

LOCAL GOVERNMENT ASSOCIATION

Report and Financial Statements

for the year ended 31 March 2010

LOCAL GOVERNMENT ASSOCIATION

**REPORT AND FINANCIAL STATEMENTS 2010
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LOCAL GOVERNMENT ASSOCIATION

CHIEF EXECUTIVE'S REPORT

Introduction

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

The Association had 424 member authorities in England and Wales in 2009-10. The 22 Welsh authorities are in corporate membership through the Welsh Local Government Association. The LGA lobbies and campaigns for changes in policy and legislation on behalf of its member councils and the people and communities they serve. It works with and on behalf of its membership to deliver a shared vision of an independent and confident local government sector, where local priorities drive public service improvement in every city, town and village and every councillor acts as a champion for their ward and for the people they represent.

Business review

The LGA and the five bodies with which it is most closely associated - the Improvement & Development Agency (IDeA), Local Government Employers (LGE), Local Authority Co-ordinators of Regulatory Services (LACORS), Public Private Partnerships Programme (4ps) and the Leadership Centre for Local Government (LCLG) - have a shared ambition is to make an outstanding contribution to the success of local government. For the first time in 2009-10 the six organizations worked together to set common goals for the year ahead, through a business strategy that was a groundbreaking first for the group.

The priorities in the group business plan were firmly based on evidence and research, identifying the issues most important to member councils. The priorities set covered the recession, the reputation of local government and the need for even greater value for money. The LGA addressed these priorities across all its policy work in the areas of the economy, culture, tourism and sport, housing, safer communities, the environment, children and young people and adult social care. Getting closer to the membership, improving the efficiency of the business and ensuring that staff were trained and equipped to provide a first-class service were identified as key to the LGA group's success.

The Association delivered significant achievements in all its main areas of business. On the economy, the Future Jobs Fund was delivered and government and opposition spokesmen made clear statements recognising the role of councils as central to economic delivery. Member authorities facing major challenges as a result of government decisions on the funding of the national concessionary fares scheme were well supported, with extensive lobbying securing changes in the scheme funding and a high profile report on bus subsidies laying the ground effectively for further lobbying activity. LGA lobbying also secured additional funding of £100m for councils to spend on road pothole repairs following the severe winter weather.

In culture, tourism and sport, lobbying and media activity highlighted local government's achievements and networks were established to support the delivery of priorities related to the 2012 Olympics.

Sustained work on housing was rewarded with proposals from the government to reform the Housing Revenue Account, with the prospect of an end to the 'tenant tax'. Additional funding was secured from government for new council house building and the development of the Community Infrastructure Levy regulations reflected the position for which the LGA had lobbied. On wider environmental issues, the Government's heat and energy strategy published in

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January was in line with the LGA position, and lobbying on the Floods Bill secured a positive outcome.

The Association's work on safer communities secured a number of policy changes, including a notable concession by government to amend the law on the licensing of lap dancing businesses. The LGA played a major part in work to handle national emergencies, in particular in relation to winter salt shortages.

Through the lead provided in work on high profile children's services issues, the LGA supported member councils and secured £58m funding to help improve the recruitment and retention of social workers. The evidence we gathered about pressures on school places was critical in securing £100m additional government funding. The influential 'Hidden Talents' report published in the course of the year highlighted the contribution councils could make to helping young people move into education, employment or training, and the LGA-hosted 'REACT' programme successfully delivered the major transfer of responsibility for 16-19 education and skills.

In adult social care, an area of major importance to member authorities, the LGA led extensive lobbying on the Personal Care at Home Bill, securing amendments to the Bill in the House of Lords that were reflected in the law as enacted. The LGA organised a very successful national conference on children's and adult social services, as part of a wide ranging programme of conferences and events including the successful Annual Conference in Harrogate.

Further successes included the development of the 'Freedom to Lead' proposals for a new approach to locally led improvement, extensive working with the Audit Commission to influence the introduction and development of Comprehensive Area Assessment, including the establishment of an appropriate role for elected member peers, the publication of the 'Quango Scorecard' drawing attention to deficiencies in a number of quangos and continuing effective media, public affairs and campaigns work. The LGA carried out its role as selector under the Sustainable Communities Act promptly and effectively, putting forward a wide range of innovative proposals to government.

A review of communications across the group was completed and implemented during the year and is expected to deliver a more consistent and cost-effective service in future. Plans for refreshed group branding were taken forward, with the launch of the new brands planned for the 2010 LGA Group Annual Conference.

