>LGA Business</b>	
Queen's Speech	To discuss the suggested priority Bills for the LGA.
Membership & Terms of Reference	To note: membership; terms of reference; and future meetings.
Performance Report	To review the LGA's full year performance report.
Future Business Plan Priorities	To provide a steer on the high level priorities for business planning prior to full report in September.
Communications Update	To consider communications activity over the past year (3rd and 4th quarters).
Forward Plan	To consider topics for discussion at LGA Leadership Board, Executive and Councillors' Forum.
Chief Executive's Report	To hold the Chief Executive to account against delivery of business plan priorities.
Leadership Board's Review of the Year	To reflect on the work of the Board and its key achievements over the previous 12 months.
Annual Reports of LGA SIGs	To note the Annual Reports of LGA Special Interest Groups.
Note of the last meeting	To approve the note of the last meeting.
<b>Part 2: Confidential</b>	
Business Rates Retention and fair funding review (TBC)	To receive an update on the LGA's work on the government's proposals for business rates retention and fair funding review.
Report of the Commercial Advisory Board (TBC)	To seek approval for a project from the Commercial Advisory Board.
Local Government House & Layden House Update	Verbal update on the Local Government House & Layden House refurbishment projects.

<b>Councillors' Forum 20.7.17</b>	
<b>Item</b>	<b>Summary / Purpose</b>
<b>Industrial Strategy</b>	<b>The Rt. Hon Greg Clark MP, Secretary of State for Business, Energy and Industrial Strategy will speak on the Government's Industrial Strategy and what it means for localities.</b>
Chairman's Report	To present the Chairman's monthly report
Chairs of Boards Reports	To present the Chairs of Boards' monthly reports.
Digest of the last meeting	To note the digest of the last meeting.

<b>LGA Executive 20.7.17</b>	
<b>Item</b>	<b>Summary / Purpose</b>
<b>LGA Business</b>	
Queen's Speech	To approve the suggested priority Bills for the LGA.
LGA response to the Casey Review: Opportunity and Integration	To discuss the LGA's response to the Casey Review of Integration and opportunity follow discussions at the March Executive meeting.
LGA Boards' Annual Review of the Year	To note achievements against the objectives and deliverables agreed for the year.
Note of LGA Leadership Board Meeting	To highlight key issues from the LGA Leadership Board meeting the previous day.
Note of the last LGA Executive	To agree the note of the last meeting.

## **SEPTEMBER**

<b>LGA LEADERSHIP BOARD 13.09.17</b>	
<b>Item</b>	<b>Summary / Purpose</b>
<b>LGA Business</b>	
Centre for Public Scrutiny	To submit an annual report on CfPS's activity for 2016/17.
Local Partnerships	To submit an annual report on Local Partnership's activity for 2016/17.
Fire Governance	To consider the implications of a number of changes to the governance fire services.
Review of Annual Conference	To review feedback from the 2017 Annual Conference.
Autumn Budget Submission	To comment on the Autumn Budget submission to Treasury and commend to Executive for approval the following day.
LGA Business Plan	To agree and recommend the Business Plan to the LGA Executive.
Chief Executive's Report	To hold the Chief Executive to account against delivery of business plan priorities.
Forward Plan	To consider topics for discussion at LGA Leadership Board, Executive and Councillors' Forum.
Note of the last meeting	To approve the note of the last meeting.
<b>Part 2: Confidential</b>	
Business Rates Retention and fair funding review (TBC)	To receive an update on the LGA's work on the government's proposals for business rates retention and fair funding review.
Brexit	To update and take a steer on the LGA's Work Programme on Brexit.
Local Government House & Layden House Update	Verbal update on the Local Government House & Layden House refurbishment projects

**There is no Councillors' Forum in September as the LGA's annual Councillors' Briefing (induction) Day takes place instead.**

<b>LGA EXECUTIVE 14.09.17</b>	
<b>Summary / Purpose</b>	
Membership, Terms of Reference and Appointments	To note membership, terms of reference and appointments to LGA Governance Structures.
LGA Business Plan	To agree the Business Plan as recommended by the Leadership Board.
Autumn Budget	To discuss and approve the Autumn Budget submission to the Treasury.
Note of LGA Leadership Board Meeting	To highlight key issues from the LGA Leadership Board meeting the previous day.
Note of the last LGA Executive	To agree the note of the last meeting.

**OCTOBER**

<b>LGA LEADERSHIP BOARD 18.10.17</b>	
<b>Item</b>	<b>Summary / Purpose</b>
<b>LGA Business</b>	
LGA Budget	To note a proposed LGA budget framework prior to full report in January.
LGA Subscriptions	To provide a steer on the overall level of subscriptions for the following year.
Chief Executive's Report	To hold the Chief Executive to account against delivery of business plan priorities.
Forward Plan	To consider topics for discussion at LGA Leadership Board, Executive and Councillors' Forum.
Note of the last meeting	To approve the note of the last meeting.
<b>Part 2: Confidential</b>	
Business Rates Retention and fair funding review (TBC)	To receive an update on the LGA's work on the government's proposals for business rates retention and fair funding review.
Local Government House & Layden House Update	Verbal update on the Local Government House & Layden House refurbishment projects

<b>Councillors' Forum 19.10.17</b>	
<b>Item</b>	<b>Summary / Purpose</b>
<b>TBC</b>	<b>TBC</b>
Chairman's Report	To present the Chairman's monthly report.
Chairs of Boards Reports	To present the Chairs of Boards' monthly reports.
Digest of the last meeting	To note the digest of the last meeting.

