



A year in the LGA

2015
2016

The national voice of local government

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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 residents 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.

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 LGA 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.

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 (BCF) and some progress on greater council tax flexibility to help fund social care.

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.**

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.

Of 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.

13%

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

83%

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

86%

of coverage was positive about local government

AT A GLANCE A YEAR IN THE LGA

More than **6,000** delegates attended over 60 LGA events with **61 per cent** 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.

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 2017/18 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 BCF
- 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.

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 All Party Parliamentary Group (APPG).

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 APPG 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 political 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 52 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 £32.7 million through the Productivity Experts Programme
- holding leadership training for 764 councillors.

Strategic Report

Year ended 31 March 2016

Principal activities

The 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 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 £1.4 million, and will deliver budgeted full year savings in 2016/17 of £4.3 million.

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 three 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 £700,000 each year; and a liability of £270,000 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 a 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 £35.85 million. In the group accounts 11 per cent 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 £14.6 million.

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 maintain 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 32.

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 Councillor 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

LOCAL GOVERNMENT ASSOCIATION

STATEMENT OF THE LEADERSHIP BOARD'S RESPONSIBILITIES

Year ended 31 March 2016

The Leadership Board of the 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
- 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

PKF Littlejohn LLP has expressed its willingness to continue in office. A resolution for the re-appointment of the PKF Littlejohn LLP is to be proposed at a forthcoming board meeting.

Approved by the Leadership Board and signed on their behalf



8 June 2016

Lord Porter of Spalding CBE

Chair of the LGA Leadership Board

LOCAL GOVERNMENT ASSOCIATION

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 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 22. 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 16, 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 with 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.

LOCAL GOVERNMENT ASSOCIATION

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE LOCAL GOVERNMENT ASSOCIATION

Year ended 31 March 2016

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 Association's 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.

Paul Hopper
Senior Statutory Auditor

For and on behalf of
PKF Littlejohn LLP

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

Date:

LOCAL GOVERNMENT ASSOCIATION

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)	(52,481)
GROUP OPERATING SURPLUS BEFORE INTEREST	4	(1,527)	4,294
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	10,652
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	(12,437)

The accounting policies and notes in pages 26 to 50 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

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 26 to 50 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

CONSOLIDATED BALANCE SHEET

Year ended 31 March 2015

	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)
		<u>49,954</u>	<u>44,770</u>
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
		<u>25,754</u>	<u>27,152</u>
CREDITORS: amounts falling due within one year	14	<u>(9,123)</u>	<u>(9,297)</u>
NET CURRENT ASSETS		<u>16,631</u>	<u>17,855</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>66,585</u>	<u>62,625</u>
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		<u>(43,215)</u>	<u>(66,589)</u>
ACCUMULATED FUNDS			
General Reserve		28,264	28,309
Revaluation Reserve		21,485	17,962
Risk and Contingency Reserve		1,787	
Pension deficits Reserve			
- Pension Fund Assets		<u>224,054</u>	<u>226,675</u>
- less Defined Liabilities		<u>(318,805)</u>	<u>(339,535)</u>
		<u>(43,215)</u>	<u>(66,589)</u>

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



Lord Porter of Spalding CBE

The accounting policies and notes in pages 26 to 50 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

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
		<u>8,707</u>	<u>9,288</u>
CREDITORS: amounts falling due within one year	14	<u>(2,224)</u>	<u>(2,498)</u>
NET CURRENT ASSETS		6,483	6,790
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,542</u>	<u>8,810</u>
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		<u>(35,042)</u>	<u>(37,504)</u>
NET LIABILITIES		<u>(27,290)</u>	<u>(30,413)</u>
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		<u>(138,178)</u>	<u>(143,385)</u>
		<u>(27,290)</u>	<u>(30,413)</u>

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 26 to 50 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

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)	25,693	(53,957)
Changes in equity for 2014/15					
Income for the year	-	-	-	10,652	10,652
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)	-
Total comprehensive income for the year	-	5,675	(20,923)	2,811	(12,437)
Movement on Joint Venture Reserves	-	-	-	(195)	(195)
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)	-
Total comprehensive income for the year	-	3,523	18,109	1,452	23,084
Movement on Joint Venture Reserves	-	-	-	290	290
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)

LOCAL GOVERNMENT ASSOCIATION

ASSOCIATION STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

	Risk & Contingency Reserve	Pensions Deficit Reserve	Retained Earnings	Total
Balance at 1 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 31 March 2015		(37,504)	7,091	(30,413)
Balance at 1 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 31 March 2016	661	(35,042)	7,091	(27,290)