The highlight of the LGA's work on local government finance was the publication of the influential *Delivering More for Less* report in late 2009, setting out how around £4.5 billion could be saved by cutting back on unnecessarily complex and expensive central government control over local government funding, regulation and performance monitoring. Other successes included securing changes to reduce debt rescheduling costs imposed by the Public Works Loans Board and effective support for authorities with Icelandic bank deposits, including influencing of the resolution of some complex issues in Iceland related to the restructuring of the banking system, likely to be worth around £50m in additional recoveries from the banks.

The Association improved the service provided to elected members, through a review of the current support arrangements and a corporate induction day held for members new to LGA Boards and Panels. A major review of the subscription structure has been completed, resulting in a clearer and simpler tariff delivering, overall, a reduction of more than 10% in the income to be raised in 2010-11. More effective arrangements for working with regional groupings of councils were introduced, and every member authority now has its own LGA Account Manager as a point of contact to help maximise the value from membership. Improvements have been made in the utilisation of space in both Local Government House and Layden House, with increased sub-letting income generated as a result. New arrangements for recycling have been introduced in order to strengthen environmental performance.

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Financially, the Association delivered a successful overall outcome. Costs were kept down, allowing a significant surplus on day to day activities to be generated despite some pressure on income from conferences and events. A major change in work to support local authority project and programme delivery was achieved, with the establishment of the Local Partnerships joint venture with Partnerships UK plc securing a substantial one-off receipt for the LGA.

Future Developments

The Association's work in the coming year will be set in the context of the first change of UK government in thirteen years, and the challenges and opportunities presented by that and the backdrop of the country's extremely severe fiscal problems. Further work is ongoing to strengthen joint working across the LGA Group, making the Association even more focused on the priorities of key importance to member authorities and even more effective in lobbying in support of local government. Amendments to the LGA Constitution, to be proposed at this year's General Assembly, are designed to improve the Association's responsiveness to its membership and embed the Group approach.

Principal risks and uncertainties

The Association has reviewed its arrangements for risk management over the course of the year, with clear responsibilities assigned to named senior officers for the management of the principal risks. The principal risks identified and actively managed include maintaining the reputation of the local government sector, sustaining the membership base, managing relationships with government and other key contacts effectively, and successfully integrating the different parts of the group.

Employees

Details of the number of employees and related costs can be found in note 3. to the accounts on page 13. The Association has begun its progress towards Investors in People and has implemented pay harmonisation across the wider LGA Group.

John Ransford

Chief Executive

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REPORT OF THE CHAIRMAN OF THE RESOURCES PANEL

Business Review

The LGA implemented major changes in the delivery of its services from May 2008, when a range of back office activities were outsourced to Liberata. The contract provides for price reductions in the second and third years, with pricing thereafter at a fixed level for the remainder of the 10-year contract. The business results reflect the successful performance of that contract, achievement of the planned cost reductions and significant investment in new IT infrastructure.

Business income has, compared to the year ended 31 March 2009, increased by some £4.5m. The main contributors to increased income have been exceptional receipts of £2m related to the formation of the Local Partnerships LLP joint venture, income from additional work carried out in relation to the REACT Programme and the Sustainable Communities Act selector role, and additional income received from the National Adults & Childrens Services Conference, which the LGA organises biennially. By way of contrast, investment income fell substantially, in line with reductions in interest rates.

The LGA manages the Liberata contract on behalf of other organisations in the LGA Group and certain other entities that participate in the contract. Participants in the contract are recharged on an agreed formula basis for payments to Liberata and for an appropriate share of rent, rates and other shared costs. In the year to 31 March 2010 these cost sharing arrangements were delivered in line with budget expectations. Other costs, including in particular staff costs, were managed well within budget. Thus the overall financial result is a substantial surplus. Excluding one-off items, the underlying surplus of income over expenditure was around £1m. The achievement of this favourable position, and further cost savings anticipated from the Liberata contract and the introduction of the new shared communications service, has enabled subscription income to be reduced substantially on a basis that is likely to be sustainable for the future.

The LGA's performance in the collection of outstanding debt has been extensively reviewed, and a special programme set up to recover aged debt. Results from this programme have been encouraging to date and will be further monitored over the coming year.

Governance

The LGA Resources Panel oversees management of the Association's financial and other resources. In the course of the year the panel has paid particular attention to Treasury management issues, reviewing and adjusting policies in detail in the light of the changing financial situation. No losses arose on treasury activities and agreement was secured to operate the policies across the whole LGA group. Members have also taken an active role in ensuring that the Association's cost controls are effective and appropriate, for example through optimising use of accommodation.

