

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

**IMPROVEMENT AND DEVELOPMENT AGENCY
FOR LOCAL GOVERNMENT
(a UK Registered company limited by guarantee)
Company Registration No. 3675577**

**Report and Financial Statements
for the Year ended 31 March 2017**

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

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**IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
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OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

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

SECRETARY

Dennis Skinner

REGISTERED OFFICE

Local Government House
Smith Square
London
SW1P 3HZ

BANKERS

Barclays
UK Banking
1 Churchill Place
London
E14 5HP

STATUTORY AUDITOR

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

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

DIRECTORS' REPORT

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

Principal activities

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

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

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

A year in focus

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

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

Our approach is based on four key principles:

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

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DIRECTORS' REPORT

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

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

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

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

Looking ahead

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

Lord Porter of Spalding CBE

15 June 2017

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

STRATEGIC REPORT

Principal Activities

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

During 2016/17 the LGA continued to streamline its merged operations with those of its associated organisations – the Improvement and Development Agency (IDeA), its two property companies Local Government Management Board (LGMB) and LGA (Properties) Ltd, all three of which are subsidiaries of the LGA.

The shared objective of the LGA, the IDeA and the LGA's other associated organisations is to make an outstanding contribution to the success of local government as the national voice of local government working with and on behalf of the LGA's member authorities to support, promote and improve local government.

In year performance

This has been a successful year for the IDeA with significant progress on all the priorities agreed by the IDeA Board. These priorities were firmly based on the most important issues for local government. In deciding these, we looked at intelligence from councils, a great many of whom are actively involved in the LGA through representatives on our boards and panels, at issues emerging from government or already going through the legislative process, and at the economic and social challenges that impact on local authorities.

We have delivered a satisfactory financial outcome in 2016/17. From 1 April 2016, the Company became the recipient of Direct Government Grant ("DCLG Grant") to pay for improvement services to councils, replacing Revenue Support Grant. Our income from the DCLG Grant and other income including grants has reduced by 9% as compared with the previous year, and we kept costs down at the same time as continuing to deliver on our key priorities and deliver direct support to councils. The IDeA continued to make a significant payment towards its pension fund deficit.

Future Developments

As with many other parts of the public sector, we face a number of financial challenges and are taking steps to ensure that we develop new sources of income as well as continuing to reduce our costs. Our future success will rely heavily on our delivering ever greater value to local government at a time when councils themselves are facing significant reductions in their own funding and are, more than ever, questioning the value of every item of expenditure.

Principal risks and uncertainties

Our arrangements for risk management include the regular review of a strategic risk register with clear responsibilities assigned to named senior officers for the management of the principal risks. These included ensuring that we deliver on our objectives and have impact for councils, ensuring we have effective governance arrangements and financial sustainability, and ensuring we maintain employee capacity and capability. We have also put in place clear governance and project management arrangements for projects designated as being high risk from a financial or operational point view.

Our operations expose us to a variety of financial risks that include ensuring that the funds held by us are, first and foremost, secure; second, that adequate liquidity is maintained so that sufficient funds are always available to meet current liabilities; and third that the best return on investment is obtained subject to achievement of the first two objectives.

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STRATEGIC REPORT

The principal liability of the IDeA other than those arising in ordinary day to day business relates to the pension deficit. The valuation of the IDeA's pension deficit was £86.613 million at 31 March 2017, an increase of £26.904 million from last year. In order to pay off the pension deficit and liabilities for past employees, we are currently making additional contributions of circa £2.5 million per annum (increasing yearly by 0.4%). Actuarial advice indicates that on reasonable long term assumptions, these contributions will be sufficient to eliminate the deficit over a period of 15 years. The LGA's Leadership Board has commissioned further work to investigate ways in which the management of the pension deficit including the IDeA's pension deficit can be improved and has agreed to the refurbishment of Layden House from 2017 as part of this strategy.

Price risk

We have relatively low exposure to price risk. Our employee costs are controlled through formal annual negotiations with employee representatives. Our back office services are now mainly delivered in house, with ICT services delivered through jointly owned company with Brent Council, by Brent ICT team. Other services are procured from a range of external providers through competitive tendering arrangements in line with our formal procurement procedures.

Credit risk

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

Liquidity risk

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

Cash flow risk

We have both interest-bearing assets and liabilities. Subject to our liquidity requirements, which are assessed on a weekly basis, surplus funds are deposited in accordance with the Approved Investment Strategy as agreed by the LGA's Leadership Board.

