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| **LOCAL GOVERNMENT ASSOCIATION** |

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| **Report and Consolidated Financial Statements****for the year ended 31 March 2016** |

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# CHIEF EXECUTIVE’S REPORT

**Year ended 31 March 2016**

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

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

We receive direct funding from government to help councils with their continuous improvement. Our work ensures councils are supported to provide the best possible services to the people they serve.’

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

We cover every part of England and Wales, including county and district councils, metropolitan and unitary councils, London boroughs, Welsh unitary councils, fire and rescue and national park authorities. In 2015/16 we had 435 member authorities in England and Wales. The 22 Welsh authorities are in corporate membership through the Welsh Local Government Association.

**The year in focus**

Working with councils, we highlighted to Government the financial challenges councils face over the next few years and the need for greater devolution of powers and finance, and the need for public service reform at a local level.

The LGA has long-called for a radical reform to the way that public services are funded and are provided. Local government is trusted over national government to lead these changes to the services we deliver and, as an organisation, speaking with one voice we are in the best possible position to represent local government at a national level. Our work in the lead up to the General Election – with our Re-wiring Public Services and First 100 Days campaigns – made the case for change, and on many of the important issues the Government listened.

The last 12 months has seen significant progress on issues such as devolution and fiscal autonomy for local government. Although it will be tough, we have helped to ensure local government will be operating for the life of this Parliament with some much needed certainty.

Our DevoNext campaign pushed for progress in devolving powers to local government and further devolution deals were announced delivering powers to the most local level, and our Show Us You Care campaign called for the Government to recognise the pressures on adult social care which saw extra money for the Better Care Fund and some progress on greater council tax flexibility to help fund social care.

As a result of this work, we saw a number of devo deals announced and progress on reform of business rates so that local government will be able to keep 100 per cent of business rates. We are working closely with councils and the Department for Communities and Local Government (DCLG) to ensure any new arrangements are fit for purpose.

The financial challenges councils face mean that finding new and innovative ways to improve effectiveness, increase efficiency and reduce costs is more important than ever. Our improvement support has been widely taken up by councils this year and we’ve played a critical role in driving improvement, helping to deliver millions of pounds of savings and improve services for residents.

Our annual survey of councils shows we have continued the trajectory of improvements in satisfaction made since 2012. Respondents remain satisfied with the work we undertake on their behalf, believe we are influential in shaping the agenda for local government and feel we are effective at representing the views of our members. This year has seen an increase in those who feel we keep them well informed – from 79 per cent in 2014/15 to 83 per cent in 2015/16. Our sector-led improvement offer remains widely valued and we continue to develop our offer to meet the changing needs of councils.

Or course we will never be complacent and we are always listening to what councils think through our visits and events around the country and to other feedback on our work.

**Our priorities**

Our priorities, agreed every year by our politicians, are based on feedback from councils. In 2015/16, our priorities for local government were:

* Sector-led improvement.
* Funding for local government
* Devolution
* Promoting health and wellbeing
* Economic growth, jobs and prosperity
* Housing

*Funding for local government*

Through our Future Funding campaign and our ‘Shared Commitment’ submission to the Spending Review, we called for the Government to spend smarter rather than just spending less.

In the final Local Government Finance Settlement, the Government committed to longer-term funding settlements, something we have long-called for as a way for councils to be given more certainty and to enable them to plan ahead. In addition, we secured:

* £150 million in both 2016/17 and 2017/18 for councils most adversely affected by the change in the distribution of Revenue Support Grant (RSG)
* £2.3 million for 2016/17 and £22.8 million in 2018/19 to remove adjustments to tariffs and top-ups to reflect negative RSG and
* changes to the flexibility to raise council tax by a maximum of £5 or 2 per cent which could raise an additional £39.2 million in council tax in 2019/20.

We also launched the Municipal Bonds Agency to raise and lend capital at rates below the PWLB certainty rate giving councils the opportunity to borrow money more cheaply. This could save between £1.2 billion and £1.45 billion over 30 years.

Over the course of the year, we also secured a number of significant wins for councils. These included:

* An extra £1.5 billion for adult social care through the Better Care Fund
* Extra funding for early years provision and additional capital funding of £50 million
* New burdens funding, including for property searches, flood authorities and Deprivation of Liberty Safeguards.

*Economic growth, jobs and prosperity*

Throughout the year, we’ve been working to ensure that local government is recognised as being central to economic growth. Our influencing work has ensured that:

* The Infrastructure Act now includes a legal obligation for Highways England to produce route strategies on which to base future investment plans, to consult councils on their roads development programme
* Planning permission is now required for all new betting shops, helping councils manage the proliferation of betting shops on high streets which can hinder local growth regeneration

*Promoting Health and Wellbeing*

Councils are best placed to support their residents to live healthy, active lives and to remain at home and independent for as long as possible. To support councils to do so, over the last 12 months we have:

* Influenced the Government, in the passage of the Childcare Bill, to invest more than £1 billion more a year by 2019/20 in free childcare places, £50 million of capital funding to create additional nursery places and more than £300 million to increase the average hourly rate for providers
* Ensured flexibility to raise council tax by 2 per cent above the referendum threshold to help fund adult social care
* Secured an extra £20 million for free school meals.

*Devolution*

2015/16 saw a seismic change in the devolution of powers to local areas. To ensure that councils were given the powers and responsibilities to tackle the big challenges facing them in the coming years we:

* Secured a commitment in the Cities and Local Government Devolution Act that The Secretary of State would report on devolution progress annually, bringing greater transparency and accountability
* Provided the secretariat for the All Party Parliamentary Group on Reform, Decentralisation and Devolution’s Inquiry into Better Devolution for the Whole UK, to help influence the devolution agenda
* Organised for members to speak about devolution at 75 stakeholder events across the Party Conference season
* Launched a support offer for councils interested in securing the benefits of devolution for their areas, supporting with brokering and strategic advice.

In addition, we have provided support to councils on a range of specialist issues such as finance and communications to help support their devolution work.

*Housing*

As the Housing and Planning Bill passed through the House of Commons and House of Lords, we worked behind the scenes and in Parliament across all political parties to influence its contents provide background information and research on the proposals, support and table amendments to the legislation and influence government policy. Changes secured include giving councils the ability to grant secure tenancies to families with children, restrictions around the resale of starter homes, changes to the taper rate for ‘pay to stay’, and time-limited pilots on competition in processing planning applications.

*Sector-led support*

This year we further increased our offer to support councils to help them to improve performance, effectiveness and efficiency. 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.

Over the last year, we supported councils by:

* delivering 102 peer challenges
* providing tailored support to 181 different councils and two fire and rescue services
* supporting 57 councils to help them improve their communications activity with residents
* 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 24 councils across 15 projects with total projected savings of £32.7m through the Productivity Experts Programme
* holding leadership training for 764 councillors

**LGA in the media**

In the last year, through our proactive media work, we generated more than 31,000 media hits for local government – that’s 85 a day.

13% increase in national coverage year-on-year from 1,529 media hits in 2014/15 to 1,729 in 2015/16

86% of coverage was positive about local government

83% of coverage was through pro-active media work by the LGA, often working with member councils

**LGA in Parliament**

Promoting and defending the reputation of local government and representing councils’ interests in Parliament are key areas of work that matter most to our member councils.

**892** mentions of the in Parliament over the course of 2015/2016 - on average we were quoted three times each day Parliament was sitting to debate policy and legislation.

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

The Cities and Local Government Devolution Act 2016

The Housing and Planning Act 2016

The Education and Adoption Act 2016

The Welfare Reform and Work Act 2016

The Childcare Act 2016

The Psychoactive Substances Act 2016

The Immigration Act 2016

The Enterprise Act 2016

The LGA has submitted evidence to more than 70 parliamentary inquiries, on a range of subjects such as business rates, devolution, the funding for health and social care, housing, flood, children in social care, apprenticeships and air quality. We also supported the Better Devolution Inquiry which saw a cross party group of MPs and Peers develop a series of recommendations on the future roadmap for devolution.

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

More than 6,000 delegates attended over 60 LGA events with 61% of events free to attend.

We had 4.1 million website views with 770,626 unique users of the website. Our corporate twitter account gained over 4,000 new followers – with a total follower count of 15,500 – and received more than 10,000 mentions.

**April**

Launched the LGA’s Digital Councils hub, providing social media and digital guidance and best practice.

**May**

Released ‘English devolution: local solutions for a successful nation’ demonstrating what devolution could mean at a local level.

**June**

Called for a radical reform of public service delivery with the launch of an updated Future Funding Outlook which showed councils faced a funding gap £9.5 billion by 2020.

**July**

Launched ‘A shared commitment: Local government and the Spending Review’, our publication which laid out local government’s proposals for the Government’s Spending Review at Annual Conference which attracted over 1,400 delegates.

**August**

Highlighted best practice for councils around Dementia friendly communities

**September**

Hosted debates at the autumn party political conferences and secured more than 70 opportunities for our councillors to contribute to stakeholder events, including debates and roundtables.

**October**

Hosted the National Children and Adult Services (NCAS) conference in Bournemouth, attended by 866 delegates.

**November**

#OurDay took place with nearly 19,000 tweets and 8,541 twitter handles from across local government taking part.

**December**

Supported councils in their response to flooding and extreme weather

**January**

Called on the Government to establish a national dispersal scheme and provide adequate funding for unaccompanied asylum seeking children

**February**

LGA Chairman, Lord Porter, and LGA President, Lord Kerslake, give oral evidence to the House of Lords Economic Affairs Committee on the economics of the housing market.