<b>LGA EXECUTIVE 19.10.17</b>	
<b>Summary / Purpose</b>	
Note of LGA Leadership Board Meeting	To highlight key issues from the LGA Leadership Board meeting the previous day.
Note of the last LGA Executive	To agree the note of the last meeting.



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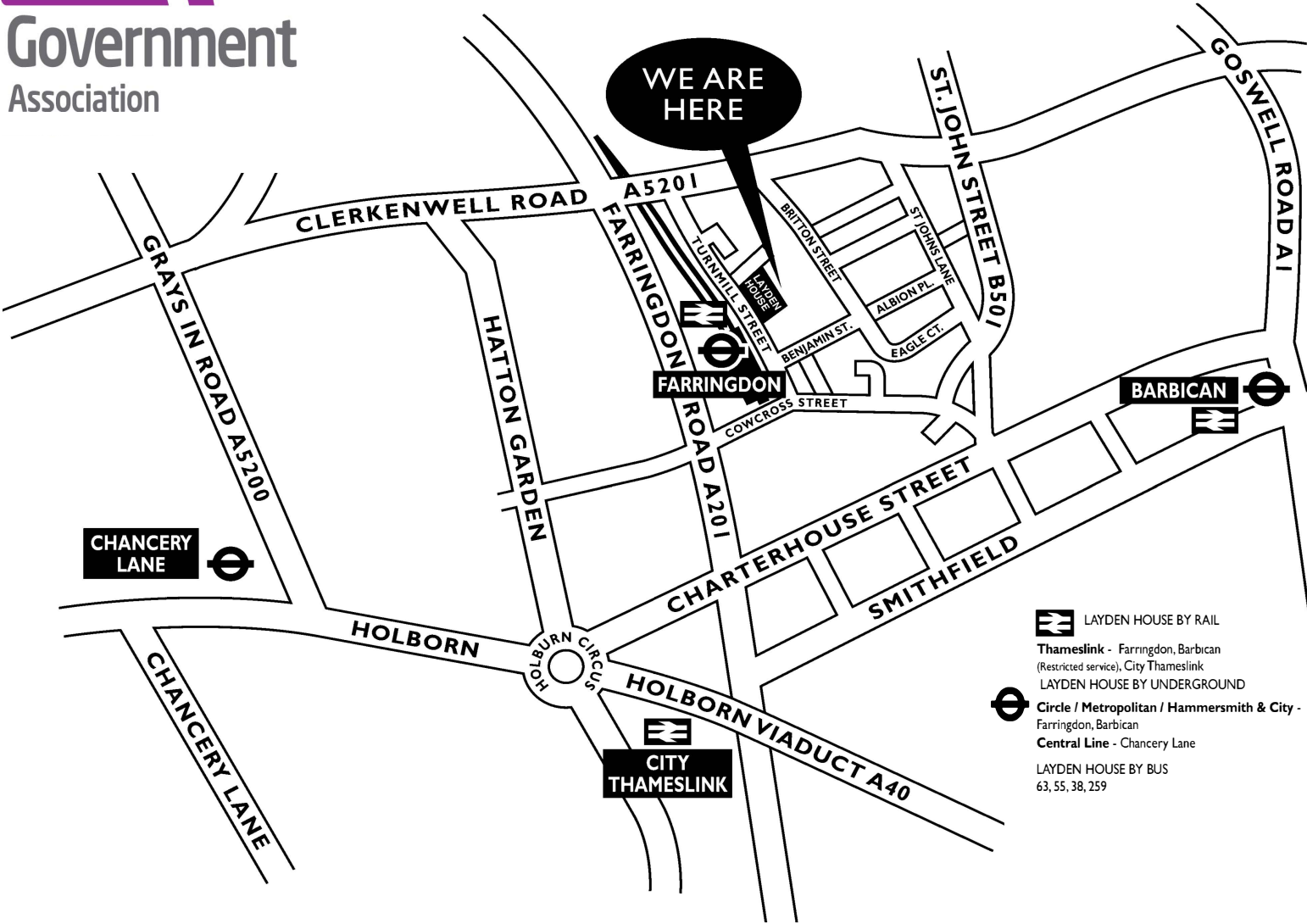
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-  LAYDEN HOUSE BY RAIL
- Thameslink** - Farringdon, Barbican (Restricted service), City Thameslink
- LAYDEN HOUSE BY UNDERGROUND**
-  **Circle / Metropolitan / Hammersmith & City** - Farringdon, Barbican
- Central Line** - Chancery Lane
- LAYDEN HOUSE BY BUS**  
63, 55, 38, 259

**Layden House**

76-86 Turnmill Street,  
 London  
 EC1M 5LG

Tel: 020 7664 3000 Fax: 020 7664 3030

*\*The Local Government Association will be based at Layden House whilst refurbishment takes place at their offices in Smith Square.*

**Public Transport**

Layden House is served well by public transport. The nearest mainline station is **Farringdon** (Circle, Hammersmith & City and Metropolitan Lines. It also has Overground lines)

**Bus routes - Farringdon Station**

- 63 - Kings Cross - Crystal Palace Parade (**Stop A/B**)
- 55 - Oxford Circus -High Road Leyton (**Stop E/K**)
- 243 - Redvers Road - Waterloo Bridge (**Stop E/K**)

**Cycling Facilities**

The nearest Santander Cycle Hire racks are on Theobold's Road.  
 For more information please go to [www.tfl.gov.uk](http://www.tfl.gov.uk)

**Car Parks**

- Smithfield Car Park - EC1A 9DY
- NCP Car Park London Saffron Hill - EC1N 8XA