The Resources Panel, in addition, had oversight of the review of the LGA subscription structure and proposed the new structure after very careful consideration of a wide range of options. These were developed having regard to a wider review of financial strategy over the next three years.

An Audit Committee, chaired by Cllr Clyde Loakes, was established and the constitutional changes to be proposed at the 2010 General Assembly will further strengthen its independence.

Councillor Keith R Mitchell CBE FCA FCCA

Chairman of the Resources Panel

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The members of the Resources Panel for 2009-10 are:

Councillor Keith R Mitchell CBE FCA FCCA (Chairman)

Councillor Steve Reed (Vice Chair)

Councillor Sarita Bush (Deputy Chair)

Alderman Ian D Luder CBE (Deputy Chair)

Councillor Mike Freer

Councillor Malcolm Kennedy

Councillor Gordon Keymer CBE

Councillor Stephen Parnaby

STATEMENT OF RESOURCES PANEL'S RESPONSIBILITIES

The Resources Panel of the Local Government Association (LGA) have accepted responsibility for the preparation of these financial statements for the year ended 31 March 2010 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 these financial statements in accordance with UK Generally Accepted Accounting Practice.

In preparing these financial statements, 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 financial statements; and
- prepared the financial statements on the going concern basis as they believe that to be appropriate, having regard to the LGA's business, state of affairs and constitution.

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

Provision of information to Auditors

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

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

Auditors

A resolution for the re-appointment of auditors of the company is to be proposed.

Approved by the Resources Panel and signed on their behalf

2 June 2010

Keith R Mitchell CBE FCA FCCA
Chairman of the Resources Panel

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LOCAL GOVERNMENT ASSOCIATION

We have audited the financial statements of the Local Government Association (LGA) for the year ended 31 March 2010 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes-. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Resources Panel's Responsibilities set out on page 6, the Members of the Resources Panel 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the LGA'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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the LGA's affairs as at 31 March 2010 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, as if those requirements were to apply, with the exception of Financial Reporting Standard 2 – Accounting for Subsidiary Undertakings.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Chief Executive's 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.

1 Canada Square

London

Neil Thomas (Senior statutory auditor)

E14 5AG

for and on behalf of KPMG LLP, Statutory Auditor

7 June 2010

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INCOME AND EXPENDITURE ACCOUNT

Year ended 31 March 2010

	Note	2010 £000	2009 £000
Income	2	35,812	31,831
Operating expenses		(30,908)	(31,396)
OPERATING SURPLUS		4,904	435
Loss on disposal of tangible fixed assets		-	-
SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST	4	4,904	435
Interest receivable and similar income		33	247
Finance discounts allowed	5	(462)	(456)
Pension scheme accounting adjustments		(2,449)	(1,501)
SURPLUS/(DEFICIT) OF INCOME OVER EXPENDITURE FOR THE YEAR BEFORE AND AFTER TAX	6	2,026	(1,275)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2010

	Note	2010 £000	2009 £000
Surplus/(deficit) for the year		2,026	(1,275)
Actuarial loss recognised in respect of the pension fund	12	(12,733)	(121)
Total recognised loss relating to the year		<u>(10,707)</u>	<u>(1,396)</u>

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BALANCE SHEET

As at 31 March 2010

	Note	2010 £000	2009 £000
FIXED ASSETS			
Investments	8	800	-
		<u>800</u>	<u>0</u>
CURRENT ASSETS			
Debtors	9	8,595	8,002
Short term investments	10	3,700	0
Cash at bank and in hand		1,234	1,423
		<u>13,529</u>	<u>9,425</u>
CREDITORS: amounts falling due within one year	11	(6,332)	(4,265)
		<u>7,197</u>	<u>5,160</u>
NET CURRENT ASSETS			
		<u>7,197</u>	<u>5,160</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,997	5,160
PROVISIONS FOR LIABILITIES			
Pension fund deficit	12, 13	(44,229)	(30,510)
		<u>(36,232)</u>	<u>(25,350)</u>
TOTAL NET LIABILITIES			
		<u>(36,232)</u>	<u>(25,350)</u>
ACCUMULATED FUNDS			
General reserve		3,258	460
Conference income reserve	14	214	0
Pension reserve		4,525	4,525
Major repairs and maintenance reserve		0	175
Pension deficits reserve			
- Defined Benefits		67,619	50,319
- Defined Liabilities		(111,848)	(80,829)
		<u>(36,232)</u>	<u>(25,350)</u>

