

LOCAL GOVERNMENT ASSOCIATION

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2009

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INTRODUCTION

The Local Government Association was set up as an unincorporated body on 1 April 1997 following the merger of the three previous local authority associations covering England and Wales (the Association of County Councils, the Association of District Councils, and the Association of Metropolitan Authorities), to provide a single voice for local government.

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

REVIEW OF THE YEAR AND FUTURE DEVELOPMENTS

The past year has been a challenging one for local government, and the LGA is no exception. Responding to the unexpected has been an underlying theme, with few people predicting or planning for the rapid move from economic growth to global recession in little over nine months, and the wide ranging implications for local authorities and their communities.

In May 2008, Liberata took over responsibility for the LGA group's support services with projected savings of £29 million over 10 years. Further measures over the year including tighter controls on staffing and leasing part of Layden House to Liberata allowed the organisation to deliver on the LGA Executive's decision to freeze subscriptions in 2010 with a reduction for the smallest districts.

July saw what was widely acclaimed as the most successful annual conference in Bournemouth which centred on our six Putting People First campaigns:

- Fair care (adult social care)
- Small change big difference (climate change)
- Safe and secure (community safety)
- Local democracy
- Places you want to live (housing)
- My council (reputation)

The launch of the My Council poster campaign led to over 100 councils signing up to receive free marketing material to help them promote the range of services they provide.

The LGA's general assembly endorsed the LGA group development strategy "Getting Closer" as the basis for more integrated working between the LGA, IDeA, LGE, 4ps, LACORS and the Leadership Centre for Local Government. Delivering that strategy has been an ongoing theme of the LGA's work over the last year.

In August 2008 Simon Milton announced his intention to stand down as chairman of the LGA to take up the post of deputy mayor of the Greater London Authority and in September Margaret Eaton became our first female chairman.

With only weeks to get into her new role Margaret was at the forefront of a media campaign to defend local authorities in the wake of the collapse of the Icelandic banking system and the tragic death of Baby P.

Work to secure councils' Icelandic investments and prevent any move to reduce council control over their own finances is ongoing.

The chairman's summit on Protecting Children saw leading members and directors for childrens' services joined by key partners emphasising their commitment to learning from the tragedy of baby P and to drive immediate improvements in child protection. In response, the LGA's respect and protect campaign launched in March this year aims to attract experienced social workers back into the profession and rebuild its damaged reputation.

December saw a major lobbying success as the LGA working cross party with councils persuaded the government to abandon proposals to introduce directly elected police authorities. In January I was appointed Chief Executive of the LGA following the departure of Paul Coen with a clear brief to deliver on the commitments of the getting closer strategy and in particular of increasing the involvement of councils and councillors in the LGA's lobbying and campaigning activities.

February's snow brought new challenges for councils as the LGA worked with the Highways Agency and the Met Office to secure salt supplies for councils in need whilst the final round of CPA assessments in March underlined the need to support councils in improving child protection.

The challenges ahead

The backdrop for 2009-10 will be economic recession and increasing financial constraints in the run-up to what will be the most competitive election in the LGA's history. More than ever this is a time when local government needs a strong voice in the national arena influencing policies and pre-election manifestos of all the main parties, maintaining a consistent and positive media profile for councils as the spotlight on the public sector intensifies.

Protecting children, supporting a growing older population and providing homes will be consistent themes along with the impact of recession and the threat of global terrorism on crime and community cohesion. Against this councils will face tough financial decisions, our challenge will be to demonstrate the tangible benefits of LGA membership.

John Ransford

Chief Executive

Changes in how the LGA delivers services

These accounts cover the 12 months to 31st March 2009. This was a year when the LGA Group implemented major changes in the way services were delivered. In May 2008 Liberata took on responsibility for back office activities ranging from finance to facility management. Several of the figures in the accounts reflect this change.

Income

The LGA generated £20.3m in income (page 10) up £890,000 or 4.6% on the previous 12 months. Most of the increases in funding were to undertake specific projects.

£14.9m came from subscriptions from member authorities, up 1% on the year previous, while net income from courses and conferences remained steady, in part a reflection of the increasing pressure on local authority budgets.

