

IDeA Company Board

Agenda

Wednesday, 11 June 2014
4.00 pm

Smith Square 1&2, Ground Floor, Local
Government House, Smith Square, London,
SW1P 3HZ

To: Members of the IDeA Company Board
cc: Named officers for briefing purposes

www.local.gov.uk

Company Name: Improvement and Development Agency for local government **Place of Registration:** England
Registered no and address: 3675577 - Local Government House, Smith Square, London, SW1P 3HZ

Guidance notes for visitors

Local Government House, Smith Square, London SW1P 3HZ

Welcome!

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

Security

All visitors (who do not already have an LGA ID badge), are requested to report to the Reception desk where they will be asked to sign in and will be handed a visitor's badge to be worn at all times whilst in the building.

Fire instructions

In the event of the fire alarm sounding, vacate the building immediately following the green Fire Exit signs. Go straight to the assembly point in Tufton Street via Dean Trench Street (off Smith Square).

DO NOT USE THE LIFTS.

DO NOT STOP TO COLLECT PERSONAL BELONGINGS.

DO NOT RE-ENTER BUILDING UNTIL AUTHORISED TO DO SO.

Open Council

"Open Council", on the 1st floor of LG House, provides informal meeting and business facilities with refreshments, for local authority members/officers who are in London.



Toilets

Toilets for people with disabilities are situated on the Basement, Ground, 2nd, 4th, 6th and 7th floors. Female toilets are situated on the basement, ground, 1st, 3rd, 5th and 7th floors. Male toilets are available on the basement, ground, 2nd, 4th, 6th and 8th floors.

Accessibility

Every effort has been made to make the building as accessible as possible for people with disabilities. Induction loop systems have been installed in all the larger meeting rooms and at the main reception. There is a parking space for blue badge holders outside the Smith Square entrance and two more blue badge holders' spaces in Dean Stanley Street to the side of the building. There is also a wheelchair lift at the main entrance. For further information please contact the Facilities Management Helpdesk on 020 7664 3015.

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

Please don't forget to sign out at reception and return your badge when you depart.

IDeA Company Board
11 June 2014

There will be a meeting of the IDeA Company Board at **4.00 pm on Wednesday, 11 June 2014**
Smith Square 1&2, Ground Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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.

Labour:	Aicha Less: 020 7664 3263	email: aicha.less@local.gov.uk
Conservative:	Luke Taylor: 020 7664 3264	email: luke.taylor@local.gov.uk
Liberal Democrat:	Group Office: 020 7664 3235	email: libdem@local.gov.uk
Independent:	Group Office: 020 7664 3224	email: Vanessa.Chagas@local.gov.uk

Location:

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

LGA Contact:

Daneil Kalley (tel: 0207 664 3005, email: daniel.kalley@local.gov.uk)

Guest WiFi in Local Government House

This is available in Local Government House for visitors. It can be accessed by enabling "Wireless Network Connection" on your computer and connecting to LGH-guest, the password is Welcome2010LG.

Carers' Allowance

As part of the LGA Members' Allowances Scheme a Carer's Allowance of up to £6.31 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.

IDeA Company Board – Membership 2013/2014

Councillor	Authority
Conservative (3)	
Cllr Peter Fleming (Chairman)	Sevenoaks District Council
Cllr Sir Merrick Cockell	Kensington and Chelsea Royal Borough Council
Cllr Gary Porter	South Holland District Council
Substitutes	
Labour (1)	
Cllr David Sparks OBE	Dudley Metropolitan Borough Council
Substitutes	
Liberal Democrat (1)	
Cllr Gerald Vernon-Jackson	Portsmouth City Council
Substitutes	
Independent (1)	
Cllr Marianne Overton MBE	Lincolnshire County Council
Welsh LGA	
Hugh Evans OBE	Welsh LGA
Other Directorships	
<i>Philip Sellwood, Chief Executive, Energy Savings Trust</i>	
<i>Richard Priestman, Managing Director Corporate Businesses, Lombard</i>	
Company Secretary	
Carolyn Downs	Chief Executive, LGA

Agenda

IDeA Company Board

Wednesday 11 June 2014

4.00 pm

Smith Square 1&2, Ground Floor, Local Government House, Smith Square, London, SW1P 3HZ

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1. IDeA financial statements for the year to 31 March 2014	1 - 32	
2. Full-year performance report: 2013-14 For Leadership Members this will be attached with the Leadership Board papers		
3. The Future of Sector Led Improvement: background paper	33 - 38	
4. Pensions update Helen Platts will provide a verbal update at the meeting.		
5. Discretionary policies under the Local Government Pension Scheme (LGPS) and related Regulations for IDeA employees	39 - 50	
6. Notes of the previous meeting	51 - 54	

Date of Next Meeting: Wednesday, 22 October 2014, 4.00 pm, Rathbone Rooms 1&2, 7th Floor, Local Government House, Smith Square, London, SW1P 3HZ

IDeA financial statements for the year to 31 March 2014

Purpose of report

For decision.

Summary

The Board is asked to approve the IDeA's audited accounts for 2013/14.

A representative from the external auditors, PKF Littlejohn, will attend the meeting to present their report.

The Audit Committee is able to recommend the accounts for adoption to the IDeA Board, following their meeting with the external auditor on 3 June. The accounts are presented at **Appendix A**.

The attached report provides a commentary on the accounts and the IDeA's overall financial performance for the year.

Members are also asked to review the external auditors' report to the Leadership Board, which is included at **Appendix B**.

Recommendation

Members are asked to agree the statutory audited accounts for the IDeA for the year to March 2014.

Action

Head of Finance and Business Management.

Contact officer: Helen Platts
Position: Head of Finance and Business Management
Phone no: 020 7664 3228
E-mail: helen.platts@local.gov.uk

IDeA financial statements for the year to 31 March 2014

Background

1. The Board is asked to review and adopt the audited financial statements for 2013/14 for the IDeA which are presented at **Appendix A**.
2. The IDeA's financial statements have fed into the consolidated financial statements for the LGA. This is the third year for which consolidated financial statements have been prepared for the LGA and its related bodies. The aim is for all the company accounts that feed into the LGA's consolidated accounts to be adopted by the respective company boards in June, to ensure that a fully verified set of accounts is presented to the General Assembly on 8 July 2014.
3. Representatives of PKF Littlejohn, the appointed auditors, will be in attendance at the IDeA Board meeting. Their report on the audit of the LGA and all its associated companies is included at **Appendix B**.
4. The following paragraphs provide commentary on the information disclosed in the financial statements and highlight the most significant points.
5. Members of the Leadership Board and the individual company boards also receive a report of the observations of the Audit Committee which met on 3rd June with the external auditors to review all the final accounts. The Audit Committee's feedback to the IDeA Board is included below.

IDeA's Financial Statements

6. At the start of the financial year, following a decision taken by the LGA's Leadership Board and the IDeA Board, the operations of the Local Government Employers were merged with those of the IDeA.
7. IDeA made an operating surplus of £2.311 million in 2013/14. This profit translates into the overall surplus of £2.689 million shown in the financial statements by means of adjustments reflecting interest receivable, the dividend of £1.350 million from Geoplace and adjustments required to account for the pension scheme deficit.
8. The IDeA's pension deficit with the Camden Pension Scheme has increased by £19.204 million to £58.178 million, although the triennial valuation at 31 March 2013 saw a reduction in the pension deficit of £5.892 million to £33.082 million.

9. In line with FRS 17 accounting standards, the valuation in the accounts values assets at market value on 31 March 2014, 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.
10. With the triennial valuation carried out at 31 March 2013, assets are valued according to the methodology set out in the Funding Strategy Statement of each LGPS fund; and liabilities are valued using an agreed discount rate based on the experience of the fund and assumptions over when gilt yields will return to more normal levels. While the FRS 17 valuation has an impact on the net worth of the LGA, as reported in the annual accounts, it is the triennial valuation that has a tangible impact on the LGA's finances, in that this valuation determines the level of additional contributions to each of the pension funds.
11. As reported at the last IDeA Board, as a result of the triennial valuation the IDeA's additional contribution is set to increase from £1,920k in 2013/14 to an annual average charge of £2,539 million for the three years from 2014/15, an average annual increase of £619k. This charge is calculated to ensure that the deficit is repaid over 15 years.
12. Overall, income decreased from £48.400 million to £40.958 million. This was mainly due to a reduction in government grants, including a reduction of £3.700 million in RSG topslice.
13. Expenditure on staffing has increased by 5 per cent compared with the previous year to £10.922 million. Average staff numbers employed were 176 as compared with 178 in 2012/13. Employee numbers have stayed broadly constant, reflecting a reduction in the number of core staff posts, which has been offset by the number of people taken onto employment contracts as opposed to personal services contracts in the grant-funded programmes.
14. The financial results in the audited accounts relate back to trading surplus of £1.651 million. The actual underspend has therefore increased from the projected £1.1 million underspend reported to the January Board meeting.
15. Other expenditure has been managed in line with budgets. An underspend on programme budgets was agreed at the start of the year in view of the need to adopt a prudent position given the continuing uncertainty about future funding and costs such as the additional pension contributions which were under negotiation during the year. This underspend has been achieved.
16. GeoPlace LLP traded ahead of plan and following the repayment of all of its loan funding ahead of schedule in 2012/13, paid a dividend of £1.350 million during 2013/14.

Representations

17. The Chairman on behalf of the IDeA Board is required to make various representations to the auditors that all matters relevant to the accounts have been properly disclosed. A draft of this letter is included at Appendix 5 of the external auditors report, and will be tabled at the meeting. 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 are seeking a number of specific representations. The specific representation sought from the IDeA Board as the body responsible for management of the Idea resources is that:

- 17.1 With regard to the defined benefit pension scheme, the Board is satisfied that the actuarial assumptions underlying the valuation are consistent with their knowledge of the business and the scheme membership, active and retired.