**March**

Inquiry into better devolution for the whole UK published ‘Devolution and the Union: A higher ambition’, LGA provided the secretariat for the APPG.

# STRATEGIC REPORT

**Year ended 31 March 2016**

**Principal Activities**

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

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

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

**In year performance**

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

Despite further reductions in our core funding, we have delivered a satisfactory financial outcome in 2015-16.  Although our income from subscriptions, RSG top-slice and other income including grants fell by a total of 5.4 per cent in 2015-16 as compared with the previous year, we kept costs down and invested in reducing costs of back office services, at the same time as continuing to deliver on our key priorities and deliver direct support to councils. Both the LGA and the IDeA continued to make a significant payments towards their pension fund deficit.

**Future Developments**

As with many other parts of the public sector, we face possible reductions in our core funding over the medium term and are taking steps to ensure we develop new sources of income as well as continuing to reduce our costs. During 2014-15 we took the decision to terminate the contract with Liberata, who provided our back office services and corporate overheads, with a view to achieving significant efficiencies. In 2015-16 this has helped to create a year end group operational surplus of £ 1.4m, and will deliver budgeted full year savings in 2016-17 of £4.3m.

Our future success will rely heavily on our delivering ever greater value to local government at a time when councils themselves are facing significant reductions in their own funding and are, more than ever, questioning the value of every item of expenditure. As agreed by the Leadership Board, the 2015-16 surplus has been allocated to a new risk and contingency reserve in our balance sheet. This will be used to provide opportunities to invest to save costs or generate additional commercial income, and also to cover the potential risks to the 3 Year plan included in the LGA’s Financial Strategy.

During 2016/17 the LGA’s Financial Strategy for the property companies is to develop the assets to provide capital growth to offset the liabilities arising from our pension funds, as well as reducing costs and / or delivering additional commercial income to maximise the level of support we deliver to our members.

**Principal risks and uncertainties**

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

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

Our principal liabilities other than those arising in ordinary day to day business relate to our combined pension deficit and three main liabilities: structural interest free debt of £8.2 million due to the predecessor Local Authority Associations and related to the purchase of the Smith Square property; bank debt of £4.86 million on separate loans due to Barclays relating to the Smith Square property, which is currently being repaid at the rate of £0.7 million each year; and a liability of £0.270 million per annum until 2020 for funding the District Councils’ Network (DCN), financed from cash received from the predecessor Local Authority Association.

The valuation of our combined pension deficit was £94.75 million at 31 March 2016. In order to pay off the pension deficit and liabilities for past employees, we are currently making additional contributions averaging over £4 million per annum. Actuarial advice indicates that on reasonable long term assumptions, these contributions will be sufficient to eliminate the deficit over a period of 22 years for the LGA and 15 years for the IDeA. The LGA’s Leadership Board has commissioned further work to investigate ways in which the management of the pension deficit can be improved and has agreed to the refurbishment of Layden House from 2016 as part of this strategy.

*Price risk*

We have relatively low exposure to price risk. Our employee costs are controlled through formal annual negotiations with employee representatives. Our back office services are 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 deliver a balanced budget that does not require a net call on cash for the financial year as a whole. We maintain an adequate level of day to day liquid funds to pay liabilities promptly as they fall due.

*Cash flow risk*

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

**Key performance indicators**

We have reviewed the impact of our work and the delivery of our priorities through robust performance management which has included regular reports to the LGA’s Leadership Board. In addition we have reviewed our own efficiency and effectiveness through a number of key indicators. These include the number of organisations in membership, which has increased to 435 in 2015-16, with only three councils out of membership. The National Association of Local Councils entered into a corporate membership with the LGA and requested that 22 Town/Parish councils had access to our associate membership scheme.

In December 2015 we carried out a survey of our members which gave us important information about customer satisfaction with 76 per cent of members indicating that they were satisfied with our services. We have set ourselves the target of increasing member satisfaction and also their perceptions of the value for money we offer and we will monitor our progress with this through annual surveys.

We review our financial sustainability by carefully controlling our staff costs. Following a reduction in our core grant funding, over the last three years employee numbers have fallen from 529 employees in the year ended March 2012 to 309 employees in the year ended 31 March 2016. The increase in number over the last year of 13 relates to the insourcing of most of the back office services referred to above, offset by further reductions in core employees. We continue to monitor employee absence, which has risen from an average annual number of sick days per employee of 2.6 days in March 2015 to 4.2 days in March 2016.

We continue to pay close attention to the collection of outstanding debt. The percentage of debtors over 12 months was 1 per cent of the total debtors at March 2016.

**Market Value of Land and Buildings**

The market value of Local Government House, which is owned by LGA Properties Ltd, is considered at the latest valuation in March 2016 to be £35.850 million. In the Group accounts 11% of the above market value is reflected as an investment in the groups’ balance sheet. The remainder held as an operational asset at the current net book value of £14.6m.

Layden House, which is owned by Local Government Management Board, is classified as an investment property and included in these financial statements at its market value of £25.8 million. As mentioned above, the LGA’s Leadership Board has now agreed to the refurbishment of Layden House from 2016.

**Environment**

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

* continually reduce waste and increase our recycling rate
* reduce paper use
* ensure that procurement of goods and services adheres to our green purchasing and procurement policy
* champion and mainstream consideration of environmental sustainability throughout our outward facing work programmes and services
* comply with all applicable legislation, regulation and with other relevant requirements relating to our environmental impacts.

**Employees**

Details of the number of employees and related costs can be found in note 3 to the financial statements on page 30.

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

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

**Political and charitable contributions**

Neither the LGA nor its associated bodies made any charitable donations over £2,000 or any political donations or incurred any political expenditure during the year*.*

**Dividends**

The LGA Constitution and the articles of the companies that the LGA controls directly do not permit the payment of dividends.

**Mark Lloyd**

**Chief Executive**

# REPORT OF THE CHAIRMAN OF THE LEADERSHIP BOARD

**Year ended 31 March 2016**

**Business Review**

Over the last two years, the LGA’s Leadership Board has undertaken significant work to develop the medium term financial strategy of the LGA and its associated organisations. As part of this, it has supported the development of a commercial strategy for the LGA which is now being implemented. Following an options appraisal of Layden House - in which the LGA has the freehold – work is underway on the refurbishment of the property with a view to increasing its rental and capital value. The Leadership Board has also reviewed the strategy for managing the pension costs of the LGA and the IDeA, in view of the additional contributions to reduce deficits which currently exceed more than £4 million annually. The Leadership Board has regularly monitored the LGA’s financial performance against the agreed budget.

The Leadership Board has taken the decision to maintain membership subscriptions at the same level between 2013/14 and 2015/16, following a real terms reduction in subscription income of over 44 per cent over the last six years in response to the financial challenges faced by member authorities.

The Leadership Board has overseen the LGA’s approach to Treasury Management and concluded that the LGA should continue to be cautious in its investment strategy. Substantial use has been made of the Public Sector Deposit Fund, a qualifying money market fund operated by CCLA Investment Management Ltd. No losses arose on treasury activities.

**Governance**

The Leadership Board oversees management of the LGA’s financial and other resources, and the financial and accommodation strategies for the wider group.

The Leadership Board has considered these accounts in the light of a report from the LGA Audit Committee, chaired by Cllr Jonathan Owen, whose membership is independent of the LGA’s other Boards and Panels.

Lord Porter of Spalding CBE

LGA Chairman and Chairman of the LGA Leadership Board

**MEMBERSHIP OF THE LEADERSHIP BOARD**

The members of the Leadership Board for the year were:

Conservative

Lord Porter of Spalding CBE [Chair] Appointed 30 June 2015

David Hodge [Vice-chair] Appointed 30 June 2015

David Simmonds CBE [Deputy-chair] Appointed 30 June 2015

Peter Fleming OBE [Deputy-chair] Appointed 30 June 2015

Sean Anstee [Deputy-chair] Appointed 30 June 2015

Phillipa Roe [Deputy-chair]

Neil Clarke [Deputy Chair] Resigned 29 June 2015

Mike Jones [Deputy Chair] Resigned 29 June 2015

Labour

Nick Forbes [Vice-chair] Appointed 8 February 2016

Anne Western [Deputy-chair] Appointed 30 June 2015

Sue Murphy CBE [Deputy-chair] Appointed 24 February 2016

Sharon Taylor OBE [Deputy-chair]

Mayor Sir Steve Bullock [Deputy-chair]

Keith Wakefield [Deputy-chair]

Jim McMahon OBE [Vice-chair] Resigned 4 December 2015

David Sparks OBE [Chair] Resigned 29 June 2015

Liberal Democrat

Gerald Vernon-Jackson [Vice-chair]

Mayor Dorothy Thornhill MBE [Deputy-chair]

Independent

Marianne Overton MBE [Vice-chair]

Peter Reeve [Deputy-chair]

# STATEMENT OF LEADERSHIP BOARD’S RESPONSIBILITIES

**Year ended 31 March 2016**

The Leadership Board of the Local Government Association (LGA) has accepted responsibility for the preparation of these financial statements for the year ended 31 March 2016. The Leadership Board has decided to prepare these financial statements in accordance with UK Generally Accepted Accounting Practice.

In preparing these financial statements, the Leadership Board has:

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

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

**Provision of information to Auditor**

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

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

**Auditors**

A tendering process is in progress in relation to the appointment of the role of Statutory Auditor. A resolution for the appointment of the auditors of the Company is to be proposed at a forthcoming Board Meeting.