These financial statements were approved by the Resources Panel on 2 June 2010

Councillor Keith R Mitchell CBE FCA FCCA
Chairman of the LGA Resources Panel

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CASH FLOW STATEMENT

Year ended 31 March 2010

	2010 £000	2009 £000
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	2,940	(2,353)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	33	247
Finance discounts allowed for authorities that were former members of the AMA	(462)	(456)
	(429)	(209)
INVESTING ACTIVITIES		
Purchase of tangible assets	0	0
Capital receipt on formation of Local Partnerships LLP	1,000	0
Transfer of 4ps surplus reserves	1,000	0
Investment in Local Partnerships LLP	(1,000)	0
Short term investments	(3,700)	0
	(2,700)	0
Increase/(Decrease) in cash	(189)	(2,562)
Net funds at the start of the year	1,423	3,985
Net funds at the end of the year	1,234	1,423

RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2010 £000	2009 £000
Operating surplus	4,904	435
Impairment of investment	200	0
Non-cash adjustment on pension costs	(1,463)	(444)
Decrease/(increase) in current assets:		
- stocks	0	39
- debtors	(593)	(1,705)
(Decrease)/increase in current liabilities:		
- creditors	2,067	(678)
Capital receipt on formation of Local Partnerships LLP	(1,000)	0
Transfer of 4ps surplus reserves	(1,000)	0
Write back of Repairs and maintenance Reserve	(175)	0
Net cash inflow / (outflow) from operating activities	2,940	(2,353)

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NOTES TO THE ACCOUNTS

Year ended 31 March 2010

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with United Kingdom accounting standards, with the exception of FRS 2 – Accounting for Subsidiary Undertakings. The particular accounting policies adopted are described below. It is considered that consolidation of the results of the related organisations listed in note 14, as required by FRS2, would not add significantly to the understanding of the financial position of the Association.

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 £35.9m as at 31 March 2010. 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 12), 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 11. 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.

Accounting convention

The financial statements are prepared under the historical cost convention.

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). Note 2 gives further analysis of income which is all generated in the UK.

Government Grants

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

Pension costs

New employees are entitled to membership of the Merseyside defined benefit pension scheme. Existing staff may be members of either the Merseyside or West Sussex scheme. 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.

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NOTES TO THE ACCOUNTS

Year ended 31 March 2010

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 are included in the income and expenditure account as pension scheme adjustments. 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.

The total of employer pension contributions estimated to be payable in 2010/11 is £1.969m.

Status of the Association

The Local Government Association is an unincorporated association governed by its constitution. In the event of dissolution of the Association, its member authorities (both existing and past) are liable to contribute such additional sum as is required to eliminate any deficiency representing the excess of the Association's liabilities over its assets.

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NOTES TO THE ACCOUNTS

Year ended 31 March 2010

2. INCOME

	2010	2009
	£000	£000
Subscriptions	14,454	14,907
Conferences and seminars	3,131	2,361
Shared Services	9,044	9,655
Other income	9,183	4,908
	<hr/>	<hr/>
	35,812	31,831
	<hr/> <hr/>	<hr/> <hr/>

3. STAFF INFORMATION

	2010	2009
Average number of persons employed	161	157
	<hr/> <hr/>	<hr/> <hr/>

Staff costs	£000	£000
Wages and salaries	7,510	7,390
Social security costs	748	654
Pension costs – cash payable by employer	1,560	1,712
Pension costs – current service costs less contributions	(1,463)	(444)
<u>Less</u> income from secondments	(1,384)	(893)
	<hr/>	<hr/>
	6,971	8,419
	<hr/> <hr/>	<hr/> <hr/>

Staff related costs		
Agency, freelance and secondment costs	970	1,037
Recharges re unfunded pension liabilities	921	480
Travel, subsistence and staff expenses	272	208
Recruitment costs	52	172
Training costs	134	123
Other personnel costs	30	32
	<hr/>	<hr/>
	2,379	2,052
	<hr/> <hr/>	<hr/> <hr/>
Total staff costs	9,350	10,471
	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO THE ACCOUNTS

Year ended 31 March 2010

Details of the remuneration of the Association's senior staff in 2009-10 are given below, with comparative figures for 2008-09. No bonuses were paid to senior staff.

	2010	2009
	Salary £	Salary £
John Ransford – Chief Executive	245,612	193,923
Jo Miller – Deputy Chief Executive	157,683	-
Jenny Crighton – Director of Strategy and Communications	85,758	93,740
Stephen Jones – Director of Finance and Performance	159,983	157,478
Chris Lawrence-Pietroni – Interim Director of Strategy and Communications	27,395	104,986

John Ransford was appointed Chief Executive on 1 February 2009 having previously been Deputy Chief Executive.