Audit opinion

18. A representative of the external auditors, PKF Littlejohn, will be in attendance at the meeting. As part of the audit process, the auditors report to the Leadership Board with their observations on the audit. A copy of this report (the ISA 260 communication) is presented to the Board at **Appendix B**. 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.

19. The report sets out in detail at Appendix 2 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. There were no issues reported for the IDeA.

Feedback from the Audit Committee

20. The LGA's Audit Committee met with the external auditors on 3rd June to review the consolidated accounts and the four sets of company accounts feeding into these accounts – IDeA, LGIH, LGA (Properties) Ltd and LGMB.
21. The Audit Committee identified the need for a small number of presentational changes which have now been made to the accounts.
22. The Audit Committee is therefore able to recommend the IDeA's consolidated accounts for adoption to the Board.

Recommendation

23. Members are asked to adopt the IDeA's audited financial statements for 2013/14.

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

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

**Report and Financial Statements
for the year ended 31 March 2014**

Agenda Item 1

**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 Peter Fleming (Chairman)	
Cllr Mrs Jill Shortland OBE (Vice-Chairman)	Resigned 31 July 2013
Cllr Ruth Cadbury	Resigned 31 July 2013
Richard Priestman	
Philip Sellwood	
Cllr Charles Jeremy Webb	Resigned 31 July 2013
Sir Merrick Cockell	Appointed 1 September 2013
Cllr Marianne Overton	Appointed 1 September 2013
Cllr Gary Porter	Appointed 1 September 2013
Cllr David Sparks	Appointed 1 September 2013
Cllr Gerald Vernon Jackson	Appointed 1 September 2013

SECRETARY

Carolyn Downs

REGISTERED OFFICE

Local Government House
Smith Square
London
SW1P 3HZ

BANKERS

RBS
Holborn Circus
P O Box No 204
1 Hatton Garden
London
EC1P 1DU

STATUTORY AUDITOR

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

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 2014.

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

Local government has faced unprecedented challenges over the last few years and, as the national economy starts to show encouraging signs of recovery, councils are still shouldering the biggest spending cuts of any part of the public sector.

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 helped them to deliver millions of pounds of savings in effect and improvement.

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.

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

DIRECTORS' REPORT

Over the last year, we have supported local authorities by:

- Delivering over 160 peer reviews of various types including 88 corporate peer reviews
- Training and developing over 500 councillors
- Launching LG Inform, our data benchmarking service, to both council and the public
- 94 graduates placed in 40 councils across England and Wales through the National Graduate Recruitment Programme
- Directly supporting over 200 councils through peer mentoring and other services
- Working with over 40 councils on the LGA Productivity Expert Programme
- Supporting over 50 councils through the Adult Social Care Efficiency programme.

Our achievements in 2013/14 include:

- More than 9,000 delegates attended more than 100 events. Eighty two per cent were free-to-attend for our members and 30 per cent were held in the regions
- Almost 4 million website views with 600,000 unique users of the website
- Securing £1.8 million grant for councils and local health partners to improve health services for local residents
- 5.7 per cent - projected saving for councils through Adult Social Care Efficiency Programme
- £52m efficiency savings from our Productivity Experts
- £331m financial benefit to the public and public services delivered via the Customer Led Transformation programme

Our role is to maintain an overview of local government's performance with direct support for councils, so the number of councils the Government has to intervene with is kept to a minimum. Regular meetings are held between our principal advisers and all councils, and use is made of data and intelligence to assess any risks, with support being given to the sharing of good practice and expertise across local government.

Our annual survey of councils showed significant increases in satisfaction over the last 12 months with 76% of councils agreeing that we help drive improvement in the local government sector - up from 71% last year.

We 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.

Councillor Peter Fleming

11 June 2014

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.

In 2011 the LGA merged its operations with those of the Improvement and Development Agency (IDeA), along with its two property companies Local Government Management Board (LGMB) and LGA (Properties) Ltd, all three of which are subsidiaries of the LGA, and Local Government Information House (LGIH) which is a subsidiary of IDeA. As part of the process of streamlining its governance arrangements, on 1 April 2013 the operations of Local Government Employers (LGE) were merged with those of the IDeA.

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.

Despite further reductions in our core funding, we have delivered a satisfactory financial outcome in 2013-14. Although our income from RSG top-slice and other income including grants fell by a total of 15.4 per cent in 2013-14 as compared with the previous year, 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 reductions in our core funding over the next three years 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 our members, ensuring that membership levels are maintained, ensuring financial sustainability, reducing our cost base, and ensuring that we maintain employee capacity and capability in spite of reductions in our core funding. 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

STRATEGIC REPORT

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.

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 £58.18 million at 31 March 2014. In order to pay off the pension deficit and liabilities for past employees, we are currently making additional contributions of £2.4 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 2016 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 outsourced to Liberata and provided through a fixed price contract which is due to run until 2018. We successfully concluded negotiations in 2013 which resulted in a reduction in the price of the contract in 2014-15 following the recent reduction in the size of our operations. 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 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.

In November 2013 we carried out a survey of our members which gave us important information about customer satisfaction with 70 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 this through annual surveys. We also regularly review employee satisfaction through an annual survey with 73 per cent of employees indicating that they are satisfied with their job – an increase on the previous year. We have taken action to improve employee satisfaction and engagement in the light of the feedback we received.

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 178 employees in the year ended March 2013 to 176 employees in the year ended 31 March 2014. We continue to monitor employee absence, which has fallen from an average annual number of sick days per employee of 3.2 days in March 2013 to 3.1 days in March 2014.

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STRATEGIC REPORT

We continue to pay close attention to the collection of outstanding debt. We have maintained the percentage of debtors over 12 months at 1 per cent of total debtors at March 2014, compared with March 2013.

Environment

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

- reduce carbon emissions by 16 per cent by 2014-15 in line with the intended UK carbon budget
- continually reduce waste and increase our recycling rate
- reduce paper use
- ensure that procurement of goods and services adheres to our green purchasing and procurement policy
- champion and mainstream consideration of environmental sustainability throughout our outward facing work programmes and services
- comply with all applicable legislation, regulation and with other relevant requirements relating to our environmental impacts.

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 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

As part of the process of streamlining its governance arrangements, the Directors of the IDeA have agreed to the transfer of the assets and liabilities of LGIH to the IDeA in 2014/15.

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:

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(a company limited by guarantee)**

STRATEGIC REPORT

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

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

Auditors

A resolution for the re-appointment of the auditors of the Company is to be proposed at a forthcoming Board Meeting.

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

Councillor Peter Fleming

11 June 2014

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**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 2014**

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 elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). 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 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.

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(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 2014 which comprise of the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, 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 2014 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.

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**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.

Paul Hopper
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:

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

INCOME AND EXPENDITURE ACCOUNT
Year ended 31 March 2014

	Note	2014 £000	2013 Restated £000
Income	2	40,958	48,400
Administrative expenses		(38,647)	(44,977)
OPERATING SURPLUS	5	2,311	3,423
Share of joint venture's distribution to members	7	1,350	300
Interest receivable and similar income		69	172
Pension scheme - interest cost and expected return on assets		(857)	(755)
Pension scheme – past service costs and gains/losses on settlements and curtailments		(184)	(25)
SURPLUS OF INCOME OVER EXPENDITURE FOR THE YEAR BEFORE AND AFTER TAX	6,13	2,689	3,115

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2014

	Note	2014 £000	2013 Restated £000
Surplus for the year		2,689	3,115
Actuarial loss recognised in respect of the pension fund	14	(20,242)	(6,221)
TOTAL RECOGNISED LOSS IN THE YEAR		(17,553)	(3,106)

All amounts relate to continuing operations

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

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

BALANCE SHEET
As at 31 March 2014

Company Registration No. 3675577

	Note	2014 £000	2013 Restated £000
LONG TERM DEBTOR: Loan to Local Government Management Board		-	300
CURRENT ASSETS			
Stocks	8	-	20
Debtors	9	2,811	3,815
Short term Investments	10	10,280	7,500
Cash at bank and in hand		2,217	1,047
		<u>15,308</u>	<u>12,382</u>
CREDITORS: amounts falling due within one year	11	<u>(6,048)</u>	<u>(5,071)</u>
NET CURRENT ASSETS		9,260	7,311
TOTAL ASSETS LESS CURRENT LIABILITIES		9,260	7,611
CREDITORS: amounts falling due after more than one year	12	<u>(46)</u>	<u>(48)</u>
PROVISIONS FOR LIABILITIES			
Pension fund deficit	14	<u>(58,178)</u>	<u>(38,974)</u>
TOTAL NET LIABILITIES		<u>(48,964)</u>	<u>(31,411)</u>
ACCUMULATED FUNDS	13		
General Reserve		9,214	7,563
Pension deficit reserve		-	-
- Pensions Fund Assets		107,992	105,995
- less Defined Liabilities		<u>(166,170)</u>	<u>(144,969)</u>
		<u>(48,964)</u>	<u>(31,411)</u>

These financial statements were approved by the Board of Directors on 11 June 2014