LOCAL GOVERNMENT ASSOCIATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016	2015
	£000	£000
Net cash outflow from operating activities		
Surplus/(Deficit)	3,160	10,652
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)	1,360
(Decrease)/Increase in provisions	(448)	916
(Decrease)/Increase in creditors due after one year	(857)	(918)
Cash generated from operations	<u>1,716</u>	<u>(30)</u>
Interest paid	(186)	(441)
Net cash generated from operating activities	<u>1,530</u>	<u>(471)</u>
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
	<u>(97)</u>	<u>1,422</u>
Cash flow from financing activities		
Finance discounts for former members of AMA	(526)	(533)
	(526)	(533)
Net (Decrease)/Increase in cash	907	418
Cash and cash equivalents at the start of the year	19,006	18,588
Cash and cash equivalents at the end of the year	<u>19,913</u>	<u>19,006</u>

The accounting policies and notes in pages 26 to 50 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 £52.8 million as at 31 March 2015. £25.1 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 SSAP 19 "Accounting for Investment Properties".

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 2015. 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.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

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 per cent 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 per cent 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”.

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.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

1. ACCOUNTING POLICIES (Continued)

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.

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

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

1. ACCOUNTING POLICIES (Continued)

(ii) LGPS Pension costs:

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 comprehensive income. 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.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

2. INCOME

CONSOLIDATED	2016	2015
	£000	£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
	<u>53,593</u>	<u>56,775</u>
Joint Ventures	8,419	8,090
	<u>62,012</u>	<u>64,865</u>
	2016	2015
ASSOCIATION	£000	£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
	<u>24,039</u>	<u>25,515</u>

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.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

3. 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)
<u>Less income from secondments</u>	<u>(1,196)</u>	<u>(1,202)</u>	<u>(665)</u>	<u>(672)</u>
	<u>24,069</u>	<u>20,614</u>	<u>10,344</u>	<u>9,115</u>
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
	<u>4,145</u>	<u>3,391</u>	<u>2,355</u>	<u>1,491</u>
Total staff costs	<u>28,214</u>	<u>24,005</u>	<u>12,699</u>	<u>10,606</u>

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

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	92,900	16,443	142,178	25,165
Andrew Webster – Associate Director of Health				

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.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

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 2015 figures include 6 staff (2014:6 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

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

4. OPERATING SURPLUS

	CONSOLIDATED		ASSOCIATION	
	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Operating surplus is after charging:				
Depreciation and amortisation	600	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.

5. FINANCE DISCOUNTS

Under an agreement dated 22 January 1998 made between Association of Metropolitan Authorities (Properties) Ltd, Local Government Association (Properties) Ltd and the Association, the AMA property company contributed the net sale proceeds of its former property in Great Smith Street to the purchase of Local Government House by Local Government Association (Properties) Ltd. In recognition of this, authorities in membership of the LGA that were formerly members of the Association of Metropolitan Authorities receive a discount on their membership subscriptions. The discount 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.

6. 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.

7. 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 per cent 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.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

TANGIBLE FIXED ASSETS

CONSOLIDATED	Freehold Land and Buildings £000	Fixtures, fittings and equipment £000	Total £000
Cost			
At 1 April 2015	17,718	1,900	19,618
Additions	759	659	1,418
At 31 March 2016	18,477	2,559	21,036
Depreciation			
At 1 April 2015	3,602	1,127	4,729
Charge for year	254	346	600
At 31 March 2016	3,856	1,473	5,329
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 £000	Total £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	-	-

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

8. INVESTMENT PROPERTIES

CONSOLIDATED	2016	2015
	£000	£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 per cent 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.

9. INVESTMENTS IN JOINT VENTURES - GROUP

LOCAL PARTNERSHIPS LLP

	31 March	31 March
Balance Sheet	2016	2015
	£000	£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

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

The operating results for Local Partnerships LLP are shown below:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Profit and Loss Summary		
Revenue	9,086	10,230
Operating costs	(8,545)	(9,101)
Interest Receivable	21	26
Operating profit	<u>562</u>	<u>1,155</u>
Share of operating profit	<u>281</u>	<u>577</u>

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 per cent 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 per cent 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 per cent 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 per cent Convertible Loan Stock each to the Association and HM Treasury.