Jo Miller was appointed Deputy Chief Executive on 1 April 2009.

Jenny Crighton's salary reflects variation in her part-time contractual hours between 2008-09 and 2009-10.

Chris Lawrence-Pietroni served as an interim Director from 1 July 2007 to 2 July 2009.

Employer pension contributions on the above salaries were paid at the appropriate rates.

The numbers of the Association's other staff who received remuneration of £50,000 or more are stated in the Table below. Remuneration excludes employer pension contributions but includes redundancy and all taxable benefits paid to or receivable by the employee.

	2010	2010	2010		2009	2009	2009
	Staff working in the LGA	Staff seconded outside LGA	Total		Staff working in the LGA	Staff seconded outside LGA	Total
£50,000 - £54,999	3		3		4		4
£55,000 - £59,999	13		13		9	1	10
£60,000 - £64,999	7	1	8		8		8
£65,000 - £69,999	1		1		1	1	2
£70,000 - £74,999		1	1				0
£75,000 - £79,999	1		1			1	1
£80,000 - £84,999			0		2		2
£85,000 - £89,999	4		4		4		4
£90,000 - £94,999	1		1		2		2
£95,000 - £99,999	2		2		1		1
£100,000 - £104,999	1	1	2				0
£140,000 - £144,999	1		1				0
£240,000 - £249,999			0		1		1

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE ACCOUNTS

Year ended 31 March 2010

4. OPERATING SURPLUS

	2010 £000	2009 £000
Operating surplus is after charging:		
Auditors' remuneration		
- audit fee	12	12
	<u>12</u>	<u>12</u>
Analysis of Operating Expenses		
Staff costs (gross of secondment income)	10,734	11,364
Accommodation	1,726	1,899
Conferences and seminars	1,219	917
Members Allowances and Support Costs	1,325	1,796
Shared Services	11,289	12,818
Communications	595	546
Other Services	4,020	2,056
	<u>30,908</u>	<u>31,396</u>

5. FINANCE DISCOUNTS

Under an agreement dated 22 January 1998 made between Association of Metropolitan Authorities (Properties) Ltd, Local Government Association (Properties) Ltd and the Association, the AMA property company contributed the net sale proceeds of its former property in Great Smith Street to the purchase of Local Government House by Local Government Association (Properties) Ltd. In recognition of this, authorities in membership of the LGA that were formerly members of the Association of Metropolitan Authorities receive a discount on their membership subscriptions. The discount, originally at the rate of £6,000 per authority, increases every five years in line with inflation, with the next increase due on 1 April 2012.

6. TAXATION

The Association 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. TANGIBLE FIXED ASSETS

The Association does not own tangible fixed assets. The property from which it operates is owned by Local Government Association (Properties) Ltd, a related company. The Association pays rent to that company for its accommodation. Facilities within the accommodation are provided by Liberata Ltd under an agreement for the provision of services.

8. FIXED ASSET INVESTMENTS

	2010 £000	2009 £000
Investment in Local Partnerships LLP		
Equity	500	-
6% Loan Stock	500	-
Less, impairment in year	(200)	-
	<u>800</u>	<u>-</u>

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE ACCOUNTS

Year ended 31 March 2010

By an agreement dated 1 July 2009, the Association formed a joint venture, Local Partnerships LLP, with Partnerships UK plc. Under the terms of the joint venture, part of the business of Public Private Partnerships Programme Ltd (4ps), a related company, was transferred to Local Partnerships LLP, as was part of the business of Partnerships UK plc and the membership interest in 4ps previously held on behalf of the Association. The Association's investment in Local Partnerships LLP consists of Equity of £500,000 and £500,000 of 6% Convertible Loan Stock, repayable at par on 31 March 2029. Partnerships UK plc has made an identical investment.

Local Partnerships LLP made a loss in its first period of operation, as costs were higher and income lower than budget. In the light of that and review of revised budgets and plans for the business, the value of the Association's equity in the LLP has been written down by £200,000.

9. DEBTORS

	2010	2009
	£000	£000
Accounts receivable (less provision for doubtful debts)	2,249	2,203
Due from related entities	5,138	4,026
Other debtors	93	749
Prepayments	826	851
Accrued income	289	173
	<u>8,595</u>	<u>8,002</u>

The Association's policy is to make partial provision for debts that are over one year old and full provision for debts that are over two years old, subject to exceptions for subscription debt and debt due from related entities, where the policy is not to make provision. Old debt is periodically reviewed for write-off. In the year to 31 March 2010, debts of £776k were written off as irrecoverable.