Signed on behalf of the Board of Directors

Councillor Peter Fleming

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

Agenda Item 1

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

CASHFLOW STATEMENT
Year ended 31 March 2014

	Note	2014 £000	2013 Restated £000
Net cash inflow / (outflow) from operating activities	i	2,131	(1,835)
Returns on investments and servicing of finance			
Interest received		69	172
Distribution from Joint Venture		1,350	300
Acquisitions and disposals			
Repayments of loan from Local Government Management Board		400	400
Investment in GeoPlace LLP		-	1,010
		<u>400</u>	<u>1,410</u>
Management of liquid resources			
(Increase)/Decrease in short term investments		(2,780)	(600)
		<u>1,170</u>	<u>(552)</u>
Increase/(Decrease) in cash			
Net funds at the start of the year		<u>1,047</u>	<u>1,599</u>
Net funds at the end of the year		<u><u>2,217</u></u>	<u><u>1,047</u></u>

NOTES TO THE CASH FLOW STATEMENT
Year ended 31 March 2014

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

	2014 £000	2013 Restated £000
Operating surplus	2,311	3,423
Pension costs – current service cost less contributions	(1,668)	(1,787)
Pension costs – contributions in respect of unfunded benefits	(411)	(427)
Decrease/(increase) in current assets;		
- stocks	20	19
- debtors	904	(1,268)
Decrease in current liabilities:		
- creditors	977	(1,612)
- provisions	-	(181)
Decrease in creditors due after one year	(2)	(2)
	<u>2,131</u>	<u>(1,835)</u>
Net cash outflow from operating activities		

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

ii. Changes in Cash and Cash Equivalents

Analysis of movement in balances	2014	2013	Change
	£000	Restated	in year
		£000	£000
Cash at bank and in hand	2,217	1,047	1,170

iii. Analysis of Net Funds

	As at beginning of Year Restated £000	Cash flow £000	Other non cash changes £000	As at end of year £000
Cash at bank and in hand	1,047	1,170	-	2,217

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

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

NOTES TO THE ACCOUNTS Year ended 31 March 2014

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice). 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 a subsidiary, Local Government Information House 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 Local Government Association's place of business is Local Government House, Smith Square, London SW1P 3HZ.

Going Concern

The Company has net liabilities, after accounting for the defined benefit pension scheme deficits, of £48.964 million as at 31 March 2014. This position includes an actuarial estimate of the pension liabilities at the balance sheet date. The Company pays amounts into the schemes, as prescribed by the actuaries (note 14), 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 14.

Under the arrangements agreed with the government following formal consultation, the Company became the sole specified body entitled to receive Revenue Support Grant (RSG) top-slice funding with effect from 1 April 2011. 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 2014 and indicated by the government for the remainder of the period to 31 March 2016. 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.

Stock

Stocks and work in progress are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Obsolete and slow moving stock is fully written off.

Investments

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

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.

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IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
(a company limited by guarantee)
NOTES TO THE ACCOUNTS
Year ended 31 March 2014

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.

Government Grants

Grants are recognised in the Income and Expenditure accounts when the conditions for receipt have been complied with. Deferred grant income at the year end is included in creditors. The Company receives Revenue Support 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.

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 scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

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.

Prior Year Restatement

On the 1st of April 2013 the Company received the transfer of the business, assets and liabilities of the Local Government Employers. In accordance with FRS6 the amalgamation has been accounted for using the merger method of accounting.

	£000
Reserves at 31 March 2013 as previously stated	24,052
Adjustments arising from restatement	7,359
Restated reserves as at 31 March 2013	<u>31,411</u>

	£000
Surplus for the year ended 31 March 2013 as previously stated	2,797
Adjustments arising from restatement	318
Restated surplus for the year ended 31 March 2013	<u>3,115</u>

	£000
Total recognised loss for the year ended 31 March 2013 as previously stated	(2,356)
Adjustments arising from restatement	(749)
Restated Total recognised loss for the year ended 31 March 2013	<u>(3,106)</u>

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.

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IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
(a company limited by guarantee)
NOTES TO THE ACCOUNTS
Year ended 31 March 2014

2. INCOME

	2014	2013
	£000	Restated £000
Government grants	37,056	44,838
Local Authority subscriptions	882	651
Services recharged	2,320	2,451
Other income	700	460
	40,958	48,400

From 1 April 2011, the Company became the sole specified body entitled to receive Revenue Support Grant (RSG) from the Department for Communities and Local Government. This arrangement replaced earlier arrangements under which certain other bodies were also entitled to RSG in their own right. Of the £25.500 million RSG received in 2013-14 (£29.250 million 2012-13), £7.455 million (£11.398 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.

	2014	2013
	£000	Restated £000
Total emoluments	24	218
Emolument of the chairman and highest paid director	3	32

No director is an active member of the pension scheme (2013: nil), nor did any director receive assets or money under any long term incentive scheme.

Directors for all group companies are now included in the LGA payroll, the emoluments above relate to the ring-fenced Pensions activity.

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IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
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NOTES TO THE ACCOUNTS
Year ended 31 March 2014

4. STAFF INFORMATION

Staff information for the Company is as follows:

	2014	2013
	No.	Restated No.
Average number of persons employed		
Administration	176	178
	<hr/>	<hr/>
	£000	£000
Staff costs during the year		
Wages and salaries	8,941	8,612
Social security costs	896	858
Pension costs – cash payable by employer	1,303	1,288
Pension deficit payments	2,487	2,271
Pension costs – current service costs less contributions	(2,077)	(2,214)
<u>Less income from secondments</u>	<u>(628)</u>	<u>(442)</u>
	<hr/>	<hr/>
	10,922	10,373
	<hr/>	<hr/>
Staff Related Costs		
Agency, freelance and secondment costs	472	431
Redundancy payments and provision	296	263
Travel, subsistence and staff expenses	722	737
Recruitment costs	59	47
Training costs	23	31
Other personnel costs	9	(8)
	<hr/>	<hr/>
	1,581	1,501
	<hr/>	<hr/>
Total	<hr/>	<hr/>
	12,503	11,874
	<hr/>	<hr/>

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IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
(a company limited by guarantee)
NOTES TO THE ACCOUNTS
Year ended 31 March 2014

4. STAFF INFORMATION (CONTINUED)

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

	2014		2013 Restated	
	Salary	Employer Pension Contribution	Salary	Employer Pension Contribution
Michael Coughlin - Executive Director	141,400	24,038	128,333	21,817
Colin Hilton - Director of Children's Services – Self Improvement	41,498	-	135,000	-

Michael Coughlin was appointed Executive Director with effect from 1 May 2012.

Colin Hilton served as Director of Children's Services – Self Improvement until 19 July 2013. This post was funded by government grant.

The above position titles are internal job titles. The individuals concerned are/were not directors 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:

	2014	2014	2013 Restated	2013 Restated
	Salaries + Redundancy Costs	Salaries Only	Salaries + Redundancy Costs	Salaries Only
£50,000 - £54,999	10	10	13	12
£55,000 - £59,999	11	11	10	10
£60,000 - £64,999	14	13	12	12
£65,000 - £69,999	11	11	13	14
£70,000 - £74,999	9	8	6	5
£75,000 - £79,999	2	2	2	1
£80,000 - £84,999	3	3	-	-
£85,000 - £89,999	1	-	3	2
£90,000 - £94,999	4	4	3	2
£95,000 - £99,999	3	3	2	2
£100,000 - £104,999	-	-	-	1
£105,000 - £109,999	1	1	1	1
£110,000 - £114,999	-	-	1	-
£115,000 - £119,999	2	2	1	1

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IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
(a company limited by guarantee)
NOTES TO THE ACCOUNTS
Year ended 31 March 2014

5. OPERATING SURPLUS

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Operating surplus/(deficit) is after charging:		
Depreciation, amortisation and disposals	-	-
Auditors' remuneration		
- audit fee	22	22
	<hr/> <hr/>	<hr/> <hr/>

No fees were paid to the external auditors, PKF Littlejohn LLP, for non audit services in the year.

6. TAXATION

The Improvement and Development Agency for Local Government Group 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. FIXED ASSETS INVESTMENTS IN SUBSIDIARIES

The Company owns two ordinary shares of £1 in its subsidiary the Local Government Information House Ltd (LGIH).

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 2014.

8. STOCKS

	2014 £000	2013 £000
Goods for resale	-	20
	<hr/> <hr/>	<hr/> <hr/>

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IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
(a company limited by guarantee)
NOTES TO THE ACCOUNTS
Year ended 31 March 2014

9. DEBTORS

	2014	2013
	£000	Restated £000
Trade debtors	1,181	1,229
Due from related entities	17	54
Loan to Local Government Management Board	300	400
Other debtors	124	365
Prepayments and accrued income	1,189	1,767
	<u>2,811</u>	<u>3,815</u>

On 28 April 2010 the Company made a loan of £1.900 million to Local Government Management Board, a related company. The loan is repayable in half-yearly instalments of £200,000, with a final repayment of £100,000 on 31 March 2015, and bears interest at the fixed rate of 4.5 per cent. The outstanding balance of the loan repayable in more than one year is disclosed separately on the balance sheet.

10. SHORT TERM INVESTMENTS

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

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£000	Restated £000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors and accruals	1,373	3,060
Income received in advance	2,424	1,265
Other Creditors	464	651
Owed to related entities	1,787	95
	<u>6,048</u>	<u>5,071</u>

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

	2014	2013
	£000	£000
Deferred Income	46	48
	<u>46</u>	<u>48</u>

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IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
(a company limited by guarantee)
NOTES TO THE ACCOUNTS
Year ended 31 March 2014

13. STATEMENT OF MOVEMENTS ON ACCUMULATED FUNDS

	2014	2013
	£000	Restated £000
Balance as at 1 April	(31,411)	(28,305)
FRS 17 adjustment to surplus for the year	1,038	1,078
Surplus of income over expenditure for the year	1,651	2,037
Actuarial loss	<u>(20,242)</u>	<u>(6,221)</u>
Balance at 31 March	<u>(48,964)</u>	<u>(31,411)</u>

The accumulated funds are not distributable to the members by way of dividend.