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

8th June 2016

Lord Porter of Spalding CBE

Chair of the LGA Leadership Board

# INDEPENDENT AUDITOR’S REPORT

**TO THE MEMBERS OF THE LOCAL GOVERNMENT ASSOCIATION**

**Year ended 31 March 2016**

We have audited the financial statements of the Local Government Association (LGA) for the year ended 31 March 2016 which comprise the Consolidated and Association Statements of Comprehensive Income, Balance Sheets, Statements of Cash Flows and Statements of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is as set out within Note 1 to these financial statements.

This report is made solely to the Members, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Members those matters we have been engaged to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of the Leadership Board’s Responsibilities set out on page 15, the Members of the Leadership Board are responsible for the preparation of the financial statements and for being satisfied that they have been properly prepared. Our responsibility is to audit, and express an opinion on, the financial statements in accordance our contract dated 22 January 2016, with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

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

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

**Opinion on financial statements**

In our opinion the financial statements:

* give a true and fair view of the Group’s and Association’s affairs as at 31 March 2016 and of the Group’s and Associations surplus for the year then ended; and
* have been properly prepared in accordance with the basis of preparation and accounting policies set out in Note 1 to the accounts

In our opinion the information given in the Report of the Leadership Board for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

|  |  |
| --- | --- |
|  | PKF Littlejohn LLP |
|  | Statutory auditors |
| Paul Hopper | 1 Westferry Circus |
| Senior Statutory Auditor | Canary Wharf |
|  | London |
| For and on behalf of | E14 4HD |
| PKF Littlejohn LLP (formerly Littlejohn LLP) |  |
| Date: |  |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**Year ended 31 March 2016**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Note | 2016£000 |  | 2015£000 |
|  |  |  |  |  |
| Income: Group and share of joint ventures’ income  |  | 62,012 |  | 64,865 |
| Less share of joint ventures’ income  |  | (8,419) |  | (8,090) |
| Group Income | 2 | 53,593 |  | 56,775 |
| Administrative expenses |  | (55,120) |  | (52,430) |
|  **GROUP OPERATING SURPLUS BEFORE INTEREST** | 4 | **(1,527)** |  | **4,345** |
| Interest receivable and similar income |  | 237 |  | 136 |
| Interest payable |  | (186) |  | (441) |
| Contract restructuring costs |  | - |  | (236) |
| Share of operating surplus/(deficit) of joint ventures |  | 1,660 |  | 1,787 |
| Dividend and profits share from Joint Ventures | 9 | 1,750 |  | 1,786 |
| Finance discounts allowed | 5 | (526) |  | (533) |
| Share of joint ventures distribution to members |  | (1,771) |  | (1,816) |
| Unrealised gain on revaluation in respect of investment property |  | 3,523 |  | 5,675 |
| **GROUP OPERATING SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR** |  | **3,160** |  | **10,703** |
|  |  |  |  |  |
| **Other Comprehensive Income:** |  |  |  |  |
| Actuarial gain/(loss) recognised in respect of the pension fund |  | 19,924 |  | (33,084) |
| Actuarial gains – West Sussex to Merseyside transfer |  | - |  | 9,995 |
| **GROUP TOTAL COMPREHENSIVE SURPLUS/(DEFICIT) FOR THE YEAR** |  | **23,084** |  | **(12,386)** |

The accounting policies and notes in pages 25 to 48 form part of these financial statements.

# ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

**Year ended 31 March 2016**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  | Note | 2016£000 |  | 2015£000 |
|  |  |  |  |  |
| Income | 2 | 24,039 |  | 25,515 |
| Administrative expenses |  | (24,655) |  | (24,537) |
| **OPERATING (DEFICIT)/SURPLUS BEFORE INTEREST** | 4 | **(616)** |  | **978** |
| Interest receivable and similar income |  | 158 |  | 163 |
| Contract restructuring costs |  | - |  | (236) |
| Finance discounts allowed | 5 | (526) |  | (534) |
| Dividend and profits share from Joint Ventures | 9 | - |  | 361 |
| **OPERATING (DEFICIT) / SURPLUS FOR THE FINANCIAL YEAR** |  | **(984)** |  | **732** |
|  |  |  |  |  |
| **Other Comprehensive Income:** |  |  |  |  |
| Actuarial gain/(loss) recognised in respect of the pension fund | 16 | 4,107 |  | (5,894) |
| **TOTAL COMPREHENSIVE INCOME FOR THIS YEAR** |  | **3,123** |  | **(5,162)** |

All amounts relate to continuing operations.

The accounting policies and notes in pages 25 to 48 form part of these financial statements.

# CONSOLIDATED BALANCE SHEET

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **As at 31 March 2016** | Note |  | 2016£000 |  | 2015£000 |
| **FIXED ASSETS** |  |  |  |  |  |
| Tangible assets | 7 |  | 15,707 |  | 14,889 |
| Investment Properties | 7 |  | 30,006 |  | 25,518 |
| Intellectual Copyright Assets |  |  | 1 |  | 1 |
| Investments - MBA | 10 |  | 500 |  | 500 |
| Investments in Joint Ventures: |  |  |  |  |  |
|  Share of gross assets of joint ventures | 9 |  | 6,838 |  | 6,784 |
|  Share of gross liabilities of joint ventures | 9 |  | (3,098) |  | (2,922) |
|  |  |  | 49,954 |  | 44,770 |
| **CURRENT ASSETS** |  |  |  |  |  |
| Debtors | 12 |  | 5,840 |  | 8,146 |
| Short term Investments  | 13 |  | 17,272 |  | 16,320 |
| Cash at bank and in hand |  |  | 2,642 |  | 2,686 |
|  |  |  | 25,754 |  | 27,152 |
| **CREDITORS: amounts falling due within one year** | 14 |  | (9,123) |  | (9,297) |
| **NET CURRENT ASSETS** |  |  | 16,631 |  | 17,855 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** |  |  | 66,585 |  | 62,625 |
| **CREDITORS: amounts falling due after more than one year** | 14 |  | (14,581) |  | (15,438) |
| **PROVISIONS FOR LIABILITIES** |  |  |  |  |  |
| Provision for contract restructuring |  |  | - |  | (236) |
| Provision for organisation restructuring | 15 |  | (468) |  | (680) |
| Pension Fund deficit | 16 |  | (94,751) |  | (112,860) |
| **NET LIABILITIES** |  |  | **(43,215)** |  | **(66,589)** |
| **ACCUMULATED FUNDS** |  |  |  |  |  |
| General Reserve |  |  | 28,264 |  | 28,309 |
| Revaluation Reserve |  |  | 21,485 |  | 17,962 |
| Risk & Contingency Reserve |  |  | 1,787 |  |  |
| Pension Deficits Reserve |  |  |  |  |  |
| - Pension Fund Assets |  |  | 224,054 |  | 226,675 |
| - less Defined Liabilities |  |  | (318,805) |  | (339,535) |
|  |  |  | **(43,215)** |  | **(66,589)** |

These financial statements were approved by the LGA Leadership Board on 8th June 2016 and signed on their behalf by

Lord Porter of Spalding CBE
The accounting policies and notes in pages 25 to 48 form part of these financial statements.

# ASSOCIATION BALANCE SHEET

**For the year ended 31 March 2016**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Note |  | 2016£000 |  | 2015£000 |
| **FIXED ASSETS** |  |  |  |  |  |
| ICT Assets | 7 |  | 439 |  | - |
| Investments | 10 |  | 1,500 |  | 1,800 |
|  |  |  |  |  |  |
| **LONG TERM DEBTORS** | 11 |  | 120 |  | 220 |
|  |  |  |  |  |  |
| **CURRENT ASSETS** |  |  |  |  |  |
| Debtors | 12 |  | 8,009 |  | 6,685 |
| Short term Investments  | 13 |  | 645 |  | 1,885 |
| Cash at bank and in hand |  |  | 53 |  | 718 |
|  |  |  | 8,707 |  | 9,288 |
| **CREDITORS: amounts falling due within one year** | 14 |  | (2,224) |  | (2,498) |
| **NET CURRENT ASSETS** |  |  | 6,483 |  | 6,790 |
|  |  |  |  |  |  |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** |  |  | 8,542 |  | 8,810 |
|  |  |  |  |  |  |
| **CREDITORS: amounts falling due after more than one year** | 14 |  | (768) |  | (1,090) |
| **PROVISIONS FOR LIABILITIES** |  |  |  |  |  |
| Provision for Contract restructuring | 19 |  | - |  | (236) |
| Provision for Organisation restructuring | 15 |  | (22) |  | (393) |
| Pension Fund deficit |  |  | (35,042) |  | (37,504) |
| **NET LIABILITIES** |  |  | **(27,290)** |  | **(30,413)** |
| **ACCUMULATED FUNDS** |  |  |  |  |  |
| General Reserve |  |  | 7,091 |  | 7,091 |
| Risk & Contingency Reserve |  |  | 661 |  | - |
| Pension Deficits Reserve |  |  |  |  |  |
| - Pension Fund Assets |  |  | 103,136 |  | 105,881 |
| - less Defined Liabilities |  |  | (138,178) |  | (143,385) |
|  |  |  | **(27,290)** |  | **(30,413)** |

These financial statements were approved by the LGA Leadership Board on 8th June 2016 and signed on their behalf by