10. SHORT TERM INVESTMENTS

Surplus cash balances are lent to borrowers on the LGA Group's approved list. The company's investments are pooled with those of other entities that have adopted the LGA Group 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. Lending of up to £3m of the total funds held for up to one year is permitted. The counterparty list is currently restricted to major UK financial institutions, the larger UK building societies, and AAA-rated money market funds. The LGA Group 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 Association does not expect any losses on short term investments.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE ACCOUNTS

Year ended 31 March 2010

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£000	£000
Accounts payable and accruals	4,141	2,070
Income received in advance	683	100
Project balances	0	48
Other creditors	456	617
Amounts owed to related parties	1,052	1,430
	<u>6,332</u>	<u>4,265</u>

12. PROVISIONS FOR LIABILITIES

	2010	2009
	£000	£000
Pension provisions:		
Balance as at 1 April	30,510	29,332
Charge/credit to Income and Expenditure for the year	986	1,057
Actuarial loss	12,733	121
	<u>44,229</u>	<u>30,510</u>
Balance at 31 March	<u>44,229</u>	<u>30,510</u>
Analysis of pension provisions		
Unfunded pension deficit	1,973	1,400
West Sussex pension deficit	20,736	15,069
Merseyside pension deficit	21,520	14,041
	<u>44,229</u>	<u>30,510</u>

Movements on the pension deficits in the year ended 31 March 2010 are analysed as below:

	Unfunded	W Sussex	Merseyside	Total
	£000	£000	£000	£000
Deficit balance as at 1 April 2009	1,400	15,069	14,041	30,510
Deficit / (Surplus) for the year	285	410	291	986
Actuarial loss / (gain)	288	5,257	7,188	12,733
	<u>1,973</u>	<u>20,736</u>	<u>21,520</u>	<u>44,229</u>
Deficit balance at 31 March 2010	<u>1,973</u>	<u>20,736</u>	<u>21,520</u>	<u>44,229</u>

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE ACCOUNTS

Year ended 31 March 2010

13. PENSION COMMITMENTS

The Local Government Association is an admitted body to two local government pension funds: the Merseyside Pension Fund, administered by Wirral Metropolitan Borough Council; and the West Sussex County Council Pension Fund. Both funds are administered in accordance with the Local Government Pension Scheme Regulations 1997. Details of the calculation of the deficit relating to each fund are given below.

In addition, the Association and its predecessor bodies have incurred pension liabilities that are outside the funded benefits provided by the relevant pension schemes. These other unfunded liabilities were estimated by an actuary at 31 March 2010 as £1.97m (2009 £1.4m) The unfunded liabilities are being paid annually over the remaining lives of the pensioners concerned.

Merseyside Pension Fund

The most recent formal actuarial review in relation to the 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 assumptions made by the actuary are stated below.

Investment returns

The investment return on the Fund used in calculating the year end assets is 33.46% (2009, -17.9%).

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

	31 March 2010	31 March 2009
Equities	63.6%	53.6%
Government Bonds	12.1%	17.7%
Other Bonds	6.6%	4.8%
Property	6.3%	9.3%
Cash	2.6%	4.2%
Other	8.8%	10.4%

a) Actuarial assumptions

A full actuarial valuation was carried out at 31 March 2007 and updated to 31 March 2010 by a qualified independent actuary.

The assumptions used by the actuary were:

	31 March 2010 % per annum	31 March 2009 % per annum
Pension increase rate	3.3%	3.3%
Salary increase rate	4.55%	4.55%
Discount rate	5.6%	7.1%
Inflation assumption	3.3%	3.3%

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE ACCOUNTS

Year ended 31 March 2010

b) Scheme assets

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

	Expected rate of return on assets 2010	Fair value at 31 March 2010 £000	Expected rate of return on assets 2009	Fair value at 31 March 2009 £000
Fair value of employer assets				
Equities	7.5%	22,892	7.5%	14,158
Government Bonds	4.5%	4,355	4.0%	4,675
Other Bonds	5.2%	2,376	6.0%	1,268
Property	6.5%	2,268	6.5%	2,457
Cash	0.5%	936	0.5%	1,109
Other	7.5%	3,167	7.5%	2,747
Total Market Value of Assets		35,994		26,414