In the previous year to March 2008 the LGA earned £483,000 in interest on its cash balances but lower interest rates towards the end of 2008 contributed to this figure falling to £247,000 in the year to March 2009.

Costs

Staff costs fell from £13.2m in 2008 to £9.9m in 2009 because 87 former LGA staff were transferred to Liberata.

In 2009 the LGA made payments of £12.8m to Liberata and the shared services office - £9.7m of this total was then recharged to other parts of the LGA Group in line with an agreed formula.

End of year position

In the year the LGA funded several extra costs not in the original budget. These included: extra pension contributions, additional bad debt provisions and some shared services costs.

However tight cost control in the second half of the year meant the LGA reduced spending across a range of other budgets. As a result the LGA ended the year with a £218,000 over-spend (before pension adjustments), equal to 1.1% of our budget.

Balances

After taking account of this over-spend LGA had an accumulated surplus of £460,000 (page 19). There is a further £175,000 in a building maintenance reserve.

Current assets and liabilities

A key financial ratio is to compare the LGA's current assets (cash and debtors) with liabilities - which we will need to meet in the coming months. The value of current assets is more than twice the current liabilities - which is a positive indicator.

The LGA held £1.4m cash in the bank at March 2009 (page 12). The LGA is also due to receive a net payment of £2.6m from other parts of the LGA Group.

LOCAL GOVERNMENT ASSOCIATION
REVIEW BY CHAIRMAN OF RESOURCES PANEL (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

Pensions

LGA pensions are managed by West Sussex and Merseyside Council Pension funds. In common with other local authority funds the LGA's pension deficit rose by £1.2m to reach £30.5m (page 19) at the end of the financial year. This sum is being funded by increased contributions over the coming 25 years.

Future plans

Tight cost control will be at the heart of the LGA finances. The LGA agreed a 2009-10 budget which incorporates 10% savings on most 2008-9 cost centres. A medium-term financial model is being developed.

The 2009-10 budget includes additional provisions for doubtful debts and an increased contingency for unforeseen events.

Individual 2009-10 budgets have been reduced and managers are aware of the tighter financial limits. In addition senior management are ensuring only essential recruitment takes place.

The LGA is strengthening its credit management arrangements to ensure debts are recovered in good time.

Councillor Keith R Mitchell CBE
Chairman of the Resources Panel

LOCAL GOVERNMENT ASSOCIATION

STATEMENT OF RESOURCES PANEL'S RESPONSIBILITIES

The Resources Panel of the Local Government Association ('the Resources Panel') have accepted responsibility for the preparation of these non-statutory accounts for the year ended 31 March 2009 which are intended by them to give a true and fair view of the state of affairs of the LGA and of the profit or loss for that period. They have decided to prepare the non-statutory accounts in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the non-statutory accounts; and
- prepared the non-statutory accounts on the going concern basis as they believe that the LGA will continue in business.

The Resources Panel have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LGA and to prevent and detect fraud and other irregularities.

The list of members of the Resources Panel for 2008/9 is as follows:

Cllr Keith R Mitchell CBE (Chairman)
Cllr Sharon Taylor (Vice Chair)
Cllr Keith Whitmore (Deputy Chair)
Alderman Ian D Luder (Deputy Chair)
Cllr Tony Martin
Cllr Paul Massey
Cllr Gordon Keymer CBE
Cllr Mike Freer
Cllr David M Caunt

LOCAL GOVERNMENT ASSOCIATION

REPORT OF KPMG LLP TO THE LOCAL GOVERNMENT ASSOCIATION

We have audited the non-statutory accounts of the Local Government Association ('LGA') for the year ended 31 March 2009 which comprise the income and expenditure account, the balance sheet, the statement of recognised gains and losses, the cashflow and the related notes.

Our report has been prepared for the LGA solely in connection with our audit of the non-statutory accounts for the year ended 31 March 2009. It has been released to the LGA on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the LGA's own internal purposes) or in part, without our prior written consent.