Lord Porter of Spalding CBE

The accounting policies and notes in pages 25 to 48 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year ended 31 March 2016** |  |  |  |  |  |
|  | **Risk & Contingency Reserve** | **Revaluation Reserve** | **Pensions Deficit Reserve** | **Retained Earnings** | **Total** |
| **Balance at 1 April 2014** | **-** | **12,287** | **(91,937)** | **25,642** | **(54,008)** |
|  |  |  |  |  |  |
| **Changes in equity for 2014/15** |  |  |  |  |  |
| Income for the year | - | - | - | 10,703 | 10,703 |
| Pensions Adjustments in Statement of Consolidated income | - | - | 2,166 | (2,166) | - |
| Actuarial gains/loss on defined benefit plans | - | - | (23,089) | - | (23,089) |
| Unrealised gain on revaluation in respect of investment property | - | 5,675 | - | (5,675) | - |
| Movement on Joint Venture Reserves | - | - | - | (195) | (195) |
| Total comprehensive income for the year | - | 5,675 | (20,923)- | 2,667 | (12,581) |
| **Balance as at 31 March 2015** | **-** | **17,962** | **(112,860)** | **28,309** | **(66,589)** |
|  |  |  |  |  |  |
| **Balance at 1 April 2015** | **-** | **17,962** | **(112,860)** | **28,309** | **(66,589)** |
|  |  |  |  |  |  |
| **Changes in equity for 2015/16** |  |  |  |  |  |
| Income for the year | - | - | - | 3,160 | 3,160 |
| Pensions Adjustments in Statement of Consolidated income | - | - | (1,815) | 1,815 | - |
| Actuarial gains on defined benefit plans | - | - | 19,924 | - | 19,924 |
| Unrealised gain on revaluation in respect of investment property | - | 3,523 | - | (3,523) | - |
| Movement on Joint Venture Reserves | - | - | - | 290 | 290 |
| Total comprehensive income for the year | - | 3,523 | 18,109 | 1,742 | 23,374 |
| Transfer to Risk and Contingency reserve(LGA and IDEA only) | 1,787 |  |  | (1,787) |  |
| **Balance as at 31 March 2016** | **1,787** | **21,485** | **(94,751)** | **28,264** | **(43,215)** |

# ASSOCIATION STATEMENT OF CHANGES IN EQUITY

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year ended 31 March 2016** |  |  |  |  |
|  |  |  |  |  |
|  | **Risk & Contingency Reserve** | **Pensions Deficit Reserve** | **Retained Earnings** | **Total** |
| **Balance at 1st April 2014** | - | (33,759) | 8,508 | (25,251) |
|  |  |  |  |  |
| **Changes in equity for 2014/15** |  |  |  |  |
| Operating Surplus for the year  |  | - | 732 | 732 |
| Pension adjustment included in Operating Surplus for the year |  | 2,149 | (2,149) | - |
| Actuarial gains/loss on defined benefit plans |  | (5,894) | - | (5,894) |
|  |  |  |  |  |
| Total comprehensive income for the year | - | **(3,745)** | **(1,417)** | **(5,162)** |
|  |  |  |  |  |
| **Balance as at 31st March 2015** |  | **(37,504)** | **7,091** | **(30,413)** |
|  |  |  |  |  |
| **Balance at 1st April 2015** | - | (37,504) | 7,091 | (30,413) |
|  |  |  |  |  |
| **Changes in equity for 2015/16** |  |  |  |  |
| Operating Deficit for the year | - | - | (984) | (984) |
| Pension adjustment included in Operating Surplus / Deficit for the year | - | (1,645) | 1,645 | - |
| Actuarial gains on defined benefit plans | - | 4,107 | - | 4,107 |
|  |  |  |  |  |
| Total comprehensive income for the year | - | **2,462** | **661** | **3,123** |
| Transfer to Risk and Contingency reserve | 661 |  | (661) |  |
|  |  |  |  |  |
| **Balance as at 31st March 2016** | **661** | **(35,042)** | **7,091** | **(27,290)** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

**For the year ended 31 March 2016**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 2016£000 |  | 2015£000 |
| **Net cash outflow from operating activities** |  |  |  |  |
| Surplus/(Deficit) |  | 3,160 |  | 10,703 |
| Adjustments for: |  |  |  |  |
| FRS17 Pension adjustments |  | 1,815 |  | (2,166) |
| Investment and dividend Income |  | (1,987) |  | (1,922) |
| Revaluation gains on Investment Properties |  | (3,523) |  | (5,675) |
| Joint Venture Non Cash Adjustments |  | 111 |  | 29 |
| Finance discounts for former members of AMA  |  | 526 |  | 533 |
| Interest expense |  | 186 |  | 441 |
| Depreciation |  | 600 |  | 359 |
| Reversal of Impairment on Local Partnerships Investment |  | - |  | (200) |
| Decrease/(increase) in debtors |  | 2,306 |  | (3,439) |
| (Decrease)/increase in creditors |  | (173) |  | 1,306 |
| (Decrease)/Increase in provisions |  | (448) |  | 916 |
| (Decrease)/Increase in creditors due after one year |  | (857) |  | (918) |
| **Cash generated from operations** |  | 1,716 |   | (33) |
| Interest paid |  | (186) |  | (441) |
| **Net cash generated from operating activities** |  | 1,530 |   | (474) |
| **Cash flow from investing activities**  |  |  |  |  |
| Interest received |  | 237 |  | 136 |
| Repayment of Loan Capital from Local Partnerships |  | 300 |  | - |
| Payment to acquire investment in the Local Capital Finance Company |  | - |  | (500) |
| Investment in redevelopment of Property, Plant and Equipment |  | (1,418) |  | - |
| Investment in redevelopment of Investment Properties |  | (966) |  | - |
| Distribution from Joint Venture |  | 1,750 |  | 1,786 |
|  |  | (97) |   | 1,422 |
| **Cash flow from financing activities**  |  |  |  |  |
| Finance discounts for former members of AMA  |  | (526) |  | (533) |
|  |  | **(526)** |  | **(533)** |
|  |  |  |  |  |
| Net (Decrease)/ Increase in cash |  | 907 |  | 415 |
| Cash and cash equivalents at the start of the year |  | 19,006 |  | 18,591 |
| Cash and cash equivalents at the end of the year |  | **19,913** |  | **19,006** |

The accounting policies and notes in pages 25 to 48 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**As at 31 March 2016**

##  ACCOUNTING POLICIES

The financial statements are prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ‘‘The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland’’ (‘‘FRS 102’’) and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), with the exception of preparing a detailed note on the Association’s defined benefit pension scheme. The Leadership Board do not believe that this results in the financial statements not showing a true and fair view. The particular accounting policies adopted are described below.

**Going Concern**

The financial statements have been prepared on the going concern basis. The Association and the entities under its control have net liabilities, after accounting for the defined benefit pension scheme deficits of £94.7 million as at 31 March 2016 £35.0 million of this amount relates to the Association. The valuation of net liabilities includes actuarial estimates of pension scheme liabilities at the balance sheet date. The Association and certain of its related entities pay amounts into the schemes, as prescribed by the actuaries, in order to eliminate this deficit over a period between 15 and 22 years, and unfunded pension liabilities are being cleared over the remaining lives of the pensioners concerned, as disclosed in Note 16. Payments to clear pension deficits are financed from the Association’s and related entities’ general income. In view of these arrangements the Leadership Board expects that the Association and entities under its control will have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis. However, in the event of dissolution, any excess of the Association’s liabilities over its assets would be required, under the terms of its constitution, to be covered by its member authorities, including authorities that had left membership within the period of five years prior to dissolution.

**Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the holding of investment properties at valuation in accordance with FRS102.

**Basis of consolidation**

The group financial statements consolidate the financial statements of the Association and companies under its control for the year ended 31 March 2016. They also consolidate the group’s share of the results and post-acquisition reserves of joint ventures under the gross equity accounting method. The profits and losses of group undertakings and joint ventures are consolidated from the date of acquisition to the date of disposal using the acquisition method of accounting. Uniform accounting policies are used for all group companies. Profits or losses on intragroup transactions are eliminated on consolidation. Note 18 gives details of the companies under the control of the Association and the Association’s other related entities.

The accounts for Public Sector Audit Appointments Limited (PSAA) are not consolidated into these statements because the LGA does not exercise or have the ability to exercise control over PSAA and the LGA is not in a position to benefit from its results and financial performance.

**1.** ACCOUNTING POLICIES **(Continued)**

**Tangible Fixed Assets and Depreciation**

Tangible fixed assets are held at historical cost net of depreciation and provisions for impairment. Under FRS102 mixed use property must be separated between investment property and tangible fixed assets. In the Group Accounts 89% of Local Government House cost and depreciation will be accounted for as Tangible Fixed Assets for the Financial Years 2014/15 and 2015/16 to reflect the area of the building utilised by the group.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are:

Freehold buildings 25 years

Furniture and equipment 15 years

ICT and Computer equipment 3 years

Assets in the course of construction are stated at cost. These assets are not depreciated until available for use.

**Investment Property**

The freehold land and buildings investment property, Layden House, has been valued by an independent, external valuer on an open market basis at the Balance Sheet date. In accordance with the FRS102.

* the investment property will be revalued annually with the surplus or deficit transferred to the revaluation reserve, unless the deficit is considered to be permanent; and
* no depreciation or amortisation is provided.

In the Group Accounts 11% of Local Government House valuation on the above basis will be accounted for as Investment Property Assets for the Financial Years 2014/15 and 2015/16 to reflect the area of the building available for occupation by 3rd parties.

Open market value is defined, in accordance with the RICS valuation standards, as: “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties each had acted knowledgeably, prudently and without compulsion”.

**1.** ACCOUNTING POLICIES **(Continued)**

**Investments**

For the Group, investments in Joint Ventures are the interests in Local Partnerships LLP, Geoplace LLP and LGA Digital Services Limited. Note 9 provides the details of their formations and results.