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

Balance sheet	31 March 2010 £000	31 March 2009 £000
Fair value of employer assets	35,994	26,414
Present value of funded liabilities	(56,626)	(39,711)
Net (under)/overfunding in funded plans	(20,632)	(13,297)
Present value of unfunded liabilities	(888)	(744)
Unrecognised past service cost	-	-
Net Asset/(liability)	(21,520)	(14,041)

Recognition in the profit or loss

	Year to 31 March 2010 £000	Year to 31 March 2009 £000
Current service cost	504	905
Interest cost	2,863	2,953
Expected return on employer assets	(1,662)	(2,102)
Past service cost/(gain)	0	275
Losses/(gains) on curtailments and settlements	0	0
Total	1,705	2,031
Actual return on plan assets	8,945	(5,734)

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE ACCOUNTS

Year ended 31 March 2010

	2010 £000	2009 £000
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	40,455	48,425
Current service cost	504	905
Interest cost	2,863	2,953
Contribution by members	410	405
Actuarial losses/(gains)	14,471	(11,175)
Past service costs/(gains)	0	275
Losses/(gains) on curtailments	0	0
Liabilities extinguished on settlements	0	0
Exchange differences	0	0
Estimated benefits paid	(1,189)	(1,333)
	<u>57,514</u>	<u>40,455</u>
Closing defined benefit obligation	57,514	40,455

	2010 £000	2009 £000
Reconciliation of fair value of employer assets		
Opening fair value of employer assets	26,414	31,922
Expected return on assets	1,662	2,102
Contributions by members	410	405
Contributions by the employer	1,414	1,154
Actuarial gains/(losses)	7,283	(7,836)
Assets distributed on settlements	0	0
Benefits paid	(1,189)	(1,333)
	<u>35,994</u>	<u>26,414</u>
Closing fair value of employer assets	35,994	26,414

Amounts for the current and previous accounting periods

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Fair value of employer assets	35,994	26,414	31,922	26,766	23,210
Present value of defined benefit obligation	(57,514)	(40,455)	(48,425)	(34,437)	(31,902)
Surplus /(deficit)	(21,520)	(14,041)	(16,503)	(7,671)	(8,692)
Experience gains/(losses) on assets	7,283	(7,836)	1,660	(9)	(3,002)
Experience gains/(losses) on liabilities	(0)	(0)	(8,831)	(0)	(731)

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

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Actuarial gains/(losses)	(7,188)	3,339	(8,575)	1,982	(600)
Increase/(decrease in irrecoverable surplus from membership)	-	-	-	-	-
Actuarial gains/(losses) recognised in STRGL	(7,188)	3,339	(8,575)	1,982	(600)
Cumulative actuarial gains and losses	(16,682)	(9,494)	(12,833)	(4,258)	(6,240)

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE ACCOUNTS

Year ended 31 March 2010

West Sussex County Council Pension Fund

The most recent formal actuarial review in relation to the 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 assumptions made by the actuary are stated below.

Investment returns

The estimated investment return on the Fund used in calculating the year end assets is 40.4% (2009, -20.8%).

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

	31 March 2010	31 March 2009
Equities	76%	70%
Bonds	15%	19%
Property	6%	8%
Cash	3%	3%

a) Actuarial assumptions

The assumptions used by the actuary were:

	31 March 2010 % per annum	31 March 2009 % per annum
Pension increase rate	3.8%	3.1%
Salary increase rate	5.3%	4.6%
Discount rate	5.5%	6.9%
Inflation assumption	3.8%	3.1%
Expected return on assets	7.2%	6.4%

b) Scheme assets

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

	Expected rate of return on assets 2010	Fair value at 31 March 2010 £000	Expected rate of return on assets 2009	Fair value at 31 March 2009 £000
Fair value of employer assets				
Equities	7.8%	24,035	7.0%	16,734
Bonds	5.0%	4,744	5.4%	4,542
Property	5.8%	1,897	4.9%	1,912
Cash	4.8%	949	4.0%	717
Total Market Value of Assets		31,625		23,905

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

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE ACCOUNTS

Year ended 31 March 2010

Balance sheet	31 March 2010 £000	31 March 2009 £000
Fair value of employer assets	31,635	23,905
Present value of funded liabilities	(48,060)	(35,550)
Net (under)/overfunding in funded plans	(16,435)	(11,645)
Present value of unfunded liabilities	(4,301)	(3,424)
Unrecognised past service cost	-	-
Net Asset/(liability)	(20,736)	(15,069)