Accumulated funds are allocated as follows:

	2014	2013
	£000	Restated £000
Accumulated funds excluding pension liability	9,214	7,563
Pension liability	<u>(58,178)</u>	<u>(38,974)</u>
Accumulated funds including pension liability	<u>(48,964)</u>	<u>(31,411)</u>

14. 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 2013. 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 (HR) for the Camden funds are stated below. The next Triennial valuation as at 31 March 2016 will take place during the Financial Year 2016-17.

Financial Reporting Standard 17 'Retirement Benefits'

The projected unit method of valuation was used to calculate the service costs in accordance with FRS 17.

Investment returns

The return on the Fund in market value terms for the year to 31 March 2014 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary.

Actual return for period from 1 April 2013 to 31 December 2013	4.1%
Estimated return for period from 1 April 2013 to 31 March 2014	14.3%

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IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
(a company limited by guarantee)
NOTES TO THE ACCOUNTS
Year ended 31 March 2014

14. PENSION COMMITMENTS (CONTINUED)

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

	At year end 31 March 2014	At year end 31 March 2013 Restated
	% p.a.	% p.a.
Equities	78%	78%
Bonds	13%	13%
Property	8%	7%
Cash	1%	2%

a) Actuarial assumptions

The assumptions used by the actuary were:

	At year end 31 March 2014	At year end 31 March 2013 Restated
	% p.a.	% p.a.
Inflation/pension increase rate	2.80%	2.80%
Salary increase rate	4.60%	5.10%
Discount rate	4.30%	4.50%
Expected return on assets	6.10%	5.30%
Mortality Rates*	Years	Years
Current Pensioners - Male	22.0	21.1
Current Pensioners - Female	24.4	23.5
Future Pensioners - Male	24.3	23.5
Future Pensioners - Female	26.8	25.6

*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) Scheme assets

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

	Expected rate of return on assets 2014	Fair value at year end 2014	Expected rate of return on assets Restated 2013	Fair value at year end 2013 Restated
		(£000)		(£000)
Fair value of employer assets				
Equities	6.70%	84,234	5.80%	82,676
Bonds	3.80%	14,039	3.20%	13,779
Property	4.80%	8,639	3.90%	7,420
Cash	3.70%	1,080	3.00%	2,120
Total Market Value of Assets		<u>107,992</u>		<u>105,995</u>

The above asset values as at 31 March 2014 are at bid value as required under FRS17.

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IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
(a company limited by guarantee)
NOTES TO THE ACCOUNTS
Year ended 31 March 2014

14. PENSION COMMITMENTS (CONTINUED)

Balance sheet	31 March 2014	31 March 2013
	£000	Restated £000
Fair value of employer assets	107,992	105,995
Present value of funded liabilities	<u>(159,025)</u>	<u>(137,718)</u>
Net underfunding in funded plans	(51,033)	(31,723)
Present value of unfunded liabilities	(7,145)	(7,251)
Unrecognised past service cost	<u>-</u>	<u>-</u>
Net liability	<u>(58,178)</u>	<u>(38,974)</u>
Recognition in the profit or loss		
	Year to 31 March 2014	Year to 31 March 2013
	£000	Restated £000
Current service cost	1,922	1,446
Interest cost	6,510	6,043
Expected return on employer assets	(5,653)	(5,288)
Past service cost/(gain)	28	-
Losses/(gains) on curtailments and settlements	<u>156</u>	<u>25</u>
Total	<u>2,963</u>	<u>2,226</u>
Actual return on plan assets	3,377	13,230
	2014	2013
	£000	Restated £000
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	144,969	126,976
Current service cost	1,922	1,446
Interest cost	6,510	6,043
Contribution by members	591	553
Actuarial losses/(gains)	15,103	14,146
Past service cost/(gains)	28	-
Losses/(gains) on curtailments	156	25
Estimated unfunded benefits paid	(411)	(427)
Estimated benefits paid	<u>(2,698)</u>	<u>(3,793)</u>
Closing defined benefit obligation	<u>166,170</u>	<u>144,969</u>
Reconciliation of fair value of employer assets		
Opening fair value of employer assets	105,995	92,789
Expected return on assets	5,653	5,288
Contributions by members	591	553
Contributions by the employer	3,590	3,233
Contributions in respect of unfunded benefits	411	427
Actuarial gains/(losses)	(5,139)	7,925
Unfunded benefits paid	(411)	(427)
Benefits paid	<u>(2,698)</u>	<u>(3,793)</u>
Closing fair value of employer assets	<u>107,992</u>	<u>105,995</u>

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IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
(a company limited by guarantee)
NOTES TO THE ACCOUNTS
Year ended 31 March 2014

14. PENSION COMMITMENTS (CONTINUED)

AMOUNTS FOR THE CURRENT AND PREVIOUS ACCOUNTING PERIODS

	Year to 31 March 2014 £000	Year to 31 March 2013 Restated £000	Year to 31 March 2012 Restated £000	Year to 31 March 2011 Restated £000	Year to 31 March 2010 Restated £000
Fair value of employer assets	107,992	105,995	92,789	90,674	84,139
Present value of defined benefit obligation	(166,170)	(144,969)	(126,976)	(124,299)	(155,869)
Surplus /(deficit)	(58,178)	(38,974)	(34,187)	(33,625)	(71,730)
Experience gains/(losses) on assets	(5,139)	7,925	(2,240)	(615)	20,067
Experience gains/(losses) on liabilities	(7,854)	140	5,816	13,469	582

Amount recognised in statement of total recognised gains and losses (STRGL)

	Year to 31 March 2014 £000	Year to 31 March 2013 Restated £000
Actuarial gains/(losses) recognised in STRGL	(20,242)	(6,221)
Cumulative actuarial gains and losses	(53,721)	(33,479)

The estimated employer's contributions for the year to 31 March 2014 is £2.137 million.

15. CONTROLLING ENTITY

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

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IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
(a company limited by guarantee)
NOTES TO THE ACCOUNTS
Year ended 31 March 2014

16. RELATED PARTIES

	Value of related party transactions in year 2014 exp / (inc) £000	Outstanding balance at 31 March 2014 dr / (cr) £000	Value of related party transactions in year 2013 exp / (inc) £000	Outstanding balance at 31 March 2013 dr / (cr) £000
Local Government Association (LGA)	11,481	(1,743)	11,558	(74)
Local Government Management Board (LGMB)	75	284	(381)	742
The Leadership Centre (LC)	(25)	(11)	55	-
Local Partnerships	1,907	-	2,196	(21)
Geoplace LLP	(1,350)	-	(300)	-

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

17. POST BALANCE SHEET EVENTS

The Board are not aware of any post balance sheet events other than those already stated.

18. 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. The accounts for the Company show the whole of the £375,154 funds on deposit as an asset of the Company as at 31 March 2013 and 2014 but subject to a contingent liability in the event that it becomes necessary for a call on the guarantee to be made. There is no present indication that any such call will be made. We are currently discussing with Camden Pension Fund the option of the IDeA providing the pension fund guarantee without recourse to the escrow account. The balance of £375k would continue to be held as a provision on the IDeA balance sheet, but the cash balance would be freed up and incorporated into the IDeA's ordinary cash balances, earning interest as part of our broader treasury management arrangements.

The Future of Sector Led Improvement: background paper

Purpose

This paper provides a short overview of the development of sector-led improvement, the support provided to the sector and the headline messages from the evaluation report.

The LGA's Improvement and Innovation Board held an away day on 2 June which included lead board members from a range of the LGA boards to discuss this report.

Recommendation

Members are asked to note the report.

Action

Officers to respond as necessary to any comments.

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The Future of Sector led Improvement: background paper

Background:

1. As a result of LGA lobbying, the new Coalition Government moved quickly to abolish many aspects of the previous top down performance framework, including the comprehensive area assessment, the organisational assessment, Local Area Agreements and Government Office monitoring, the annual assessment of adult social services and subsequently, the annual assessment of children's services.
2. The Government argued that the assessment regime was no longer affordable in the current economic climate (the National Audit Office estimated the cost of monitoring local government at £2bn); that external inspection had reached the point of diminishing returns and that greater weight should instead be placed on local accountability, in tune with its localism agenda.
3. At the same time, led by the Improvement and Innovation Board, the LGA and councils worked together to develop a new approach to improvement. This was set out in the LGA's document 'Taking the Lead' in February 2011, supplemented in June 2012 by "Sector-led improvement in local government"¹ which describes a coordinated approach to sector-led improvement across local government, the support being provided and where to go for further information and advice.

Sector led Improvement – key principles:

4. At an early stage the LGA agreed with councils a number of key principles on which sector led improvement would be based. They are that:
 - 4.1 Councils are responsible for their own performance and improvement and for leading the delivery of improved outcomes for local people in their area.
 - 4.2 Councils are primarily accountable to local communities (not government or the inspectorates) and stronger accountability through increased transparency helps local people drive further improvement.
 - 4.3 Councils have a collective responsibility for the performance of the sector as a whole (evidenced by sharing best practice, offering member and officer peers, etc.).
 - 4.4 The role of the LGA is to maintain an overview of the performance of the sector in order to identify potential performance challenges and opportunities – and to provide tools and support to help councils take advantage of this new approach.

Sector led improvement - core components:

5. 'Taking the Lead' also identified a small core set of activities that are commonly undertaken by councils who proactively take responsibility for their own performance and improvement and that we know from experience work for improvement.