Note 9 provides details of the Association’s investments in Local Partnerships LLP, Local Capital Finance Company Limited and LGA Digital Services Limited.

Short Term investments are cash balances held by the Association and the companies it controls. These balances are pooled and deposited with financial institutions on the Association’s approved counterparty list and in accordance with the Investment Strategy.

**Financial Instruments – Loans, Swaps and hedging**

External loans and swap liabilities are stated at fair value, with in year movements in value recognised in the Statement of Comprehensive income.

**Stocks and Work in Progress**

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes costs incurred in bringing each product to its present location and condition and is calculated as cost of direct materials and labour plus attributable overheads based on normal levels of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

**Revenue Recognition**

**Income**

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

**Government Grants**

Grants are recognised in the Income and Expenditure accounts when the conditions for receipt have been met. Deferred grant income at the yearend is included in creditors. Specific Grant is recognised in the financial statements in the period the related activities occur.

**Debtors**

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

**Provisions**

Provisions when required are utilised to reflect restructuring costs of redundancies and contracts which have been agreed before the end of the financial year.

**Employee benefits**

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

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

**1.** ACCOUNTING POLICIES **(Continued)**

New employees are entitled to membership of the Local Government Pension Scheme through either the Merseyside Pension Fund or the London Borough of Camden Pension Fund. Existing staff may be members of either of these Funds. The Local Government Pension Scheme is a defined benefit scheme and scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities within the defined benefit pension schemes expected to arise from employee service in the period are charged to the income and expenditure account.

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

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

**Reserves**

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

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 income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs.

**Status of the Association**

The Local Government Association is an unincorporated association governed by its constitution.

##  INCOME

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| **CONSOLIDATED** | 2016£000 |  | 2015£000 |
|  |  |  |  |
| **Group** |  |  |  |
| Subscriptions | 9,947 |  | 9,987 |
| Conferences and seminars | 2,429 |  | 1,635 |
| Government Grants | 34,264 |  | 36,680 |
| Shared Services – external to group | 468 |  | 995 |
| Other income | 6,485 |  | 7,478 |
|  | 53,593 |  | 56,775 |
| **Joint Ventures**  | 8,419 |  | 8,090 |
|  | 62,012 |  | 64,865 |

|  |  |  |  |
| --- | --- | --- | --- |
| **ASSOCIATION** | 2016£000 |  | 2015£000 |
| Subscriptions | 9,947 |  | 10,001 |
| Conferences and seminars | 2,112 |  | 1,300 |
| Shared Services | 6,206 |  | 6,404 |
| Other income | 5,774 |  | 7,810 |
|  | 24,039 |  | 25,515 |

The Association operates Shared Services arrangements under which the companies it controls, and certain other entities, are recharged for the costs of accommodation and various other business services, some of which are provided under a contract between the Association and Liberata Ltd.

##  STAFF INFORMATION

|  |  |  |
| --- | --- | --- |
|  | CONSOLIDATED | ASSOCIATION |
|  |  |  |  |  |
|  | 2016 | 2015 | 2016 | 2015 |
|  |  |  |  |  |
| **Average number of persons employed** | 322 | 306 | 160 | 136 |
|  |  |  |  |  |
| **Staff costs** | **£000** | **£000** | **£000** | **£000** |
|  |  |  |  |  |
| Wages and salaries | 17,880 | 17,303 | 9,000 | 8,152 |
| Social security costs | 1,679 | 1,634 | 801 | 727 |
| Pension costs – employer payments  | 2,229 | 2,185 | 699 | 620 |
| Pension costs – employer deficit payments  | 3,330 | 6,198 | 362 | 3,327 |
| Pension costs – current service costs less contributions | 147 | (5,504) | 147 | (3,039) |
| Less income from secondments | (1,196) | (1,202) | (665) | (672) |
|  | 24,069 | 20,614 | 10,344 | 9,115 |
| **Staff related costs** |  |  |  |  |
| Agency, freelance and secondment costs | 1,397 | 1,090 | 620 | 368 |
| Redundancy costs & provision | 1,171 | 894 | 804 | 542 |
| Travel, subsistence and staff expenses | 1,318 | 1,170 | 755 | 474 |
| Recruitment costs | 150 | 79 | 102 | 15 |
| Training costs | 63 | 106 | 34 | 61 |
| Other personnel costs | 46 | 52 | 40 | 31 |
|  | 4,145 | 3,391 | 2,355 | 1,491 |
|  |  |  |  |  |
| **Total staff costs** | 28,214 | 24,005 | 12,699 | 10,606 |

 **3.** STAFF INFORMATION(continued)

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

|  |  |  |
| --- | --- | --- |
|  | **2016** | **2015** |
|  | Salary | Employer pension contribution | Salary | Employer pension contribution |
|  | £ | £ | £ | £ |
| **Senior staff employed by the Association and associated organisations** |  |  |  |  |
| Carolyn Downs – Chief Executive | 68,532 | 6,785 | 171,629  | 16,991  |
| Mark Lloyd – Chief Executive | 83,750 | 8,291 | - | - |
| Stephen Hughes - Executive Director | 53,028 | - | 14,606 | - |
| Sarah Pickup – Deputy Chief Executive | 93,333 | 9,240 | - | - |
| Michael Lockwood- Executive Director of Finance and Policy | - | - | 128,847  | - |
| Michael Coughlin - Executive Director  | - | - | 68,813  | 12,324  |
|  |  |  |  |  |
| **Other senior staff** |  |  |  |  |
| Andrew Webster – Associate Director of Health | 92,900 | 16,443 | 142,178 | 25,165 |

**Current Employees**

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

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

**Ex - Employees**

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

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

Michael Lockwood served as Executive Director of Finance and Policy with effect from 1 March 2014 to 28 February 2015.

Michael Coughlin served as Executive Director with effect from 1 May 2012 to 28 September 2014.

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

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

**3.** STAFF INFORMATION(continued)

The numbers of other staff who received remuneration of £50,000 or more are stated in the table below. Remuneration excludes employer pension contributions but includes redundancy and all taxable benefits paid to or receivable by the employee. The 2016 figures include 6 staff (2015:6 staff) seconded to other organisations, of which 2 were employed by the Association.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| CONSOLIDATED | 2016 | 2016 |  | 2015 | 2015 |
|  | Remuneration including redundancy | Remuneration excluding redundancy |  | Remuneration including redundancy | Remuneration excluding redundancy |
|  £50,000 - £54,999 | 10 | 9 |  | 13 | 13 |
|  £55,000 - £59,999 | 15 | 23 |  | 19 | 19 |
|  £60,000 - £64,999 | 14 | 25 |  | 26 | 26 |
|  £65,000 - £69,999 | 30 | 10 |  | 13 | 13 |
|  £70,000 - £74,999 | 29 | 26 |  | 24 | 24 |
|  £75,000 - £79,999 | 3 | 4 |  | 5 | 5 |
|  £80,000 - £84,999 | 8 | 6 |  | 5 | 5 |
|  £85,000 - £89,999 | 1 | 2 |  | 2 | 2 |
|  £90,000 - £94,999 | 6 | 2 |  | 1 | 1 |
|  £95,000 - £99,999 | 6 | 8 |  | 10 | 10 |
|  £100,000 - £104,999 | 4 | 3 |  | 2 | 1 |
|  £105,000 - £109,999 | - | - |  | - | - |
|  £110,000 - £114,999 | 1 | 2 |  | 1 | 1 |
|  £115,000 - £119,999 | 4 | 3 |  | 3 | 3 |
| £125,000 to £129,999 | - | - |  | 1 | - |
| £135,000 to £139,999 | 1 | 1 |  | - | - |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ASSOCIATION | 2016 | 2016 |  | 2015 | 2015 |
|  | Remuneration including redundancy | Remuneration excluding redundancy |  | Remuneration including redundancy | Remuneration excluding redundancy |
|  £50,000 - £54,999 | 6 | 5 |  | 8 | 9 |
|  £55,000 - £59,999 | 9 | 7 |  | 3 | 3 |
|  £60,000 - £64,999 | 1 | 1 |  | 2 | 2 |
|  £65,000 - £69,999 | 11 | 10 |  | 13 | 13 |
|  £70,000 - £74,999 | 14 | 13 |  | 11 | 11 |
|  £75,000 - £79,999 | 2 | 2 |  | 3 | 3 |
|  £80,000 - £84,999 | 5 | 4 |  | 3 | 3 |
|  £85,000 - £89,999 | - | - |  | 1 | 1 |
|  £90,000 - £94,999 | 1 | 1 |  | - | - |
|  £95,000 - £99,999 | 2 | 1 |  | 3 | 3 |
|  £100,000 - £104,999 | 1 | 1 |  | 1 | - |
|  £105,000 - £109,999 | 2 | 2 |  | - | - |
|  £110,000 - £114,999 | 1 | 1 |  | - | - |
|  £115,000 - £119,999 | 1 | 1 |  | 1 | 1 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

## OPERATING SURPLUS

|  |  |  |
| --- | --- | --- |
|  | CONSOLIDATED | ASSOCIATION |
|  | Year ended 31 March2016£000 | Year ended31 March2015£000 | Year ended31 March2016£000 | Year ended31 March2015£000 |
| **Operating surplus is after charging:** |  |  |  |  |
| Depreciation and amortisation | 599 | 389 | 220 | - |
| Auditor’s remuneration |  |  |  |  |
|  - audit fee  | 38 | 43 | 15 | 19 |
| No fees were paid to the external auditor, PKF Littlejohn LLP, for non audit services in the year. |

##  FINANCE DISCOUNTS

Under an agreement dated 22 January 1998 made between Association of Metropolitan Authorities (Properties) Ltd, Local Government Association (Properties) Ltd and the Association, the AMA property company contributed the net sale proceeds of its former property in Great Smith Street to the purchase of Local Government House by Local Government Association (Properties) Ltd. In recognition of this, authorities in membership of the LGA that were formerly members of the Association of Metropolitan Authorities receive a discount on their membership subscriptions. The discount increases every five years in line with inflation. Originally at the rate of £6,000 per authority, the discount was increased to £7,965 with effect from 1 April 2012.