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

Respective responsibilities of Resources Panel and KPMG LLP

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

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

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

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

Basis of audit opinion

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

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

LOCAL GOVERNMENT ASSOCIATION

REPORT OF KPMG LLP TO THE LOCAL GOVERNMENT ASSOCIATION

Opinion

In our opinion the non-statutory accounts give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Local Government Association's affairs as at 31 March 2009 and of its operating surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985, as if those requirements were to apply, with the exception of Financial Reporting Standard No 2 – Accounting for Subsidiary Undertakings.

KPMG LLP
Chartered Accountants
June 2009

LOCAL GOVERNMENT ASSOCIATION
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR TO 31 MARCH 2009

	Notes	2009 Income £000	2009 Expenditure £000	2009 Net £000	2008 Net £000
SUBSCRIPTIONS AND OTHER INCOME					
Subscriptions		14,907	0	14,907	14,755
Conferences and seminars		2,361	917	1,444	1,464
Other		3,976	0	3,976	3,218
		21,244	917	20,327	19,437
NET OPERATING EXPENSES					
Staff costs	1	486	10,413	9,927	13,160
Accommodation		0	1,899	1,899	1,411
Communications		22	546	524	983
Services		0	2,600	2,600	3,270
Members		17	1,796	1,779	1,848
Shared Services		9,655	12,818	3,163	(1,419)
		10,180	30,072	19,892	19,253
Operating surplus				435	184
Bank interest receivable				247	483
Interest paid				(456)	(456)
Other finance expense	3			(1,501)	(108)
(Deficit) / Surplus after interest				(1,275)	103
(DEFICIT) / SURPLUS FOR THE FINANCIAL YEAR				(1,275)	103

Effect of Pension Scheme accounting adjustments (FRS17) on (Deficit)/Surplus for the financial year:

(Deficit)/Surplus for the year before pension scheme accounting adjustments	(218)	329
Adjustment for excess of pension scheme contributions over relevant service costs	444	(118)
Adj. for excess of pension scheme financing costs over expected investment return	(1,501)	(108)
(DEFICIT) / SURPLUS FOR THE FINANCIAL YEAR	(1,275)	103

The association's income and expenses all relate to continuing operations.

The deficit for the year has been calculated on the historical cost basis.

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

LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE YEAR TO 31 MARCH 2009

	Notes	2009 £'000s	2008 £'000s
(Deficit) / Surplus for the financial year		(1,275)	103
Actuarial (loss) recognised in respect of the pension fund	9	(121)	(10,162)
Total recognised gains and losses relating to the year		<u>(1,396)</u>	<u>(10,059)</u>

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

LOCAL GOVERNMENT ASSOCIATION
BALANCE SHEET
as at 31st March 2009

	Notes	2009 £'000s	2008 £'000s (restated)
FIXED ASSETS			
Tangible Assets	5	0	0
CURRENT ASSETS			
Stock		0	39
Debtors	6	8,002	6,297
Cash at bank and in hand		1,423	3,985
Total Current Assets		9,425	10,321
CREDITORS			
Amounts falling due in one year	7	(4,265)	(4,943)
NET CURRENT ASSETS		5,160	5,378
TOTAL ASSETS LESS CURRENT LIABILITIES		5,160	5,378
Provisions for Liabilities and Charges			
Net Assets before pensions		5,160	5,378
Pension asset		50,319	63,217
Pension liability		(80,829)	(92,549)
Net Pension liability	8	(30,510)	(29,332)
NET LIABILITIES		(25,350)	(23,954)
CAPITAL AND RESERVES	9		
Balance b/fwd as at 1 April 2008		(23,954)	(14,185)
Restatement adjustment			290
(Deficit)/surplus for the financial year		(1,275)	103
Actuarial gain/(loss) in respect of the pension fund		(121)	(10,162)
NET LIABILITIES		(25,350)	(23,954)

and signed on its behalf

John Ransford
Chief Executive

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

The 2007/8 figures have been restated to reflect changes in FRS17 reporting requirements - see note 10.