¹ <http://www.local.gov.uk/sector-led-improvement>

6. This common set of activities provides the framework around which the LGA's core offer of support to councils is based and is the basis on which our support offer across specific council services and activities has also developed. It includes:
 - 6.1 strengthening local accountability
 - 6.2 inviting challenge from one's peers
 - 6.3 learning from good practice and through regional structures and networks
 - 6.4 utilising transparent and comparable performance information
 - 6.5 investing in leadership.

Sector led improvement – LGA support:

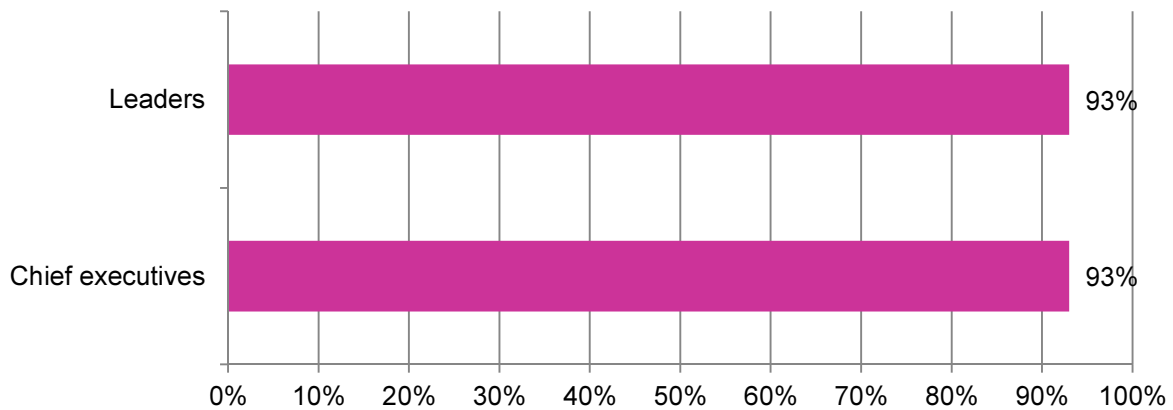
7. During the three years to March 2014 we have worked with the sector to deliver a significant and wide-ranging level of support. We have:
 - 7.1 Delivered over 350 peer challenges of various types.
 - 7.2 Trained and developed over 2,000 councillors.
 - 7.3 Helped councils make savings in excess of £400m through our productivity programme.
 - 7.4 Delivered a range of support for councils wishing to share services including the shared services map and the shared Chief Executives' Network and Leaders' Special Interest Group.
 - 7.5 Supported 43 local authorities as part of our adult social care efficiency programme to deliver savings that are almost twice as high as they originally planned.
 - 7.6 Recruited and trained nearly 250 talented graduates for the sector.
 - 7.7 Launched LG Inform providing comparative performance and finance data to councils and the public.
 - 7.8 Supported 77 councils to grow their local economies e.g. through the Growth Advisers programme and a further 12 through the One Public Estate programme.

Sector led improvement – key findings:

8. In November 2011, given the importance of the approach both to the reputation of the sector and to the LGA, the LGA's Improvement and Innovation Board approved the specification for an evaluation of sector-led improvement. A "baseline" report was published in February 2013 with the final report published in May '14.
9. Findings from the final evaluation, which, amongst other things, sought views from national stakeholders (including officials from government departments and the inspectorates), council leaders, chief executives and directors and monitored a wide range of performance metrics, are extremely positive:
10. **Increased resident satisfaction:** Residents remain satisfied with and continue to trust their local council, despite the financial constraints being faced by the sector. Trust levels have increased to 77% compared to 71%.
11. **Strong local accountability:** Respondents to the survey of senior members and officers were positive about accountability in their authority, with 97 per cent of chief executives and 96 per cent of leaders either agreeing or strongly agreeing with the statement "local accountability is strong in my authority".

12. **Improved council performance:** Council performance continues to improve, demonstrated by data analysis of key performance metrics. Analysis of a series of 97 metrics, across the full range of local government activity shows a positive direction of travel, with approximately three quarters of these metrics having seen an improvement since 2010.
13. **Take up and value are high:** The sector-led improvement approach and offer of support from the LGA have been welcomed by councils. Take up and satisfaction with the support is high:
 - 13.1 In the survey of senior members and officers, 93 per cent of leaders who were aware of the offer and 93 per cent of chief executives said that the support and resources offered had had a positive impact on their authority (See Figure 1).
 - 13.2 Authorities are confident in the skills and capacity of both their own authorities and of the sector to monitor its own performance and continuously improve. For example, 98% of Leaders and 99% of Chief Executives agreed that their own authority is making advances in driving improvement.
14. The results represent a considerable achievement for the sector against a backdrop of significant financial constraints, demographic pressures and national policy changes.
15. Councils' commitment to the approach is evidenced by their support for, and take up of, peer challenge. By March 2014, councils had contributed more than 2,500 days of senior councillor and officer time to Corporate Peer Challenge teams, representing a considerable investment by the sector in its own improvement, equivalent to millions of pounds worth of consultancy.
16. Moreover, an independent evaluation of sector-led improvement compared to central government intervention for turning round a council that is visibly failing, concluded that a sector-led approach is better in supporting councils in their improvement journey, all else being equal.
17. Finally, senior officials from government departments and inspectorates had increased confidence in the theory of sector-led improvement and local accountability since the "baseline" interviews in 2012, although now expressed a desire to see more evidence of it working in practice.

Figure 1: Proportion of senior members and officers who said the support and resources offered by the LGA has had a positive impact on their authority



Development across service areas

- 18. Because of the particular issues and challenges that can arise in these services, specific improvement offers have been developed to support sector-led improvement in children's and adults services, as well as in several other areas such as planning and health and wellbeing. More detail about the programmes of support is set out here: <http://www.local.gov.uk/sector-led-improvement>

Conclusions and Next steps:

- 19. The evaluation demonstrates the success of the sector-led approach to improvement in local government. Councils are continuing to improve their performance and public satisfaction with and trust in councils is high. Moreover, councils value the support being provided by the LGA and find it helpful to their improvement journey.
- 20. The findings confirm our view that sustained improvement only takes place where it is owned locally rather than imposed from outside and that the approach is much more cost effective than the previous performance regime.
- 21. The LGA will continue to keep its support offer under review so that it helps councils meet the growing and changing challenges they face, and to evaluate its effectiveness.

Further details are available here: <http://www.local.gov.uk/sector-led-improvement>

Discretionary policies under the Local Government Pension Scheme (LGPS) and related Regulations for IDeA employees

Purpose

For decision.

Summary

Under the updated LGPS Regulations the IDeA must have a policy governing the use of new (and existing) pensions discretions covering its own employees. Members are asked to agree the IDeA's policies on discretions set out in Annex 1 and 2 to this report.

Recommendations

Members are asked to:

1. Approve the recommended policies on the discretions to be exercised under the LGPS Regulations in relation to active Scheme members and members who cease active membership after 31 March 2014 as set out in the table at Annex 1, and
2. Endorse the continuation of the IDeA's existing LGPS discretions policies for Scheme members who left prior to 1 April 2014 and the IDeA's current discretionary compensation policies as set out in the table at Annex 2

Action

Officers will implement members' decisions and copy the agreed Statement of Policy to relevant administering authorities of the Pension Funds in which IDeA employees participate (i.e. the Merseyside and West Sussex Pension Funds).

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Discretionary policies under the Local Government Pension Scheme (LGPS) and related Regulations for IDeA employees

Background

1. In April 2005 the Resources Panel agreed the discretionary policies the IDeA would operate under the provisions of:
 - 1.1 the Local Government Pension Scheme (LGPS) Regulations 1997, and
 - 1.2 the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000.
2. The policies were updated on 25 October 2006, 14 December 2007 and again on 21 April 2009.
3. In March 2011, the Independent Public Service Pensions Commission, chaired by Lord Hutton, published its final report of the review of public service pensions. Reforms to the LGPS came into effect on 1 April 2014, with benefits now accruing on a Career Average Revalued Earnings (CARE) basis rather than on a final salary basis.
4. The provisions of the CARE scheme, together with the protections for members' accrued pre 1 April 2014 final salary rights, are contained in the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.
5. As a result of the changes, the IDeA is required to:
 - 5.1 Prepare and publish a written Statement of Policy on certain discretions under the LGPS which the IDeA has the power to exercise on and from 1 April 2014 in relation to members of the CARE Scheme.
 - 5.2 Keep under review its Statement of Policy on certain discretions in accordance with:
 - regulation 66 of the LGPS (Administration) Regulations 2008 (in respect of leavers between 1 April 2008 and 31 March 2014), and
 - regulation 106 of the LGPS Regulations 1997 (in respect of leavers between 1 April 1998 and 31 March 2008).
6. It is also recommended to keep under review:
 - 6.1 Its Statement of Policy on one discretion under the LGPS Regulations 1995 (in respect of leavers before 1 April 1998);
 - 6.2 Its Statement of Policy on certain discretions in accordance with regulation 7 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006, operative from 1 October 2006; and
 - 6.3 Its Statement of Policy on certain discretions in accordance with regulation 26 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000, operative from 1 October 2000.

Consultation

7. When the IDeA intends to adopt new, or change existing, discretionary policies it should give notice to the recognised union (UNISON) although the IDeA is not required to consult with UNISON on the policies. However, it was considered appropriate that the recommendations be shared with UNISON in advance.

Effective date of policies

8. Any new policies on discretions relating to the new LGPS Regulations from 1 April 2014 and any change to the policies on existing discretions take effect the date the Leadership Board agrees the policies. Changes to the discretions exercised under the Discretionary Compensation Regulations 2000 or the Discretionary Compensation Regulations 2006 cannot take effect until one month after the date the IDeA publishes a statement of its amended policy.