##  TAXATION

The Association and the companies it controls are exempt from tax on their income and gains by virtue of their status as Local Authority Associations under Section 838(2) of the Income Tax Act 2007 and Section 984(2) of the Corporation Tax Act 2010. They are exempt from capital gains tax under Section 271(3) of the Taxation of Chargeable Gains Act 1992.

##  FIXED ASSETS

**Group Assets**

The property from which the Association operates, Local Government House, Smith Square, London SW1 is owned by Local Government Association (Properties) Ltd, a related company. The Association pays rent to that company for its accommodation. The other trading companies that the Association controls operate from the same property. In addition related parties occupy parts of the accommodation on short term leases.

As a result of the introduction FRS102 89% of Local Government House cost and depreciation will be accounted for as Tangible Fixed Assets in the Group figures for the Financial Years 2014/15 and 2015/16 to reflect the area of the building utilised by the group.

**TANGIBLE FIXED ASSETS**

|  |  |  |  |
| --- | --- | --- | --- |
| **CONSOLIDATED** | Freehold Land and Buildings | Fixtures, fittings and equipment | Total |
|  | £000 | £000 | £000 |
| **Cost**  |  |  |  |
| At 1 April 2015 | 17,718 | 1,900 | 19,618 |
| Additions | 758 | 659 | 1,417 |
| **At 31 March 2016** | 18,476 | 2,559 | 21,035 |
| **Depreciation** |  |  |  |
| At 1 April 2015 | 3,602 | 1,127 | 4,729 |
| Charge for year | 253 | 346 | 599 |
| **At 31 March 2016** | 3,855 | 1,473 | 5,328 |
| **Net book value** |  |  |  |
| At 31 March 2016 | 14,621 | 1,086 | 15,707 |
| At 31 March 2015 | 14,116 | 773 | 14,889 |

**Association Assets**

The Association purchased ICT equipment in 2015-16, previously provided under the shared service contract with Liberata. This new procured assets formed part of the new ICT contract with LGA Digital Services Limited a jointly owned company with Brent Council.

|  |  |  |
| --- | --- | --- |
| **ASSOCIATION** | ICT equipment | Total |
|  | £000 | £000 |
| **Cost**  |  |  |
| At 1 April 2015 | - | - |
| Additions | 659 | 659 |
| At 31 March 2016 | 659 | 659 |
| **Depreciation** |  |  |
| At 1 April 2015 | - | - |
| Charge for year | 220 | 220 |
| At 31 March 2016 | 220 | 220 |
| **Net book value** |  |  |
| At 31 March 2016 | 439 | 439 |
| At 31 March 2015 | - | - |

## INVESTMENT **PROPERTIES**

|  |  |  |  |
| --- | --- | --- | --- |
| **CONSOLIDATED** | 2016£000 |  | 2015£000 |
| Brought forward valuation | 25,518 |  | 7,556 |
| Capital Expenditure | 966 |  | - |
| Unrealised gain on revaluation | 3,523 |  | 17,962 |
| Carried forward valuation | **30,007** |  | **25,518** |

Until May 2011, the Improvement & Development Agency for Local Government operated from Layden House, Farringdon, London EC1, a building owned by Local Government Management Board. Layden House was occupied during 2015-16 by unrelated third parties who were granted short term leases on normal commercial terms. These leases have now come to an end, with the property vacated to allow for the redevelopment to commence in 2016-17.

As a result of the requirements of FRS102, in the Group Accounts 11% of Local Government House valuation will be accounted for as Investment Property Assets for the Financial Years 2014/15 and 2015/16 to reflect the area of the building available for occupation by 3rd parties.

The freehold land and buildings Layden House and Local Government Houses, were valued at open market value on a commercial rental use basis. The valuations were performed as at 31 March 2016 by an independent professional valuer, Farebrother Chartered Surveyors.

## INVESTMENTS IN JOINT VENTURES - GROUP

**LOCAL PARTNERSHIPS LLP**

|  |  |  |  |
| --- | --- | --- | --- |
| Balance Sheet | 31 March2016£000 |  | 31 March2015£000 |
|  Current Assets | 5,246 |  | 5,410 |
| Share of gross assets | 5,246 |  | 5,410 |
|  Liabilities due within one year or less | (596) |  | (722) |
| Other | (1,350) |  | (1,350) |
|  Loans and other Debts due to members | (200) |  | (500) |
| Share of gross liabilities | (2,146) |  | (2,572) |
| **Share of net assets** | **3,100** |  | **2,838** |

## The operating results for Local Partnerships LLP are shown below:

|  |  |  |  |
| --- | --- | --- | --- |
| Profit and Loss Summary | Year ended31 March2016£000 |  | Year ended31 March2015£000 |
| Revenue | 9,086 |  | 10,230 |
| Operating costs | (8,545) |  | (9,101) |
| Interest Receivable  | 21 |  | 26 |
| Operating profit  | 562 |  | 1,155 |
| **Share of operating profit** | **281** |  | **577** |

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

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

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

In the Financial Year 2014/15 Local Partnerships LLP paid a dividend of £361,000 to each party. In 2015/16 Local Partnerships LLP repaid £300,000 of the 6% Convertible Loan Stock each to the Association and HM Treasury.

**GEOPLACE LLP**

|  |  |  |  |
| --- | --- | --- | --- |
| Balance Sheet | 31 March2016£000 |  | 31 March2015£000 |
|  Fixed Assets | 14 |  | 27 |
|  Intangible Assets | 88 |  | 459 |
|  Current Assets | 907 |  | 888 |
| Share of gross assets | 1,009 |  | 1,374 |
|  |  |  |  |
|  Liabilities due within one year or less | (369) |  | (351) |
| Share of gross liabilities | (369) |  | (351) |
| **Share of net assets** | **640** |  | **1,023** |

The operating results for GeoPlace LLP are shown below:

|  |  |  |  |
| --- | --- | --- | --- |
| Profit and Loss Summary | Year ended31 March2016£000 |  | Year ended31 March2015£000 |
| Revenue | 13,173 |  | 11,900 |
| Operating costs | (7,659) |  | (7,065) |
| Interest Receivable and Payable | - |  | 6 |
| Operating profit  | 5,514 |  | 4,841 |
| **Share of operating profit** | **1,379** |  | **1,210** |

Under an agreement dated 17 November 2010, the Secretary of State for Communities & Local Government, acting through Ordnance Survey, entered into an agreement (the LLP Members’ Agreement) with Improvement and Development Agency for Local Government (IDeA) and the Local Government Association, for the formation of a new joint venture, the limited liability partnership GeoPlace LLP. The purpose of the LLP is to create, manage and, through separate licensing arrangements with Ordnance Survey, commercially exploit a single definitive National Address Gazetteer. Ordnance Survey and IDeA each contributed £1 by way of equity capital. Immediately prior to completion of the joint venture agreement, which took place on 31 March 2012, IDeA and Ordnance Survey made loans to GeoPlace LLP of £1.500 million and £4.773 million respectively. These loans have now been repaid. The distributable profits of GeoPlace LLP are allocated 25% to IDeA and 75% to Ordnance Survey.

GeoPlace LLP commenced trading on 1 April 2011 and has traded profitably in the years to 31 March 2016.

**LGA DIGITAL SERVICES**

|  |  |  |  |
| --- | --- | --- | --- |
| Balance Sheet |  |  | 31 March2016£000 |
|  Fixed Assets |  |  | - |
|  Intangible Assets |  |  | - |
|  Current Assets |  |  | 583 |
| Share of gross assets |  |  | 583 |
|  |  |  |  |
|  Liabilities due within one year or less |  |  | (583) |
| Share of gross liabilities |  |  | (583) |
| **Share of net assets** |  |  | **-** |

The operating results for LGA Digital Services are shown below:

|  |  |  |  |
| --- | --- | --- | --- |
| Profit and Loss Summary |  |  | Year ended31 March2016£000 |
| Revenue |  |  | 1,165 |
| Operating costs |  |  | (1,165) |
| Operating profit  |  |  | 0 |
| **Share of operating profit** |  |  | **0** |

In July 2015 a new Joint Venture Company limited by guarantee with the London Borough of Brent was created is to provide ICT Services to the LGA or the London Borough of Brent. The company has been set up to provide common services to both shareholders within the objective of minimising costs to the shareholders rather than marketing external activity and delivering commercial returns to either of the parties. The LGA service agreement was signed on the 29th January 2016.

## INVESTMENTS

**LGA Group - IDEA**

|  |  |
| --- | --- |
| Investment in UK Municipal Bonds Agency PLC (MBA) | Total £000 |
| Year ended 31 March 2016 |  |
| Opening balance | 500 |
| Invested in year | - |
| Closing value | 500 |

**LGA**

|  |  |  |  |
| --- | --- | --- | --- |
| Investment in Local Partnerships LLP | Equity £000 | Debt £000 | Total £000 |
| Year ended 31 March 2015 |  |  |  |
| Opening balance | 600 | 500 | 1,100 |
| Repaid in year | 200 | - | 200 |
| Closing value | 800 | 500 | 1,300 |
| Year ended 31 March 2016 |  |  |  |
| Opening balance | 800 | 500 | 1,300 |
| Reversal of impairment in year |  | (300) | (300) |
| Closing value | 800 | 200 | 1,000 |

**Investment in LGA Digital Services Limited**

The LGA investment in LGA Digital Services Limited is a 50% shareholding reflecting a £1 ordinary shareholding matched by the London Borough of Brent.