LOCAL GOVERNMENT ASSOCIATION
CASH FLOW STATEMENT
as at 31 MARCH 2009

	Notes	2009 £'000s	2008 £'000s
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	11	(2,353)	1,151
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		247	483
Finance discounts for former AMA authorities	*	(456)	(456)
Net cash (outflow) / inflow from returns on investments & servicing of finance		(209)	27
INVESTING ACTIVITIES			
Purchase of tangible assets		0	(625)
Net cash outflow from investing activities		0	(625)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING	12	(2,562)	553
(Decrease)/Increase in cash		(2,562)	553
RECONCILIATION OF NET CASH TO MOVEMENT IN NET DEBT			
		2009 £'000s	2008 £'000s
(Decrease) / Increase in cash		(2,562)	553
Change in cash at bank		(2,562)	553
Cash at bank at 1 April		3,985	3,432
Cash at bank at 31 March		1,423	3,985

*Note: This figure relates to the discount given to certain member authorities as "interest" on a loan.

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

LOCAL GOVERNMENT ASSOCIATION

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2009

A BASIS OF ACCOUNTING

The Local Government Association is an unincorporated association governed by its constitution. The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards with the exception of FRS2: accounting for subsidiary undertakings; and Schedule 6 to the Companies Act 1985: Directors' Remuneration. It is considered that consolidation of the results of the related organisations listed in note C, as required by FRS2, would not add significantly to the understanding of the financial position of the Association.

B GOING CONCERN

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

The Association has net liabilities, after accounting for the defined benefit pension scheme deficits of £25.4m as at 31 March 2009. This position includes an actuarial estimate of the pension liabilities at the balance sheet date. The Association pays amounts into the schemes, as prescribed by the actuaries (note 10), in order to eliminate this deficit over 25 years.

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

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

C Related Parties

The LGA is the controlling entity for the following organisations.

	Value of related party transactions in year 2009 (inc)/£	Value of related party transactions in year 2009 exp /£	Outstanding balance at 31 March 2009 dr (cr)/£	Value of related party transactions in year 2008 exp (inc)/£	Outstanding balance at 31 March 2008 dr (cr)/£
LGA (Properties) Ltd	0	1,658,272	840,590	1,411,295	331,544
IDEA	(7,517,106)	626,069	992,331	(5,483,697)	(372,942)
LGE	(1,281,218)	24,245	186,015	(1,974,283)	149,670
LGMB	(73,092)	618,113	417,312	526,000	403,087
LGIB	0	74	(115,704)	(1,461,864)	0
CPS	(64,318)	0	11,808	(36,032)	0
LACORS	(938,830)	15,097	160,452	(817,172)	(77,917)
LGIH	(18,729)	0	7,501	(4,584)	0
4Ps	(757,881)	55,661	93,750	(551,434)	287,721

D FIXED ASSETS AND DEPRECIATION

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

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

LOCAL GOVERNMENT ASSOCIATION

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

E INCOME AND EXPENDITURE

Subscriptions and other income are accounted for on a receivable basis. Expenditure is accounted for on an accruals basis.

F PENSIONS

New employees are entitled to membership of the Merseyside defined benefit pension scheme. Existing staff remain members of either the Merseyside or the West Sussex schemes. Under the defined benefit plans, pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities within the defined benefit pension schemes expected to arise from employee service in the period are charged to the income and expenditure account.

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

G TAXATION STATUS

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

H PROVISION

The provision level for doubtful debt is calculated on the basis of 100% of balances outstanding for more than two years. The provision excludes balances of all related parties and subscriptions which reflects the membership nature of the LGA. It is assumed that this membership debt will eventually be paid.

LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2009

1	STAFF COSTS		
	Association and Group	2009	2008
		£'000s	£'000s
	Employment costs and related expenses		
	All employees:		
	Salaries	6,983	9,461
	Employer's social security costs	654	884
	Employer's pension costs cash paid into scheme (see note 10)	1,712	1,512
	Pension scheme current service cost less contributions (FRS 17)	(444)	118
		8,905	11,975
	Less: Income from secondments	(486)	(620)
	Transfers to political support groups	(544)	(501)
		(1,030)	(1,121)
		7,875	10,854
	Other staff costs:		
	Agency, freelance & secondment costs	1,037	1,208
	Recharges re unfunded pension liabilities	480	484
	Travel, subsistence and staff expenses	208	292
	Recruitment costs	172	167
	Training costs	123	139
	Other personnel costs	32	16
		2,052	2,306
	Total staff costs	9,927	13,160

The average number of employees during the year was 157 (2007/08: 243).