Non-fettering of Discretions

9. The recommendations contained within this report, if approved, will form the IDeA's policies on pension and compensation discretions. It should be noted that the policies will confer no contractual rights and the IDeA will retain the right to change the policies at any time without prior notice or consultation (although the IDeA endeavours to discuss changes with UNISON). Only the policy which is current at the time a relevant event occurs to an employee / scheme member will be the one applied to that employee / member.

Recommendation

10. Members are asked to:
 - 10.1 Approve the recommended policies on the discretions to be exercised under the LGPS Regulations in relation to active Scheme members and members who cease active membership after 31 March 2014 as set out in the table at Annex 1, and
 - 10.2 Endorse the continuation of the IDeA's existing LGPS discretions policies for Scheme members who left prior to 1 April 2014 and the IDeA's current discretionary compensation policies as set out in the table at Annex 2.
11. Given that the LGA and IDeA are operating collaboratively, with harmonised terms and conditions, the same recommendations as above have been presented to the Leadership Board.

Financial Implications

12. None arising directly as a result of this report. Any financial implications will be considered as part of a business case in line with the recommendations in the policy.

Annex 1 Discretions for active scheme members and those ceasing post 31 March 2014

Discretions to be exercised on and after 1 April 2014 under the LGPS Regulations in relation to active scheme members and members who cease active membership after 31 March 2014	IDeA policy
<p>1. Whether, at full cost to the IDeA, to grant extra annual pension of up to £6,500 (figure at 1 April 2014) to an active Scheme member or within 6 months of leaving to a member whose employment is terminated on the grounds of redundancy or business efficiency.</p>	<p>The IDeA will not make use of this discretion.</p>
<p>2. Whether, where an active Scheme member wishes to purchase extra annual pension of up to £6,500 (figure at 1 April 2014) by making Additional Pension Contributions (APCs), the IDeA will voluntarily contribute towards the cost of purchasing that extra pension via a Shared Cost Additional Pension Contribution (SCAPC).</p>	<p>The IDeA will only contribute to a SCAPC where:</p> <ul style="list-style-type: none"> a) an active scheme member returns from a period of authorised leave of absence b) the member does not, within 30 days of returning from the leave of absence, make an election to buy-back the amount of pension 'lost' during that period of leave of absence c) the member subsequently makes an election to do so and it can be demonstrated that the reason for the member missing the original 30 day deadline was because the member had not been made aware of that deadline d) the election is made no more than 6 months after the member returns from the period of leave of absence or such longer period as the IDeA may deem reasonable in any individual case. <p>A decision on whether the member meets the above criteria (and on whether the 6 month period referred to should be extended in any individual case) will be taken by the Executive Director in consultation with the Chair of the Board and, where it is agreed that the conditions are met, the IDeA will contribute 2/3rds of the cost of buying back the 'lost' pension via a SCAPC.</p>
<p>3. Whether to permit flexible retirement for staff aged 55 or over who, with the agreement of the IDeA, reduce their working hours or grade and, if so, as part of the agreement whether to:</p> <p>3.1 in addition to the benefits the member has accrued prior to 1 April 2008 (which the member must draw if flexible retirement is agreed), permit the member to choose to draw</p> <ul style="list-style-type: none"> - all, part or none of the pension benefits they accrued after 31 March 2008 and before 1 April 2014, and/or - all, part or none of the pension benefits they accrued after 31 March 2014, and <p>3.2 waive, in whole or in part, any actuarial reduction which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age (NPA).</p>	<p><u>Flexible retirement</u></p> <p>The IDeA will not agree to flexible retirement except in circumstances where the IDeA considers it is in its financial or operational interests to do so. Each case will :</p> <ul style="list-style-type: none"> a) be considered on the merits of the financial and/or operational business case, b) set out whether, in addition to any pre 1 April 2008 benefits, the member will be permitted to take all, some or none of their post 31 March 2008 benefits, a c) require the approval of the Executive Director in consultation with the Chair of the Board. <p><u>Waiver of any actuarial reduction on flexible retirement</u></p> <p>Where flexible retirement is agreed, the benefits payable will be subject to any actuarial reduction applicable under the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. The IDeA will only waive any such reduction, in whole or in part, where it considers it is in its financial or operational interests to do so. Each case will be considered on the merits of the financial and/or operational business case and will require the approval of the Executive Director in consultation with the Chair of the Board.</p>

<p>4. Whether, as the 85 year rule does not (other than on flexible retirement) automatically fully apply to members who would otherwise be subject to it and who choose to voluntarily draw their benefits on or after age 55 and before age 60, to switch the 85 year rule back on in full for such members.</p>	<p>The IDeA will not agree to switch the 85 year rule on in full where members choose to voluntarily draw their benefits on or after age 55 and before age 60 except in circumstances where the IDeA considers it is in its financial or operational interests to do so. Each case will:</p> <ul style="list-style-type: none"> - be considered on the merits of the financial and / or operational business case put forward, and - require the approval of the Executive Director in consultation with the Chair of the Board.
<p>5. For active members voluntarily retiring on or after age 55 and before Normal Pension Age, who elect under regulation 30(5) of the LGPS Regulations 2013 to immediately draw benefits, and for deferred members and suspended tier 3 ill health pensioners who elect under regulation 30(5) of the LGPS Regulations 2013 to draw benefits (other than on ill health grounds) on or after age 55 and before Normal Pension Age, and who:</p> <p>5.1 were <u>not</u> members of the LGPS before 1 October 2006 [Group 4 members], whether to:</p> <ul style="list-style-type: none"> - waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits, if any, accrued before 1 April <u>2014</u>, and/or - waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March <u>2014</u> <p>5.2 were members of the LGPS before 1 October 2006 and <u>will</u> be 60 or more on 31 March 2016 [Group 1 members], whether to:</p> <ul style="list-style-type: none"> - waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April <u>2016</u>, and / or - waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March <u>2016</u> <p>5.3 were members of the LGPS before 1 October 2006 and will <u>not</u> be 60 or more on 31 March 2016 and will <u>not</u> attain age 60 between 1 April 2016 and 31 March 2020 [Group 3 members], whether to:</p> <ul style="list-style-type: none"> - waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April <u>2014</u>, and / or - waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March <u>2014</u> <p>5.4 were members of the LGPS before 1 October 2006 and will <u>not</u> be 60 or more on 31 March 2016 but <u>will</u> attain age 60 between 1 April 2016 and 31 March 2020 [Group 2 members], whether to:</p> <ul style="list-style-type: none"> - waive on compassionate grounds, any actuarial reduction that would otherwise be applied to benefits accrued before 1 April <u>2020</u>, and / or - waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued after 31 March <u>2020</u> 	<p>The IDeA will not agree</p> <ul style="list-style-type: none"> - to waive on compassionate grounds any reduction on pre 1 April 2014 benefits for Group 3 or 4 members, on pre 1 April 2016 benefits for Group 1 members, or on pre 1 April 2020 benefits for Group 2 members, and / or - to waive in whole or in part on any grounds (including compassionate grounds) any reduction on post 31 March 2014 benefits for Group 3 or 4 members, on post 31 March 2016 benefits for Group 1 members, or on post 31 March 2020 benefits for Group 2 members <p>Where members choose to voluntarily draw their benefits on or after age 55 and before Normal Pension Age except in circumstances where the IDeA considers it is in its financial or operational interests to do so or there are compelling compassionate reasons for doing so.</p> <p>Each case will</p> <ul style="list-style-type: none"> - be considered on the merits of the financial and / or operational business case put forward, or - be considered on the merits of the compassionate case put forward, and - require the approval of the Executive Director in consultation with the Chair of the Board.

<p>6. Whether, how much, and in what circumstances to contribute to a Shared-Cost Additional Voluntary Contribution (SCAVC) arrangement entered into on or after 1 April 2014 and whether, how much, and in what circumstances to continue to contribute to any shared cost Additional Voluntary Contribution (SCAVC) arrangement entered into before 1 April 2014.</p>	<p>The IDeA will not enter into a SCAVC arrangement other than in exceptional circumstances in which case the decision will be subject to the approval of the Executive Director in consultation with the Chair of the Board.</p>
<p>7. Whether, with the agreement of the Pension Fund administering authority, to permit a Scheme member to elect to transfer other pension rights into the LGPS if he / she has not made such an election within 12 months of joining the LGPS.</p>	<p>Subject to the agreement of the relevant administering authority in any individual case, the IDeA will extend the 12 months period where:</p> <ul style="list-style-type: none"> a) the member asked for transfer investigations to be commenced within 12 months of joining the LGPS but a quotation of what the transfer value will purchase in the LGPS has not been offered to the member within 11 months of joining the LGPS. The time limit for such a member to make a formal election to transfer pension rights into the LGPS will be extended to one month beyond the date of the letter issued by the appropriate administering authority providing the Scheme member with a quotation of what the transfer value will purchase in the LGPS; b) the member is initially appointed on a fixed term contract for a period of a year or less and the contract is subsequently extended to a period of greater than one year. Such a member may request transfer investigations to be commenced within 3 months of the notification of the contract extension or within 12 months of joining the LGPS, whichever is the later and may make a formal option for the transfer to proceed within one month of the date of the letter issued by the appropriate administering authority providing the Scheme member with a quotation of what the transfer value will purchase in the LGPS or within 12 months of joining the LGPS, whichever is the later; c) the Executive Director in consultation with the Chair of the Board agrees that the available evidence indicates the member had not been informed of the 12 month time limit due to maladministration; or d) the Executive Director in consultation with the Chair of the Board agrees that the available evidence indicates the member had made an election within 12 months of joining the LGPS but the election was not received by the appropriate administering authority (e.g. the election form was lost in the post).
<p>8. Whether to extend the 12 month time limit within which a Scheme member who has a deferred LGPS benefit in England or Wales following the cessation of employment (or cessation of a concurrent employment) may elect not to have the deferred benefits aggregated with their new LGPS employment (or ongoing concurrent LGPS employment) if the member has not made an election to retain separate benefits within 12 months of commencing membership of the LGPS in the new employment (or within 12 months of ceasing the concurrent membership).</p>	<p>The IDeA will extend the 12 months period where:</p> <ul style="list-style-type: none"> a) the Executive Director in consultation with the Chair of the Board agrees that the available evidence indicates the member had not been informed of the 12 month time limit due to maladministration; b) the Executive Director in consultation with the Chair of the Board agrees that the available evidence indicates the member had made an election within 12 months of joining the LGPS but the election was not received by the appropriate administering authority (e.g. the election form was lost in the post); or c) the member has pre 1 April 2014 membership and the Executive Director in consultation with the Chair of the Board agrees the available evidence indicates that, due to maladministration, the member had not been informed of the implications of having benefits aggregated and would, in consequence, suffer a detriment to their pension benefits (for example, where member's whole-time