GEOPLACE LLP

	31 March 2016 £000	31 March 2015 £000
Balance Sheet		
Fixed Assets	14	27
Intangible Assets	88	459
Current Assets	907	888
Share of gross assets	<u>1,009</u>	<u>1,374</u>
Liabilities due within one year or less	<u>(369)</u>	<u>(351)</u>
Share of gross liabilities	<u>(369)</u>	<u>(351)</u>
Share of net assets	<u>640</u>	<u>1,023</u>

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

The operating results for GeoPlace LLP are shown below:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Profit and Loss Summary		
Revenue	13,173	11,900
Operating costs	(7,659)	(7,065)
Interest Receivable and Payable	-	6
Operating profit	<u>5,514</u>	<u>4,841</u>
Share of operating profit	<u>1,379</u>	<u>1,210</u>

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 per cent to IDeA and 75 per cent 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

	31 March 2016 £000
Balance Sheet	
Fixed Assets	-
Intangible Assets	-
Current Assets	583
Share of gross assets	<u>583</u>
Liabilities due within one year or less	(583)
Share of gross liabilities	<u>(583)</u>
Share of net assets	<u>-</u>

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

The operating results for for LGA Digital Services are shown below:

	Year ended 31 March 2016 £000
Profit and Loss Summary	
Revenue	1,165
Operating costs	(1,165)
Operating profit	<u>0</u>
Share of operating profit	<u>0</u>

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.

10. INVESTMENTS – LGA

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	<u>500</u>

LGA

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

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

Investment in LGA Digital Services Limited

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

11. 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 per cent p.a.

12. 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
	<u>5,840</u>	<u>8,146</u>	<u>8,009</u>	<u>6,685</u>

12. 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 12 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 Association's 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.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

14. 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
	<u>9,123</u>	<u>9,297</u>	<u>2,224</u>	<u>2,498</u>
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
	<u>14,581</u>	<u>12,862</u>	<u>768</u>	<u>1,090</u>

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 10 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 per cent 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
	<u>13,491</u>	<u>14,348</u>

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.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

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 per cent 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.

15. 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.

16. 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.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

16. 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	31 March 2015
	% per annum	% 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	31 March 2015
	Years	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

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

16. PENSION COMMITMENTS (CONTINUED)

b) Scheme assets

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

	Fair value at 31 March 2016 £000	Fair value at 31 March 2015 £000
Fair value of employer assets		
Equities	53,425	151,291
Bonds (HR)	-	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	<u>103,136</u>	<u>226,675</u>

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

	Fair value at 31 March 2016 £000	Fair value at 31 March 2015 £000
Balance sheet		
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	<u>(94,751)</u>	<u>(112,860)</u>

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

16. 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

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

16. PENSION COMMITMENTS (CONTINUED)

Reconciliation of fair value of employer assets	2015	
	£000	£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).

17. CONTINGENT LIABILITIES

LGA Properties has a loan from ACC (Properties) Ltd that bears compound interest at 1.5 per cent 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.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

18. 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 per cent 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 per cent share of profits and losses, with the balance going to Ordnance Survey

19. EXCEPTIONAL ITEM

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

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

20. 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
		2015	2015
		£000	£000
SURPLUS FOR THE FINANCIAL YEAR	note		
UK GAAP – As previously reported		8,381	2,134
Defined benefit pension scheme	A	(3,380)	(1,402)
Reduced Depreciation – in year	B	30	-
Revaluation of property	C	4,450	-
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		<u>2,271</u>	<u>(1,402)</u>
FRS 102 Surplus		<u>10,652</u>	<u>732</u>
OTHER COMPREHENSIVE INCOME		2015	2015
		£000	£000
UK GAAP – As previously reported		(13,638)	(5,162)
(Adjustment to surplus as above)		2,271	(1,402)
Defined benefit pension scheme adjustment	A	3,380	1,402
Revaluation of property	C	(4,450)	-
Total adjustment to profit for the financial year		<u>1,201</u>	<u>0</u>
FRS 102 (Deficit)		<u>(12,437)</u>	<u>(5,162)</u>

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

Accumulated Funds		GROUP 31 March 2015 £000	LGA 31 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		<u>(66,589)</u>	<u>(30,413)</u>

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 per cent 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 £30.7 million, at £3.518 million.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2016

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 31 March that would be payable if the loan was repaid at that date.

21. POST BALANCE SHEET EVENTS

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

22. 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.



Local Government Association

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