Higher Paid employees

The Association is not required to disclose the number of employees whose remuneration was over £50,000 in the year, but it has been included to assist the reader's understanding of the financial statements. As with local authority disclosure requirements, remuneration excludes pension contributions but includes redundancy and all taxable benefits paid to or receivable by an employee.

Remuneration Band	Number of Employees 2008/09
£50,000 - £59,000	13
£60,000 - £69,999	9
£80,000 - £89,999	7
£90,000 - £99,999	4
£100,000 - £109,999	1
£150,000 - £159,999	1
£190,000 - £199,999	1
£240,000 - £249,999	1
Total Number	37

LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2009 (CONTINUED)

2 WELSH LOCAL GOVERNMENT ASSOCIATION

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

3 OTHER FINANCE EXPENSE	2009 £'000s	2008 £'000s
Expected return on pension scheme assets	4,269	4,259
Interest on pension scheme liabilities	(5,770)	(4,367)
	(1,501)	(108)

4 Operating profit is after charging:	2009 £	2008 £
Auditors remuneration - statutory audit fee	10,500	10,500

5 TANGIBLE FIXED ASSETS

	Computers & Information Systems £'000s	Equipment £'000s	Furniture & Fittings £'000s	Total 2009 £'000s	Total 2008 £'000s
COST					
At start of year	0	0	0	0	1,272
Additions	0	0	0	0	625
Disposals	0	0	0	0	(1,897)
At end of year	0	0	0	0	0
DEPRECIATION					
At start of year	0	0	0	0	696
Charge for the year	0	0	0	0	615
Disposals	0	0	0	0	(1,311)
At end of year	0	0	0	0	0
NET BOOK VALUE	0	0	0	0	0

6 DEBTORS	2009 £'000s	2008 £'000s
Accounts receivable (less provision for doubtful debts)	2,203	3,954
Prepayments	851	227
Accrued income	173	179
Other debtors	749	820
Amounts owed by related parties	4,026	1,117
	8,002	6,297

LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2009 (CONTINUED)

7 CREDITORS

	2009 £'000s	2008 £'000s
Amounts falling due within one year		
Accounts payable and accruals	2,070	4,035
Income received in advance	100	97
Project balances	48	114
Other creditors	617	301
Amounts owed to related parties	1,430	396
	4,265	4,943

8 PROVISION FOR LIABILITIES AND CHARGES

	2009 £'000s	2008 £'000s restated
Pension provisions:		
Restatement adjustment	0	(290)
Balance brought forward	29,332	19,470
Increase / (reduction) in provisions	1,178	10,152
	30,510	29,332

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

The summary of pension provision is:-

	2009 £'000s	2008 £'000s restated
Unfunded pension deficit	(1,400)	(2,167)
West Sussex pension deficit	(15,069)	(10,662)
Merseyside pension deficit	(14,041)	(16,503)
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	(30,510)	(29,332)

LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2009 (CONTINUED)

9 RESERVES	Accum. Surplus £'000	Pension Reserve £'000	Major Reps & Maintenance Reserve £'000	Pension Deficits £'000	Total £'000
As at 1 April 2008 (restated)	678	4,525	175	(29,332)	(23,954)
Surplus/ (Deficit) for the year	(218)	0	0	(1,057)	(1,275)
Actuarial gain/(loss)	0	0	0	(121)	(121)
As at 31 March 2009	460	4,525	175	(30,510)	(25,350)

	Unfunded Pension Deficit £'000	West Sussex Pension Deficit £'000	Merseyside Pension Deficit £'000	Total £'000
As at 1 April 2008 (restated)	(2,167)	(10,662)	(16,503)	(29,332)
(Deficit)/Surplus for the year	0	(180)	(877)	(1,057)
Actuarial gain/(loss)	767	(4,227)	3,339	(121)
As at 31 March 2009	(1,400)	(15,069)	(14,041)	(30,510)

10 PENSIONS

Current Pension Schemes

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

Financial Reporting Standard, FRS 17 – Retirement Benefits, requires the financial statements for the year ending 31 March 2009 to reflect at fair value the assets and liabilities arising from the associations's retirement benefit obligations and related funding.