Key performance indicators

We have reviewed the impact of our work and the delivery of our priorities through robust performance management which has included regular reports to the IDeA Board. In addition we have reviewed our own efficiency and effectiveness through a number of key indicators.

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

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

Environment

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

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

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STRATEGIC REPORT

- ensure that procurement of goods and services adheres to our green purchasing and procurement policy
- champion and mainstream consideration of environmental sustainability throughout our outward facing work programmes and services
- comply with all applicable legislation, regulation and with other relevant requirements relating to our environmental impacts.

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 18-19.

Consultation with employees and their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. Communication with all employees continues through direct briefing and regular use of our intranet.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with us continues and that appropriate support and training is arranged. It is our policy that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not have a disability.

Political and charitable contributions

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

Post Balance Sheet Events

There were no post balance sheet events.

Dividends

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

Directors

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

Provision of Information to Auditors

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

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

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

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STRATEGIC REPORT

Auditors

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

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

Lord Porter of Spalding CBE

15 June 2017

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

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

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

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

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

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

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

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

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

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

Respective responsibilities of Directors and Auditor

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

Scope of the audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the Financial Statements:

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

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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.

Alastair Duke
Senior Statutory Auditor

For and on behalf of
PKF Littlejohn LLP

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

Date:

IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
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STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2017

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

All amounts relate to continuing operations.

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

IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
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BALANCE SHEET
As at 31 March 2017

Company Registration No. 3675577

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

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

Signed on behalf of the Board of Directors

Lord Porter of Spalding CBE

IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
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The accounting policies and notes on pages 15 to 26 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2017

	Risk & Contingency Reserve £000	Pensions Deficit Reserve £000	General Reserve £000	Total £000
Balance at 1 April 2015	-	(75,356)	13,458	(61,898)
Changes in equity for 2015/16				
Surplus for the year	-	-	956	956
Pensions Adjustments in Statement of Consolidated income	-	(170)	170	-
Actuarial gains/loss on defined benefit plans	-	15,817	-	15,817
Total comprehensive income for the year	-	15,647	1,126	16,773
Transfer to Risk and Contingency Reserve	1,126	-	(1,126)	-
Balance as at 31 March 2016	1,126	(59,709)	13,458	(45,125)
Balance at 1 April 2016	1,126	(59,709)	13,458	(45,125)
Changes in equity for 2016/17				
Surplus for the year	-	-	2,993	2,993
Pensions Adjustments in Statement of Consolidated income	-	471	(471)	-
Actuarial gains/loss on defined benefit plans	-	(27,375)	-	(27,375)
Total comprehensive income for the year	-	(26,904)	2,522	(24,382)
Transfer to Risk and Contingency Reserve	2,522	-	(2,522)	-
Balance as at 31 March 2017	3,648	(86,613)	13,458	(69,507)

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STATEMENT OF CASH FLOWS
Year ended 31 March 2017

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

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

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

NOTES TO THE ACCOUNTS

Year ended 31 March 2017

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Subsidiary Undertaking

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

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

Going Concern

The Company has net liabilities, after accounting for the defined benefit pension scheme deficits of £86,613 million as at 31 March 2017. This position includes an actuarial estimate of the pension liabilities at the balance sheet date. The Company pays amounts into the scheme, as prescribed by the actuaries (note 15), in order to eliminate this deficit over a maximum of 15 years. The unfunded pension deficits are being repaid over the remaining lives of the pensioners concerned as detailed in note 15.

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

Investments

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

Revenue Recognition

Income

Income represents the amount receivable as grants, subscriptions and for goods sold and services provided (excluding Value Added Tax). Income from dividends due from Joint Ventures is identified separately within the Income and Expenditure account. Note 2 gives further analysis of income which is all generated in the UK.

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NOTES TO THE ACCOUNTS

Year ended 31 March 2017

Government Grants

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

Debtors

The policy of the Company is to make partial provision for debts that are over one year old and full provision for debts that are over two years old, subject to exceptions for debt due from related entities, where the policy is not to make provision. Old debt is periodically reviewed for write-off.

Employee benefits

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

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

New employees are entitled to membership of the London Borough of Camden Council defined benefit pension scheme. Under the defined benefit plan, pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities within the defined benefit pension schemes expected to arise from employee service in the period are charged to the income and expenditure account.

The expected return on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time and actuarial gains and losses are recognised in the statement of other comprehensive income as remeasurement of defined benefits pension scheme obligations. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments (included in staff costs). Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs.