Recognition in the profit or loss

	Year to 31 March 2010 £000	Year to 31 March 2009 £000
Current service cost	37	54
Interest cost	2,609	2,817
Expected return on employer assets	(1,478)	(2,167)
Past service cost/(gain)	0	106
Losses/(gains) on curtailments and settlements	0	0
Total	1,168	810
Actual return on plan assets	9,352	(6,330)

	2010 £000	2009 £000
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	38,974	41,957
Current service cost	37	54
Interest cost	2,609	2,817
Contribution by members	20	24
Actuarial losses/(gains)	13,130	(3,487)
Past service costs/(gains)	0	106
Losses/(gains) on curtailments	0	0
Liabilities extinguished on settlements	0	0
Estimated unfunded benefits paid	(260)	(248)
Estimated benefits paid	(2,149)	(2,249)
Closing defined benefit obligation	52,361	38,974

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE ACCOUNTS

Year ended 31 March 2010

	2010 £000	2009 £000
Reconciliation of fair value of employer assets		
Opening fair value of employer assets	23,905	31,295
Expected return on assets	1,478	2,167
Contributions by members	20	24
Contributions by the employer	498	382
Actuarial gains/(losses)	7,873	(7,714)
Unfunded benefits paid	(260)	(248)
Benefits paid	(2,149)	(2,249)
	<u>31,625</u>	<u>23,905</u>
Closing fair value of employer assets	<u>31,625</u>	<u>23,905</u>

Amounts for the current and previous accounting periods

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Fair value of employer assets	31,625	23,905	31,295	34,837	34,484
Present value of defined benefit obligation	(52,361)	(38,974)	(41,957)	(45,074)	(46,888)
Surplus /(deficit)	<u>(20,736)</u>	<u>(15,069)</u>	<u>(10,662)</u>	<u>(10,237)</u>	<u>(12,404)</u>
Experience gains/(losses) on assets	7,873	(7,714)	(4,433)	(660)	4,914
Experience gains/(losses) on liabilities	(0)	869	(1,285)	3	0

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

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Actuarial gains/(losses)	(5,257)	(4,227)	(604)	1,959	1,033
Increase/(decrease in irrecoverable surplus from membership)	-	-	-	-	-
Actuarial gains/(losses) recognised in STRGL	(5,257)	(4,227)	(604)	1,959	1,033
Cumulative actuarial gains and losses	(4,238)	1,019	5,246	5,850	3,891

14. ACCUMULATED FUNDS

Part of the Association's income from conferences and seminars is derived from a large conference which the Association organised in 2009-10 but which in 2010-11 will be organised by a third party partner. £214,000 of the net income from this conference has been transferred to a reserve which will be drawn down in 2010-11.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE ACCOUNTS

Year ended 31 March 2010

15. RELATED PARTIES

The Association had the following transactions with related parties:

	Value of related party transactions in year 2010 exp / (inc) £	Outstanding balance at 31 March 2010 dr / (cr) £	Value of related party transactions in year 2009 exp / (inc) £	Outstanding balance at 31 March 2009 dr / (cr) £
Improvement and Development Agency (IDeA)	(7,341,227)	511,890	(6,891,037)	992,331
Local Government Management Board (LGMB)	405,359	(162,226)	545,021	417,312
Local Government Association (Properties)	(1,534,100)	2,180,190	1,658,272	840,590
Local Government Employers (LGE)	(1,075,213)	118,524	(1,256,973)	186,015
Local Authorities Coordinators of Regulatory Services (LACORS)	(999,003)	63,146	(923,733)	160,452
Local Government International Bureau (LGIB)	(1,797,000)	-	1,863,222	(115,704)
Public Private Partnerships Programme (4ps)	(331,643)	54,937	(702,220)	93,750
Local Partnerships (LP's)	(552,279)	298,896	-	-

The transactions between these entities are a result of the shared service costs and other day to day activity recharges.

16. CONTINGENT LIABILITIES

The Association has contingent liabilities in relation to the transactions under which Local Partnerships was formed. If Local Partnerships were to be wound up prior to August 2013, a proportion of the capital receipt of £1m received from Partnerships UK plc would be repayable. The repayable proportion is on a sliding scale and diminishes with time. There are also provisions under which the transfers of reserves from 4ps might become repayable if and to the extent that 4ps became unable to meet its liabilities as a result of those transfers.

17. POST BALANCE SHEET EVENTS

Since the year end, the Association and Partnerships UK plc have each agreed to make a further investment in Local Partnerships LLP of Equity of £300,000 and 6% Convertible Loan Stock of £300,000.

That apart, the Resources Panel are not aware of any material post balance sheet events other than those already stated.