In December 2006, the UK Accounting Standards Board (ASB) issued an amendment to Financial Reporting Standard FRS17, replacing the existing disclosures with those of the International Accounting Standard IAS19. This is the first time that the new style disclosures have been used in the preparation of the LGA financial statements. The amended FRS17 included a requirement for the fair value of assets to be stated at bid values as opposed to the previous requirement of, in effect, mid-market valuations. The comparative figures for 2007/8 have been restated to reflect these changes.

Merseyside Pension Fund

The most recent formal actuarial review in relation to the Merseyside Pension Fund was at 31 March 2007. The actuarial assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The major data used by the actuary were as follows:

Investment returns

The investment return used in calculating the year end assets is -17.9%. This is made up of -17.7% less a 0.2% allowance for expenses.

The major categories of plan assets as a a percentage of total plan assets	At 31 March 2009	At 31 March 2008
	£'000	£'000
Equities	53.60%	57.50%
Government bonds	17.70%	16.10%
Other bonds	4.80%	5.90%
Property	9.30%	8.70%
Cash	4.20%	4.50%
Other	10.40%	7.30%

The major assumptions used by the actuary were as follows:	At 31 March 2009	At 31 March 2008
	£'000	£'000
Financial Assumptions		
Rate of increase in salary	4.55%	4.85%
Rate of increase in pensions in payment	3.30%	3.60%
Discount rate	7.10%	6.10%
Inflation assumption	3.30%	3.60%

Breakdown of the expected return on assets by category

Equities	7.50%	7.50%
Government bonds	4.00%	4.60%
Other bonds	6.00%	6.10%
Property	6.50%	6.50%
Cash	0.50%	5.25%

LOCAL GOVERNMENT ASSOCIATION
Other

7.50%

7.50%

LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2009 (CONTINUED)

	At 31 March 2009 £'000	At 31 March 2008 £'000
The balance sheet disclosures as at 31 March 2009		
Fair value of employer assets		
Equities	14,158	18,357
Government bonds	4,675	5,139
Other bonds	1,268	1,883
Property	2,457	2,777
Cash	1,109	1,436
Other	2,747	2,330
	26,414	31,922
Balance Sheet		
Fair value of employer assets	26,414	31,922
Present value of funded liabilities	(39,711)	(47,558)
Net (under) / overfunding in Funded plans	(13,297)	(15,636)
Present value of unfunded liabilities	(744)	(867)
Net Asset / (Liability)	(14,041)	(16,503)
The Revenue account costs for the year to 31 March 2009		
	At 31 March 2009 £'000	At 31 March 2008 £'000
Recognition in the profit and loss		
Current service cost	905	1,022
Interest cost	2,953	1,899
Expected return on Employer Assets	(2,102)	(1,792)
Past service (loss)/gain	275	337
Curtailment/settlement (loss)/gain	0	61
Total	2,031	1,527
Actual return on Plan assets	(5,734)	(414)

LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2009 (CONTINUED)

	At 31 March 2009 £'000	At 31 March 2008 £'000
Reconciliation of defined benefit obligation		
Benefit obligation at beginning of period	48,425	34,437
Current service cost	905	1,022
Interest cost	2,953	1,899
Member contributions	405	435
Actuarial Losses / (Gains)	(11,175)	10,235
Past service (loss)/gain	275	337
Curtailment/settlement (loss)/gain	0	61
Business Combinations	0	0
Settlements	0	0
Benefits / transfers paid	(1,333)	(1)
Benefit obligation at end of period	40,455	48,425