Reserves

The Risk and Contingency Reserve has been created to provide cash resources to fund developments that provide opportunities to save costs or generate additional commercial income, fund external loan repayments, and also to cover the potential risks to the IDeA's medium term plans (such as increased pension deficit payments). Contributions to or from this reserve will be identified so that the IDeA budget for each year of the plan is balanced.

Company Status

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

IMPROVEMENT AND DEVELOPMENT AGENCY FOR LOCAL GOVERNMENT
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NOTES TO THE ACCOUNTS

Year ended 31 March 2017

2. INCOME

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

From 1 April 2016, the Company became the recipient of DCLG Grant income replacing Revenue Support Grant. Of the £21.400 million DCLG Grant received in 2016/17 (£23.382 million 2015/16 - RSG), £3.350 million (£5.132 million) was paid to those other bodies under arrangements agreed as part of the Business Plan for the Local Government Association and its related bodies.

3. DIRECTORS' EMOLUMENTS

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

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

No director is an active member of the pension scheme (2016: nil), nor did any director receive assets or money under any long term incentive scheme.

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

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NOTES TO THE ACCOUNTS

Year ended 31 March 2017

4. STAFF INFORMATION

Staff information for the Company is as follows:

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

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Year ended 31 March 2017

4. STAFF INFORMATION (CONTINUED)

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

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

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

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

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

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

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Year ended 31 March 2017

5. OPERATING SURPLUS

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

6. TAXATION

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

7. INVESTMENTS

Geoplace LLP

Under an agreement dated 17 November 2010, the Secretary of State for Communities & Local Government, acting through Ordnance Survey, entered into an agreement (the LLP Members' Agreement) with Improvement and Development Agency for Local Government (IDeA) and the Local Government Association, for the formation of a new joint venture, the limited liability partnership GeoPlace LLP. Ordnance Survey and IDeA each contributed £1 by way of equity capital. The distributable profits of GeoPlace LLP are allocated 25% to IDeA and 75% to Ordnance Survey. GeoPlace LLP commenced trading on 1 April 2011 and has traded profitably in the years to 31 March 2017. The company received a dividend of £1,375m in 2016/17 (£1,750m in 2015/16).

Public Sector Audit Appointments Ltd

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

- The LGA/IDeA do not control the entity - the IDeA appointed the first director, the rest has been down to the company itself.
- The Group is not able to share in assets or profits of the company, and surplus funds at the end of the arrangement with DCLG must be returned to the clients, as outlined in the memorandum of understanding.
- To enable the LGA/IDeA statements to show a true and fair view, in particular adding an expected £65.2m to both income and expenditure which would give the impression that the group and IDeA are much larger organisations than they really are.

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Year ended 31 March 2017

8. DEBTORS

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

9. LONG TERM DEBTORS

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

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

10. SHORT TERM INVESTMENTS

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

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

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

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Year ended 31 March 2017

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

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

13. NOTES TO THE STATEMENTS OF CASH FLOWS

Cash and Cash equivalents

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

14. PROVISIONS FOR LIABILITIES

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

The provision as at 31 March 2017 relates entirely to redundancy costs and pensions settlement. The LGA Group has undertaken further restructuring of its organisation in order to streamline its processes and deal with a significant reduction in funding. This provision has been set up to cover the further cost of voluntary redundancies which have been agreed with members of staff.

15. PENSION COMMITMENTS

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

The most recent formal actuarial reviews in relation to the funds were at 31 March 2016. The actuarial assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. The assumptions made by the actuaries, Hymans Robertson for the Camden funds are stated below. The next Triennial valuation as at 31 March 2019 will take place during the Financial Year 2019-20.

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

Investment returns

The return on the Fund in market value terms for the year to 31 March 2017 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary.

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

15 - PENSION COMMITMENTS (CONTINUED)

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

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

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

a) Actuarial assumptions

The assumptions used by the actuary were:

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

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

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

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NOTES TO THE ACCOUNTS

Year ended 31 March 2017

15 - PENSION COMMITMENTS (CONTINUED)

Recognition in the Statement of Comprehensive Income

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

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

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

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Year ended 31 March 2017

15 - PENSION COMMITMENTS (CONTINUED)

AMOUNTS FOR THE CURRENT AND PREVIOUS ACCOUNTING PERIODS

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

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

16. CONTROLLING ENTITY

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

17. RELATED PARTIES

The Company had the following transactions with related parties:

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

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

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Year ended 31 March 2017

the shared service costs, property rental charges, DCLG Grant shared funding transfers and other day to day activity recharges.

18. POST BALANCE SHEET EVENTS

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

19. CONTINGENT LIABILITIES

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