## LONG TERM DEBTORS - ASSOCIATION

In July 2010 a loan agreement was created with the Local Government Association (Properties) Ltd of £820,000 to manage its debt commitments. The loan is repayable in bi-annual instalments of £50,000 over a period of 8 years with a final repayment of £70,000 on 31 March 2018. This loan bears interest at 5% p.a.

## DEBTORS

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | CONSOLIDATED | ASSOCIATION |
|  |  | 2016£000 | 2015£000 | 2016£000 | 2015£000 |
|  |  |  |  |  |  |
| Trade debtors |  | 3,780 | 5,650 | 1,010 | 849 |
| Due from related entities |  | 625 | 625 | 1,793 | 1,656 |
| Loan due from LGA (Properties) |  | - | - | 1,600 | 1,600 |
| Loan due from Local Government Management Board |  | - | - | 2,500 | 1,500 |
| Other debtors |  | 339 | 147 | 605 | 176 |
| Prepayments and accrued income |  | 1,096 | 1,724 | 501 | 904 |
|  |  | 5,840 | 8,146 | 8,009 | 6,685 |

##  SHORT TERM INVESTMENTS

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

## CREDITORS

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | CONSOLIDATED | ASSOCIATION |
|  |  | 2016£000 | 2015£000 | 2016£000 | 2015£000 |
| **Amounts falling due within one year** |  |  |  |  |  |
| Accounts payable and accruals |  | 4,093 | 3,586 | 746 | 1,374 |
| Income received in advance |  | 3,402 | 3,752 | 453 | 203 |
| Other creditors |  | 1,628 | 1,959 | 859 | 742 |
| Owed to related entities |  | - | - | 166 | 179 |
|  |  | 9,123 | 9,297 | 2,224 | 2,498 |
| **Amounts falling due beyond one year** |  |  |  |  |  |
| 1 to 2 Years |  | 918 | 918 | 270 | 218 |
| 2 to 5 years |  | 2,214 | 2,214 | 498 | 654 |
| More than 5 years |  | 11,449 | 9,730 | - | 218 |
|  |  | 14,581 | 12,862 | 768 | 1,090 |

In 2011/12 the Association received a distribution of £2,707,612 from the liquidation of A.D.C. Trustees Ltd, the company that had held the property and assets for the Association of District Councils. The Leadership Board of the Association has determined that funds from this distribution should be applied, to provide support of £217,945 p.a. for ten years to the District Councils Network, a special interest group of the Association; secondly to provide a new additional discount from 1 April 2013 at a rate of 1.5% on the subscriptions of non-metropolitan unitary authorities. The current rate of support has been increased to £270,000p.a., with creditors payable after more than one year including an amount of £767,670 representing the final four instalments of the support due for the District Councils Network.

Included within the consolidated amounts falling due beyond one year are the following loans to LGA Properties:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2016£000 |  | 2015£000 |
| Bank loans | 4,160 |  | 4,860 |
| Loan from ACC (Properties) Limited | 2,000 |  | 2,000 |
| Loan from AMA (Properties) Limited | 6,200 |  | 6,200 |
| Barclays Swap Liability | 1,131 |  | 1,288 |
|   | **13,491** |  | **14,348** |

The new inclusion in the above table for Barclays Swap Liability is a requirement of FRS102 to include a value on the balance sheet for the additional Swap agreement liability as at the 31st of March that would be payable if the loan was repaid. The £157,000 gain as a result of this liability reducing has been credited to the Statement of Consolidated Income. The Bank Loans and the Barclays Swap Liability are secured against Local Government House party valued as a Property asset in note 7 at £14.6m and partly as Investment Property Asset at £4.2m.

The loans from ACC (Properties) Ltd and AMA (Properties) Ltd are only repayable in the event of the sale of Local Government House. There is no intention to dispose of the property in the foreseeable future. The loan from ACC (Properties) Ltd bears compound interest at 1.5% above the base rate with payment conditional upon the disposal of the property. The accumulated interest to date on the loan is £2,693 million.

Under an agreement dated 22 January 1998 made between Association of Metropolitan Authorities (Properties) Ltd, Local Government Association (Properties) Ltd and the Association, the AMA property. The Company contributed the net sale proceeds of its former property in Great Smith Street to the purchase of Local Government House by Local Government Association (Properties) Ltd. In recognition of this, authorities in membership of the Local Government Association that were formerly members of the Association of Metropolitan Authorities receive a discount on their membership subscriptions. The discount, originally at the rate of £6,000 per authority, currently stands at £7,965 and increases every five years in line with inflation.

##  PROVISION FOR ORGANISATION RESTRUCTURING

|  |  |  |
| --- | --- | --- |
|  | CONSOLIDATED | ASSOCIATION |
|  | 2016£000 | 2015£000 | 2016£000 | 2015£000 |
| Balance at 1 April | 680 | - | 393 |  |
| Arising during year | 468 | 680 | 22 | 393 |
| Utilised during year | (680) | - | (393) | - |
| Balance at 31 March | 468 | 680 | 22 | 393 |

The provision for the year to 31 March 2016 relates entirely to redundancy costs. The LGA provision has been set up to cover the further cost of voluntary redundancies which have been agreed with members of staff.

##  PENSION COMMITMENTS

The Local Government Association and companies under the Association’s control are admitted bodies to two local government pension funds: the Merseyside Pension Fund, administered by Wirral Metropolitan Borough Council; and the London Borough of Camden Pension Fund. These funds are administered in accordance with the Local Government Pension Scheme Regulations 1997. Details of the calculation of the deficit relating to each fund are given below.

In addition, the Association and its predecessor bodies have incurred pension liabilities that are outside the funded benefits provided by the relevant pension schemes. These other unfunded liabilities were estimated by an actuary at 31 March 2016 as £1,652 million (2015 £1.812million). The unfunded liabilities are being paid annually over the remaining lives of the pensioners concerned.

The most recent formal actuarial reviews in relation to the funds were at 31 March 2013. The actuarial assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. The assumptions made by the actuaries (Mercer Ltd (M) for the Merseyside fund and Hymans Robertson (HR) for the Camden funds) are stated below.

**17.** PENSION COMMITMENTS **(CONTINUED)**

**Investment returns**

The investment returns on the funds used in calculating the year end assets were in the range 0.9% to 1.2% (2015, 10.0% to 12.37%).

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

|  |  |  |
| --- | --- | --- |
|  | 31 March 2016 | 31 March 2015 |
| Equities | 51.8% to 75.0% | 53.9% to 78.0% |
| Bonds (HR) | 13.0% | 12.0% |
| Government Bonds (M) | 4.6% | 14.8%  |
| Other Bonds (M) | 11.3% | 2.6%  |
| Property | 8.9% to 11.0% | 9.0% to 10.8%  |
| Cash | 1.0% to 3.4% | 1.0% to 3.0% |
| Other (M) | 20.0% | 14.9%  |

**a) Actuarial assumptions**

Full actuarial valuations were carried out at 31 March 2013 and updated to 31 March 2016 by qualified independent actuaries. The next Triennial valuation will be as at 31 March 2016.

The range of assumptions used by the actuaries was:

|  |  |  |
| --- | --- | --- |
|  | 31 March 2016% per annum | 31 March 2015% per annum |
| Pension increase rate | 2.0% to 2.2% | 2.0% to 2.4% |
| Salary increase rate  | 3.5% to 4.2% | 3.5% to 4.30% |
| Discount rate  | 3.4% to 3.5% | 3.1% to 3.2% |
| Inflation assumption | 2.0% to 2.2% | 2.0% to 2.4% |

|  |  |  |
| --- | --- | --- |
| Mortality Rates\* | **31 March 2016****Years** | **31 March 2015****Years** |
|  Current Pensioners – Male | 22 to 22.5 | 22 to 22.4 |
|  Current Pensioners – Female | 24.4 to 25.4 | 24.4 to 25.3 |
|  Future Pensioners – Male | 24.3 to 24.9 | 24.3 to 24.8 |
|  Future Pensioners – Female | 26.8 to 28.2 | 26.8 to 28.0 |

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

**17.** PENSION COMMITMENTS **(CONTINUED)**

**b) Scheme assets**

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

|  |  |  |
| --- | --- | --- |
|  | Fair valueat 31 March2016£000 | Fair valueat 31 March2015£000 |
| **Fair value of employer assets** |  |  |
| Equities | 53,425 | 151,291 |
| Bonds (HR) | 0 | 14,495 |
| Government Bonds (M) | 4,744 | 15,670 |
| Other Bonds (M) | 11,654 | 2,753 |
| Property | 9,179 | 22,306 |
| Cash | 3,507 | 4,384 |
| Other (M) | 20,627 | 15,776 |
| **Total Market Value of Assets** | 103,136 | 226,675 |

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Balance sheet** | **31 March 2016****£000** |  | **31 March 2015****£000** |
| Fair value of employer assets | 224,054 |  | 226,675 |
| Present value of funded liabilities | (305,238) |  | (324,734) |
| Net underfunding in funded plans | (81,184) |  | (98,059) |
| Present value of unfunded liabilities | (13,567) |  | (14,801) |
| **Net liability** | (94,751) |  | (112,860) |