	At 31 March 2009 £'000	At 31 March 2008 £'000
Reconciliation of fair value of employer assets		
Opening fair value of employer assets	31,922	26,766
Expected return on Plan assets	2,102	1,792
Member contributions	405	435
Employer contribution	1,154	1,270
Actuarial (Losses) / Gains	(7,836)	1,660
Business Combinations	0	0
Settlements	0	0
Benefits / transfers paid	(1,333)	(1)
Closing Fair Value of employer assets	26,414	31,922

	2009 £'000	2008 £'000
Amounts for the current and previous periods		
Fair value of Employer Assets	26,414	31,922
Present value of defined benefit obligation	(40,455)	(48,425)
Surplus / (Deficit)	(14,041)	(16,503)
Experience gains / (Losses) on Assets	(7,836)	1,660
Experience gains / (Losses) on Liabilities	0	(8,831)
	(35,918)	(40,177)

	2009 £'000	2008 £'000
Amounts recognised in STRGL		
Actuarial Gains / (losses)	3,339	(8,575)
Increase/(Decrease) in irrecoverable surplus membership	0	0
Actuarial Gains / (losses) recognised in STRGL	3,339	(8,575)
Cumulative Actuarial gains and losses	(9,494)	(12,833)

	2007 £'000	2006 £'000	2005 £'000
Amounts for the current and previous periods			
Fair value of Employer Assets	26,766	23,210	18,098
Present value of defined benefit obligation	(34,437)	(31,902)	(26,283)
Surplus / (Deficit)	(7,671)	(8,692)	(8,185)
Experience gains / (Losses) on Assets	(9)	3,002	892
Experience gains / (Losses) on Liabilities	0	(731)	(1,501)
	(15,351)	(15,113)	(16,979)

	2007 £'000	2006 £'000	2005 £'000
Amounts recognised in STRGL			
Actuarial Gains / (losses)	1,982	(600)	(5,640)
Increase/(Decrease) in irrecoverable surplus membership	0	0	0
Actuarial Gains / (losses) recognised in STRGL	1,982	(600)	(5,640)
Cumulative Actuarial gains and losses	(4,258)	(6,240)	(5,640)

LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2009 (CONTINUED)

West Sussex County Council Pension Fund

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

The major data used by the actuary were as follows:

Investment returns

Actual return for Period from 1 April 2008 to 31 December 2008	-13.8%
Estimated Return for Period from 1 April 2008 to 31 March 2009	-20.8%

The major categories of plan assets as a percentage of total plan assets	At 31 March 2009	At 31 March 2008
	£'000	£'000
Equities	70%	71%
Bonds	19%	17%
Property	8%	8%
Cash	3%	4%

The major assumptions used by the actuary were as follows:	At 31 March 2009	At 31 March 2008
	£'000	£'000
Financial Assumptions		
Rate of increase in salary	4.6%	5.1%
Rate of increase in pensions in payment	3.1%	3.6%
Discount rate	6.9%	6.9%
Inflation assumption	3.1%	3.6%
Expected return on assets	6.4%	7.1%

Breakdown of the expected return on assets by category

Equities	7.0%	7.7%
Bonds	5.4%	5.7%
Property	4.9%	5.7%
Cash	4.0%	4.8%

The balance sheet disclosures as at 31 March 2009	At 31 March 2009	At 31 March 2008
	£'000	£'000
Fair value of employer assets		
Equities	16,734	22,365
Bonds	4,542	5,300
Property	1,912	2,472
Cash	717	1,158
	23,905	31,295

LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2009 (CONTINUED)