	equivalent pensionable pay on commencing with the IDeA is, in real terms after allowing for inflation, significantly less than the whole-time equivalent pensionable pay upon which the deferred benefits were calculated).
9. How the pension contribution band to which an employee is to be allocated on joining the Scheme, and at each subsequent April, will be determined and the circumstances in which the employer will, in addition to the review each April, review the pension contribution band to which an employee has been allocated following a material change which affects the member's pensionable pay in the course of a Scheme year (1 April to 31 March).	<ul style="list-style-type: none"> - The IDeA will assess an employee's contribution rate based on their annual salary rate¹ (actual rate for a part-time employee). - The IDeA will reassess an employee's contribution rate as from the date from which a change in their annual salary rate² is effective³ (actual rate for a part-time employee).
10. Whether or not, when calculating assumed pensionable pay when a member is: <ul style="list-style-type: none"> - on reduced contractual pay or no pay on due to sickness or injury, or - absent during ordinary maternity, paternity or adoption leave or during paid additional maternity, paternity or adoption leave, or - absent on reserve forces service leave, or - retires with a Tier 1 or Tier 2 ill health pension, or - dies in service to include in the calculation the amount of any 'regular lump sum payment' received by the member in the 12 months preceding the date the absence began or the ill health retirement or death occurred.	In assessing Assumed Pensionable Pay (APP) the IDeA will not include in the calculation any regular lump sum payments.

¹ this does not include any overtime or bonus payments.

² this does not include any overtime or bonus payments.

³ this can result in a retrospective reallocation to a different contribution rate with a consequential adjustment to the employee contributions due (e.g. where there is a retrospective pay award or retrospective re-grading).

Annex 2 – Discretions for inactive scheme members

Discretions to be exercised on and after 1 April 2014 under the LGPS Regulations in relation to scheme members who ceased active membership between 1 April 2008 and 31 March 2014	IDeA policy
1. Whether to grant applications for the early payment of deferred pension benefits on or after age 55 and before age 60.	Where a former scheme member who left the scheme between 1 April 2008 and 31 March 2014 requests early release of deferred benefits on or after age 55 and before age 60, approval will only be given on compassionate grounds. Each case will be considered on its merits and will be subject to the approval of the Executive Director in consultation with the Chair of the Board. Subject to 2 below, the benefits payable in such circumstances will be subject to any actuarial reduction applicable under the relevant LGPS Regulations.
2. Whether, on compassionate grounds, to waive any actuarial reduction that would normally be applied to deferred benefits which are paid before age 65.	Each case will be considered on its merits and will be subject to the approval of the Executive Director in consultation with the Chair of the Board.
3. Whether to grant applications for the early payment of a suspended tier 3 ill health pension on or after age 55 and before age 60.	Where a former scheme member who left the scheme between 1 April 2008 and 31 March 2014 requests early release of a suspended Tier 3 ill health pension on or after age 55 and before age 60, approval will only be given on compassionate grounds. Each case will be considered on its merits and will be subject to the approval of the Executive Director in consultation with the Chair of the Board. Subject to 4 below, the benefits payable in such circumstances will be subject to any actuarial reduction applicable under the relevant LGPS Regulations.
4. Whether, on compassionate grounds, to waive any actuarial reduction that would normally be applied to any suspended tier 3 ill health pension benefits awarded before 1 April 2014 which are brought back into payment before age 65.	Each case will be considered on its merits and will be subject to the approval of the Executive Director in consultation with the Chair of the Board.
5. Whether, within 6 months of the date of termination, to grant extra membership in the pension scheme to a Scheme member whose employment was terminated before 1 April 2014 on the grounds of redundancy or business efficiency.	The IDeA will not grant extra pension scheme membership to a Scheme member whose employment was terminated before 1 April 2014 on the grounds of redundancy or business efficiency.
Discretions to be exercised on and after 1 April 2014 under the LGPS Regulations in relation to scheme members who ceased active membership between 1 April 1998 and 31 March 2008	IDeA policy
1. Whether to grant applications for the early payment of pension benefits on or after age 50 ⁴ and before age 60.	Where a former scheme member who left the scheme between 1 April 1998 and 31 March 2008 requests early release of deferred benefits on or after age 50 and before age 60, approval will only be given on compassionate grounds. Each case will be considered on its merits and will be subject to the approval of the Executive Director in consultation with the Chair of the Board. Subject to 2 below, the benefits payable in such circumstances will be subject to any actuarial reduction applicable

⁴ Benefits paid on or after age 50 and before age 55 will be subject to an unauthorised payments charge under the Finance Act 2004 and, where applicable, an unauthorised payments surcharge under that Act, and a Scheme sanction charge on any benefits built up after 5 April 2006.

	under the relevant LGPS Regulations.
2. Whether, on compassionate grounds, to waive any actuarial reduction that would normally be applied to benefits which are paid before age 65.	Each case will be considered on its merits and will be subject to the approval of the Executive Director in consultation with the Chair of the Board.
Discretions to be exercised on and after 1 April 2014 under the LGPS Regulations in relation to scheme members who ceased active membership before 1 April 1998	IDeA policy
1. Whether to grant applications for the early payment of deferred pension benefits on or after age 50 ⁵ and before age 65 on compassionate grounds.	Each request will be considered on its merits and will be subject to the approval of the Executive Director in consultation with the Chair of the Board.
Discretions to be exercised under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006	IDeA policy
1. Whether to base a redundancy payment on an employee's actual weeks' pay where this exceeds the statutory week's pay limit of, currently, £464 per week (as at 6 April 2014).	Any redundancy payment will be calculated on the employee's actual week's pay. Continuous local government service, as defined under the Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order 1999 (as amended), will be taken into account in the calculation of redundancy payments.
2. Whether to make a termination payment (inclusive of any redundancy payment) of up to a maximum of 104 weeks' pay.	Redundant staff will receive a severance payment (to incorporate statutory redundancy pay) calculated using the statutory redundancy payment formula but based on actual pay, enhanced by a multiplier of 1.3. A severance payment will not automatically be paid to employees whose employment is terminated on the grounds of efficiency of the service. Instead, the Leadership Board will determine each case on its merits, taking into account operational factors and personal circumstances (with the maximum severance payment being no greater than would have applied under the redundancy severance policy).
Discretions to be exercised under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000	IDeA policy
1. How a person's annual compensatory added years payment is to be abated during, and following the cessation of, any period of re-employment by an employer who offers membership of the LGPS to its employees, regardless of whether or not the employee chooses to join the LGPS (except where the employer is an Admitted Body, in which case abatement only applies if the person is in the LGPS in the new employment).	The IDeA will, during any period of re-employment in local government (see note below), abate a person's annual compensatory added years' payment by the 'excess' if the aggregate of: <ul style="list-style-type: none"> - the annual compensation, and - the annual pension from the LGPS, and - the annual rate of pay from the new employment exceeds the pay the person would have received from the employment in respect of which the compensatory added years were granted, based on the annual rate of pay at the date of ceasing the former employment as increased by the Retail Prices Index. Where compensatory added years were awarded on or after 21 June 2000, the IDeA will reduce a person's annual compensatory added years' payment following the cessation of a

⁵ Benefits paid on or after age 50 and before age 55 will be subject to an unauthorised payments charge under the Finance Act 2004 and, where applicable, an unauthorised payments surcharge under that Act, but there would be no Scheme sanction charge.

period of re-employment in local government (see note below) to the extent necessary to secure that if:

- the period of compensatory added years granted in respect of the former employment, *plus*
- the period of membership the person has accrued in the LGPS (or would have accrued had he/she joined the scheme when first eligible to do so) during the period of re-employment in local government, counted at its part-time length, if the person was part-time, *exceeds* the period of membership the person would have accrued during the period from the cessation of the former employment until age 65 on the assumption that he/she had continued in that former employment to age 65 (again counted at its part-time length if the person was part-time at the date of cessation of the former employment),
then
- the annual pension and lump sum from the first job combined with the annual pension and lump sum from the second job (based on the assumption that the employee joined the LGPS when first eligible to do so), plus the annual compensation and lump sum compensation, shall not in aggregate exceed the pension and lump sum the person would have achieved if he / she had remained in the first job through to age 65.

Where there is an excess, the annual compensation will be reduced by the excess pension and, if the annual compensation is not reduced to nil, the amount of the remaining (reduced) basic annual compensation will then be suspended until the excess lump sum (if any) is recovered.