**17.** PENSION COMMITMENTS **(CONTINUED)**

|  |  |  |  |
| --- | --- | --- | --- |
|  **Recognition in the statement of Comprehensive Income** | Year to 31 March 2016 £000 |  | Year to 31 March 2015 £000 |
| Current service cost | (1,073) |  | 2,907 |
| Interest cost | 8,402 |  | 12,539 |
| Expected return on employer assets | (9,603) |  | (12,573) |
| Administration expenses  | 35 |  | - |
| Past service cost | - |  | - |
| Losses on curtailments and settlements | 234 |  | 16 |
| Total | **(2,005)** |  | **2,889** |
| Actual return on plan assets | **632** |  | **18,796** |

|  |  |  |  |
| --- | --- | --- | --- |
|  **Reconciliation of defined benefit obligation** | 2016£000 |  | 2015£000 |
| Opening defined benefit obligation | 339,535 |  | 294,067 |
| Current service cost | 3,983 |  | 2,907 |
| Interest cost | 10,779 |  | 12,539 |
| Contribution by members | 1,376 |  | 1,347 |
| Actuarial (gains)/losses | (28,026) |  | 42,688 |
| Actuarial gains - West Sussex to Merseyside transfer | - |  | (5,961) |
| Past service costs  | 88 |  | - |
| Losses on curtailments | 322 |  | 16 |
| Estimated unfunded benefits paid | (600) |  | (433) |
| Estimated benefits paid | (8,652) |  | (7,635) |
| **Closing defined benefit obligation** | **318,805** |  | **339,535** |

**17.** PENSION COMMITMENTS **(CONTINUED)**

|  |  |  |  |
| --- | --- | --- | --- |
|  **Reconciliation of fair value of employer assets** | 2016£000 |  | 2015£000 |
| Opening fair value of employer assets | 226,675 |  | 202,130 |
| Expected return on assets | 7,226 |  | 12,573 |
| Contributions by members | 1,376 |  | 1,347 |
| Contributions by the employer | 5,566 |  | 8,002 |
| Contributions in respect of unfunded benefits | 600 |  | 433 |
| Administrative Expenses | (35) |  | - |
| Actuarial (losses)/gains | (8,102) |  | 6,224 |
| Actuarial gains - West Sussex to Merseyside transfer | - |  | 4,034 |
| Unfunded Benefits paid | (434) |  | (621) |
| Benefits paid | (8,818) |  | (7,447) |
| **Closing fair value of employer assets** | **224,054** |  | **226,675** |

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2016 | 2015 | 2014 | 2013 | 2012 |
|  | **£000** | **£000** | **£000** | **£000** | **£000** |
| Fair value of employer assets | 224,054 | 226,675 | 202,130 | 168,408 | 165,366 |
| Present value of defined benefit obligation | (318,805) | (339,535) | (294,067) | (235,382) | (226,223) |
| **Deficit** | **(94,751)** | **(112,860)** | **(91,937)** | **(66,974)** | **(60,857)** |
|  |  |  |   |  |  |
| Experience gains/(losses) on assets | (8,102) | 6,224 | 977 | (5,119) | (4,226) |
| Experience gains/(losses) on liabilities | - | 1,451 | (13,075) | 4,777 | 25,415 |

The total of employer pension contributions estimated to be payable in 2016-17 is £5.281million (£1.187 million of which relates to the Association).

## CONTINGENT LIABILITIES

LGA Properties has a loan from ACC (Properties) Ltd that bears compound interest at 1.5% above the base rate, with payment conditional on the disposal of the property. The accumulated interest to date on the loan is £2.693 million.

## RELATED ENTITIES

The Association exercises control of the following entities, all companies limited by guarantee, by virtue of rights to appoint members of the company and all or a majority of the Board of Directors of the company:

Improvement & Development Agency for Local Government

Local Government Management Board

Local Government Association (Properties) Ltd

The IDEA has a provision in its Memorandum of Association stating that, in the event of dissolution of the company, any surplus of assets over liabilities is to be transferred to the Local Government Association or some other local authority association having similar objects. The provisions relating to Local Government Management Board are that any surplus arising on winding up is to be transferred to the Local Government Association. The provisions relating to Local Government Association (Properties) Ltd are that any surplus arising on winding up is to be distributed to local authorities in equal shares.

The Association is a 50% owner (£1 ordinary share) of LGA Digital Services.

The Association is a member of Local Partnerships LLP, a limited liability partnership. The other member of Local Partnerships LLP is HM Treasury. The members share profits and losses equally.

Improvement & Development Agency for Local Government is a member of GeoPlace LLP, a limited liability partnership. The other member of GeoPlace LLP is Ordnance Survey. Both members have equal rights as regards the operation of the LLP and appointments to its Board of Directors, but Improvement & Development Agency for Local Government takes a 25% share of profits and losses, with the balance going to Ordnance Survey

## EXCEPTIONAL ITEM

During 2015-16 there were no exceptional items to report.

## PRIOR YEAR RESTATEMENT - TRANSITION TO FRS102 LGA Group and LGA only Accounts

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 March 2015. Set out below are the adjustments which reconcile profit for the financial year ended 31 March 2015 and the total equity as at 1 April 2014 and 31 March 2015 as a result of the changes to accounting policies between UK GAAP as previously reported and FRS 102.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **GROUP** |  | **LGA** |
| **SURPLUS FOR THE FINANCIAL YEAR** | note | **2015£000** |  | **2015£000** |
| **UK GAAP – As previously reported** |  | 8,381 |  | 2,134 |
| Defined benefit pension scheme  | A | (3,380) |  | (1,402) |
| Reduced Depreciation – in year | B | 31 |  |  |
| Revaluation of property | C | 4,500 |  |  |
| Gain on revaluation of property | C | 1,225 |  |  |
| In year Adjustment for Barclays Swap Liability | E | (54) |  |  |
| **Total adjustment to profit for the financial year** |  | 2,322 |  | (1,402) |
| **FRS 102 Surplus** |  | **10,703** |  | **732** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **OTHER COMPREHENSIVE INCOME** |  | **2015****£000** |  | **2015****£000** |
|  |  |  |  |  |
| **UK GAAP – As previously reported** |  | (13,638) |  | (5,162) |
|  |  |  |  |  |
| (Adjustment to surplus as above) |  | 2,322 |  | (1,402) |
| Defined benefit pension scheme adjustment | A | 3,380 |  | 1,402 |
| Revaluation of property | C | (4,500) |  | - |
| **Total adjustment to profit for the financial year** |  | 1,202 |  | 0 |
| **FRS 102 (Deficit)** |  | (12,436) |  | (5,162) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Accumulated Funds** |  | **GROUP 31 March 2015£000** |  | **LGA31 March 2015£000** |
| **UK GAAP – As previously reported** |  | (66,608) |  | (30,239) |
| Add back historic buildings depreciation to the General Reserve opening balance | B | 436 |  |  |
| Depreciation Adjustment - in year operating Surplus | B | 30 |  |  |
| Property Gain added to Revaluation Reserve | C | 1,225 |  |  |
| Holiday Pay Accrual | D | (384) |  | (174) |
| Historic Adjustment for Barclays Swap Liability | E | (1,233) |  |  |
| In year Adjustment for Barclays Swap Liability | E | (55) |  |  |
| **FRS 102** |  | (66,589) |  | (30,413) |

NB the 1 April opening balances for accumulated funds were also adjusted for the Holiday pay accrual and historic buildings depreciation adjustments shown in the table above.

**Notes:**

**A Defined benefit pension scheme**

Under previous UK GAAP the company recognised an expected return on defined benefit plan assets in the profit and loss account. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the profit and loss account. There has been no change in the defined benefit liability at either 1 April 2014 or 31 March 2015. The effect of the change has been to move £3.380 million of the pension adjustments reducing the operating surplus, with an offsetting adjustment in other comprehensive income by an equivalent amount.

**B Depreciation adjustments**

The depreciation on the Local Government House (LGH) Building have been added back to the asset value as at 1 April 2014, and the 2014/15 charge has been also been removed from the Income and Expenditure account, increasing the general reserve by £466,000.

**C – Property gain**

Under FRS102 100 the LGH property is now defined as a mixed use property in the group accounts. In the LGA Property Accounts it is treated as an Investment property. This means that for the group accounts a share of the property valuation, based on the use by external tenants, will be treated as an Investment property. This share (currently at 11.46% of the buildings usage) will be shown on the Groups balance sheet as an investment Asset. The resulting revaluation gain or loss will be shown on the statement of Comprehensive Income, and will be added to a Balance Sheet Revaluation Reserve. The Investment Asset value of Local Government House is now shown in the restated 2014/15 group balance sheet based on a total valuation as at 31 March 2015 of £30.7m, at £3.518m.

**D - Holiday pay accrual**

FRS 102 requires short term employee benefits to be charged to the profit and loss account, for the period the employee service is received. This has resulted in the LGA recognising a liability for holiday pay of £174,000 on transition to FRS 102. Previously holiday pay accruals were not recognised and were charged to the profit and loss account as they were paid. For the transition to 31 March 2015 it has been assumed, that liability at the 1 April 2014 was the same as at 31 March 2015, with the £174,000 (£384,000 Group) liability charged to the General Reserves at the start of the accounting period.

**E - Barclays Swap Liability**

FRS102 requires the revaluation of the Barclays Loan liabilities to include a value on the balance sheet for the additional Swap agreement liability as at the 31st of March that would be payable if the loan was repaid at that date.

## POST BALANCE SHEET EVENTS

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

## CONTROLLING ENTITY

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