	At 31 March 2009 £'000	At 31 March 2008 £'000 (restated)
Balance Sheet		
Fair value of employer assets	23,905	31,295
Present value of funded liabilities	(35,550)	(38,358)
Net (under) / overfunding in Funded plans	(11,645)	(7,063)
Present value of unfunded liabilities	(3,424)	(3,599)
Net (Liability)	(15,069)	(10,662)
The Revenue account costs for the year to 31 March 2009	At 31 March 2009 £'000	At 31 March 2008 £'000
Recognition in the profit and loss		
Current service cost	54	182
Interest cost	2,817	2,468
Expected return on Employer Assets	(2,167)	(2,464)
Past service cost	106	62
Curtailment/settlement loss	0	201
Total	810	449
Actual return on Plan assets	(6,330)	(921)
Reconciliation of defined benefit obligation	At 31 March 2009 £'000	At 31 March 2008 £'000
Benefit obligation at beginning of period	41,957	45,074
Current service cost	54	182
Interest cost	2,817	2,468
Member contributions	24	52
Actuarial (Gains)	(3,487)	(3,844)
Past service costs / (gain)	106	62
Losses on Curtailments	0	201
Estimated Unfunded Benefits Paid	(248)	(239)
Estimated Benefits Paid	(2,249)	(1,999)
Benefit obligation at end of period	38,974	41,957
Reconciliation of fair value of employer assets	At 31 March 2009 £'000	At 31 March 2008 £'000
Opening fair value of employer assets	31,295	34,837
Expected return on Plan assets	2,167	2,464
Member contributions	24	52
Employer contributions	382	374
Contributions in respect of unfunded benefits	248	239
Actuarial (Losses)	(7,714)	(4,433)
Unfunded Benefits Paid	(248)	(239)
Benefits Paid	(2,249)	(1,999)
Closing Fair Value of employer assets	23,905	31,295

LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2009 (CONTINUED)

	2009	2008
Amounts for the current and previous periods	£'000	£'000
fair value of Employer Assets	23,905	31,295
Present value of defined benefit obligation	(38,974)	(41,957)
(Deficit)	(15,069)	(10,662)
Experience (Losses) on Assets	(7,714)	(4,433)
Experience gains / (losses) on Liabilities	869	(1,285)
	(36,983)	(27,042)
Amounts recognised in STRGL	2009	2008
	£'000	£'000
Actuarial Gains / (losses)	(4,227)	(604)
Increase/(Decrease) in irrecoverable surplus membership	0	0
Actuarial Gains / (losses) recognised in STRGL	(4,227)	(604)
Cumulative Actuarial gains and losses	1,019	5,246

	2007	2006	2005
Amounts for the current and previous periods	£'000	£'000	£'000
Fair value of Employer Assets	34,837	34,484	28,890
Present value of defined benefit obligation	(45,074)	(46,888)	(42,324)
(Deficit)	(10,237)	(12,404)	(13,434)
Experience (losses)/gains on Assets	(660)	4,914	1,246
Experience gains on liabilities	3	0	499
	(21,131)	(19,894)	(25,123)
Amounts recognised in STRGL	2007	2006	2005
	£'000	£'000	£'000
Actuarial Gains	1,959	1,033	1,232
Increase/(Decrease) in irrecoverable surplus membership	0	0	0
Actuarial Gains recognised in STRGL	1,959	1,033	1,232
Cumulative Actuarial gains and losses	5,850	3,891	2,858

Unfunded Pension Liabilities

The LGA and predecessor organisations has incurred pension liabilities which were outside the funded benefits provided by the pension schemes involved, which were therefore unfunded. These liabilities were estimated by an actuary at 31 March 2009 at £4.2m (2008 £5.0m). The LGA had previously made provision for these liabilities, some of which were included in the valuations of the Merseyside and West Sussex schemes. The unfunded liabilities are being paid annually over the remaining lives of the pensioners concerned.

LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 MARCH 2009 (CONTINUED)

	2009 £'000	2008 £'000
Analysis of the amount charged to operating profit		
Current service cost	(959)	(1,204)
Past service cost/curtailment loss	(381)	(460)
Total operating charge	(1,340)	(1,664)

NOTES ON CASH FLOW STATEMENT

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

	2009 £'000	2008 £'000
Operating surplus	435	184
Depreciation (including disposals)	0	1,201
Non cash adjustment on pension scheme	(444)	(118)
Decrease/(Increase) in stock	39	12
Decrease/(Increase) in debtors	(1,705)	1,451
(Decrease)/Increase in creditors	(678)	(1,579)
	(2,353)	1,151
Net cash inflow from operating activities	(2,353)	1,151

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	At 1 April 2008 £'000	Cashflows £'000	Other Changes £'000	At 31 Mar 2009 £'000
Cash at bank	3,985	(2,562)	0	1,423
	3,985	(2,562)	0	1,423