In calculating whether or not, in aggregate, the annual pension and lump sum from the first job, plus the annual pension and lump sum (if any) from the second job (based on the assumption that the employee joined the LGPS at the first opportunity), plus the annual compensation and lump sum compensation, exceeds the pension and lump sum the person would have achieved if he/she had remained in the first job through to age 65 it will be necessary to compare:

- a) the actual LGPS pre 1 April 2009 1/80th pension and 3/80ths lump sum, plus the actual LGPS post 31 March 2008 1/60th pension (ignoring any commutation for a lump sum), plus the actual 1/80th annual compensation and 3/80ths lump sum compensation, with
- b) the 1/80th LGPS pension and 3/80ths lump sum the member would have achieved in their first job to 31 March 2008, plus the 1/60th LGPS pension the member would have achieved in their first job (ignoring any potential commutation for a lump sum), if the member had stayed in the first job through to age 65.

In determining the benefits the employee could have achieved had he / she remained in the first employment through to age 65 it will be necessary to determine the pensionable pay to be used in the calculation. For this purpose, the pensionable pay figure used in the calculation of the pension benefits in the first job will be used as brought up to date by increasing it in line with the Pensions Increase (Review) Orders.

If a person has been awarded more than one previous period of compensatory added years, e.g. as a result of being made redundant more than once, the abatement / claw back

	<p>provisions are modified. In such a case, the rules under the former Local Government (Discretionary Payments) Regulations 1996 will be applied where a person ceases a period of re-employment in local government and has previously been granted more than one period of compensatory added years, but using the pay in the first job as increased in line with inflation (i.e. ignoring regulations 18(5)(a)(ii), 18(6) and 18(7) of the Local Government (Discretionary Payments) Regulations 1996).</p> <p>Where compensatory added years were awarded before 21 June 2000, the IDeA will reduce a person's annual compensatory added years' payment following the cessation of a period of re-employment in local government (see note below) in accordance with the Local Government (Discretionary Payments) Regulations 1996.</p> <p>Note: 'local government' means employment with an employer who offers membership of the LGPS to its employees, regardless of whether or not the employee chooses to join the LGPS (except where the employer is an Admitted Body). Technically, an employee of an Admitted Body (i.e. a body that has applied to the administering authority to allow its employees to join the LGPS and has entered into a formal admission agreement) is only employed in 'local government' if he / she is a member of the LGPS.</p>
<p>2. How any surviving spouse's or civil partner's annual compensatory added years is to be apportioned where the deceased person is survived by more than one spouse or civil partner.</p>	<p>The IDeA will apportion any surviving spouse's or civil partner's annual compensatory added years where the deceased person is survived by more than one spouse or civil partner in such proportions as, at its sole discretion, it sees fit (based on the merits of the individual cases).</p>
<p>Whether, if the spouse of a person who ceased employment before 1 April 1998 remarries, enters into a civil partnership or cohabits after 1 April 1998, the normal annual compensation suspension rules will be disapplied i.e. the survivor's annual compensatory added years will continue to be paid.</p>	<p>If the spouse of a person who ceased employment before 1 April 1998 remarries, enters into a civil partnership or cohabits after 1 April 1998, the normal annual compensation suspension rules will be disapplied i.e. the spouse's annual compensatory added years will continue to be paid.</p>

Note of last IDeA Company Board meeting

Title:	IDeA Company Board
Date:	Thursday 20 March 2014
Venue:	Westminster Suite, 8th Floor, Local Government House, Smith Square, London, SW1P 3HZ

Attendance

An attendance list is attached as **Appendix A** to this note

Item	Decisions and actions	Action
1	<p>Business Plan and Budget 2014/15</p> <p>Helen Platts introduced the report, updating Members on the Business Plan and Budget for 2014/15. Members were informed that the Improvement and Innovation Board had full input into developing the LGA's business priorities particularly in relation to improvement support for councils. The budget for the IDeA was consolidated with that of the LGA to arrive at an overall operating budget for the two organisations, and therefore as part of this, the IDeA Company Board would need to approve the IDeA's budget for the next year.</p> <p>Richard Priestman asked how the proposed budget for 2014/15 compared with financial performance in 2013/14. Helen confirmed that this assessment had been carried out in finalising the 2014/15 budget and agreed to circulate this to Members.</p> <p><u>Decision</u></p> <p>Members agreed the Business Plan and Budget for 2014/15.</p> <p><u>Action</u></p> <p>Officers to circulate the comparison of 2013/14 financial performance with the 2014/15 budget.</p>	Helen Platts
2	<p>Business Case and Plan for RSG 15/16</p> <p>Dennis Skinner presented the report updating the Board on the LGA's business case for the revenue support grant (RSG) for the financial year 2014/15. The board were informed that the business case was due to be finalised in the next few weeks and submitted to DCLG.</p> <p>Members welcomed the RSG business case and commented positively on the draft business case so far.</p>	

Decision

Members **noted** the report and agreed to authorise the Chief Executive to finalise the business case and plan in consultation with the Chairman and submit to DCLG.

3 IDeA pension deficit – update - CONFIDENTIAL

Helen Platts introduced a report updating Members on progress with managing the IDeA's pension deficit. Board Members were informed that since the last meeting the LGA Leadership Board had taken the decision to refurbish Layden House, which would be likely to result in a significant increase in the capital value of Layden House. It was anticipated that this would more than offset the current value of the IDeA pension deficit.

Members raised a number of questions including:

- Clarification on the cash flow for carrying out the refurbishing work on Layden House. Helen Platts confirmed that the LGA's and IDeA's cash balances were currently sufficient to cover the cost of the refurbishment. There was the possibility that some money might have to be borrowed to fund the refurbishment but this was likely to be minimal.
- Whether Camden Pension Fund had agreed to Layden House being secured against the IDeA's pension deficit. Helen Platts stated that this issue had been raised with Camden but had been on hold pending a decision on the future of Layden House.

Helen Platts stated that the refurbishment of Layden House would take approximately four years to complete and would be ready in time for the completion of Crossrail in 2018, which was directly opposite Layden House in Farringdon.

Decision

Members **noted** the report.

4 Reconstruction of the LGA's associated companies - CONFIDENTIAL

Helen Platts introduced the report enabling IDeA Board Members to give effect to the transfer of LGIH to IDeA and the winding up of LGIH. This was part of the ongoing process of streamlining the LGA's overall governance arrangements.

Some Members asked the position with regards to Land Data not being able to afford to pay the additional annual contributions asked for by Camden. Helen Platts confirmed that the IDeA would be able to cover the contributions by drawing down the provision that had been made in relation to the Land Data pension deficit.

Cllr Fleming asked why it was necessary to close down one company and

start a new one, for example for the Audit Transitional Body, instead of changing the name of the LGIH. Thelma Stober explained that the terms of the LGIH were outdated and it would be more complicated and costly then closing the LGIH down and starting afresh with a new company.

Decision

Members approved:

- 1) The IDeA/LGIH transfer and the winding up of LGIH
- 2) The IDeA entry into the LGIH/IDeA transfers
- 3) The terms of the documents listed at paragraph 25 of the report, and the terms of the written resolutions to be signed by the IDeA as sole member of the LGIH and also as the Board of the IDeA.
- 4) The authorisation of any two IDeA Board members to progress, amend, finalise and sign the draft documents as necessary to be entered into in connection with the transfer.

5 Notes of the Previous meeting

Members **agreed** the note of the last meeting.

Appendix A -Attendance

Position/Role	Councillor	Authority
Chairman	Peter Fleming	Sevenoaks DC
Members	Sir Merrick Cockell	RB Kensington and Chelsea
	David Sparks OBE	Dudley MBC
	Gary Porter	South Holland DC
	Gerald Vernon-Jackson	Portsmouth City
	Marianne Overton MBE	Lincolnshire CC
	Philip Sellwood	Independent Board Member
	Richard Priestman	Independent Board Member
Apologies		
LGA Officers	Carolyn Downs	Chief Executive
	Michael Coughlin	Executive Director, Workforce, Leadership and Productivity
	Helen Platts	Head of Finance and Business Development
	Dennis Skinner	Head of Leadership and Productivity
	Thelma Stober	Corporate Legal Advisor
	Daniel Kalley	Member Services

LGA location map

Local Government Association

Local Government House
Smith Square
London SW1P 3HZ

Tel: 020 7664 3131

Fax: 020 7664 3030

Email: info@local.gov.uk

Website: www.local.gov.uk

Bus routes – Millbank

- 87** Wandsworth - Aldwych
- 3** Crystal Palace - Brixton - Oxford Circus

For further information, visit the Transport for London website at www.tfl.gov.uk

Public transport

Local Government House is well served by public transport. The nearest mainline stations are: Victoria and Waterloo: the local underground stations are

St James's Park (Circle and District Lines), **Westminster** (Circle, District and Jubilee Lines), and **Pimlico** (Victoria Line) - all about 10 minutes walk away.

Buses 3 and 87 travel along Millbank, and the 507 between Victoria and Waterloo stops in Horseferry Road close to Dean Bradley Street.

Bus routes – Horseferry Road

- 507** Waterloo - Victoria
- C10** Canada Water - Pimlico - Victoria
- 88** Camden Town - Whitehall - Westminster - Pimlico - Clapham Common

Cycling facilities

The nearest Barclays cycle hire racks are in Smith Square. Cycle racks are also available at Local Government House. Please telephone the LGA on 020 7664 3131.

Central London Congestion Charging Zone

Local Government House is located within the congestion charging zone.

For further details, please call 0845 900 1234 or visit the website at www.cclondon.com

Car parks

- Abingdon Street Car Park (off Great College Street)
- Horseferry Road Car Park
- Horseferry Road/Arneway Street. Visit the website at www.westminster.gov.uk/parking

