

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
(a company limited by guarantee)

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
(a UK Registered company limited by guarantee)
Company Registration No. 03487186

Report and Financial Statements
for the year ended 31 March 2018

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
(a company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS 2018

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LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
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OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Councillor Ian Swithenbank CBE (Chairman)

Councillor David Neighbour

Councillor Nicholas Chard

Councillor Graham Whitham

Resigned 16 August 2017

Councillor Clarence Barrett

Appointed 16 August 2017

Sarah Pickup, LGA Deputy Chief Executive

SECRETARY

Claire Holloway

REGISTERED OFFICE

18 Smith Square
London
SW1P 3HZ

BANKERS

Barclays
UK Banking
1 Churchill Place
London
E14 5HP

STATUTORY AUDITOR

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

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED

(a company limited by guarantee)

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 March 2018.

Principal activities

Local Government Association (Properties) Ltd is a Company limited by guarantee. It owns property at 18 Smith Square, London SW1 which is rented to the Local Government Association for the purposes of the Association's and its related entities' business, and to third party tenants.

The Company is wholly controlled by the Local Government Association.

Business review

The Company's principal business is the rental of the 18 Smith Square property for use primarily by entities controlled by the Local Government Association. A small part of the property was rented to third parties. The property was refurbished during 2017/18 with a view to creating better utilisation of the accommodation for the Local Government Association and its related activities, and to create larger commercially available demises. The first commercial lets were signed during the year.

Future Developments

Now that the refurbishment has been completed, the Company is planning on generating extra revenue through leasing the remaining two unlet floors of the building to third parties.

Principal risks and uncertainties

The principal risk faced by the Company is that its income is largely dependent on sources from within the Local Government Association group of entities. The re-development reduces this risk. The Company is also managed within a wider business strategy appropriate for the group.

Employees

The Company has no employees.

Political and charitable contributions

The Company did not make any political or charitable donations and did not incur any political expenditure during the year.

Dividends

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

Provision of information to Auditors

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

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

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

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.

Status of this Directors' Report

This report is prepared in accordance with the small companies' regime under the Companies Act 2006.

Approved by the Board of Directors on **XX June** 2018

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
(a company limited by guarantee)

Councillor Ian Swithenbank
Signed on behalf of the Board of Directors

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
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STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

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

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED

Opinion

We have audited the financial statements of Local Government Association (Properties) Limited (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Directors' Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED **(a company limited by guarantee)**

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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Use of our report

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

Alastair Duke (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

DATE:

1 Westferry Circus

Canary Wharf

London E14 4HD

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
(a company limited by guarantee)

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2018

	Note	2018 £000	2017 £000
Income	2	801	532
Administrative expenses		(955)	(1,927)
OPERATING DEFICIT BEFORE INTEREST	5	<u>(154)</u>	<u>(1,395)</u>
Interest receivable		1	5
Interest payable	7	(290)	(223)
OPERATING DEFICIT AFTER INTEREST		<u>(443)</u>	<u>(1,613)</u>
Gain/(Loss) on revaluation of Property	9	18,954	(14,904)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>18,511</u>	<u>(16,517)</u>

All amounts relate to continuing operations.

There was no Other Comprehensive Income received in either Financial Year.

The accounting policies and notes on pages 12 to 18 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
(a company limited by guarantee) - Company Number 03487186

BALANCE SHEET
AS AT 31 MARCH 2018

Company Registration No. 03487186

	Note	2018 £000	2017 £000
FIXED ASSETS			
Tangible assets	8	704	-
Investment Property	9	53,550	22,970
		54,254	22,970
CURRENT ASSETS			
Debtors	10	295	170
Short term Investments	12	-	3,980
Cash at bank and in hand		10	10
		305	4,160
CREDITORS: amounts falling due within one year	13	(11,530)	(1,818)
NET CURRENT (LIABILITIES) / ASSETS		(11,225)	2,342
TOTAL ASSETS LESS CURRENT LIABILITIES		43,029	25,312
CREDITORS: amounts falling due after more than one year	14	(20,989)	(21,783)
TOTAL NET ASSETS		22,040	3,529
ACCUMULATED FUNDS			
General Reserve		3,009	3,451
Revaluation Reserve		19,032	78
		22,040	3,529

These financial statements were approved by the Board of Directors on **XX June** 2018

Councillor Ian Swithenbank

Signed on behalf of the Board of Directors

The accounting policies and notes on pages 12 to 18 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
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STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2018

	Retained Earnings £000	Revaluation Reserve £000	Total £000
Balance at 1st April 2016	5,064	14,982	20,046
Changes in equity for 2016/17			
Deficit for the year	(1,613)	-	(1,613)
Loss on revaluation of property	-	(14,904)	(14,904)
Total comprehensive income for the year	(1,613)	(14,904)	(16,517)
Balance as at 31st March 2017	3,451	78	3,529

Balance at 1st April 2017	3,451	78	3,529
Changes in equity for 2017/18			
Deficit for the year	(443)	-	(443)
Gain on revaluation of property	-	18,954	18,954
Total comprehensive income for the year	(443)	18,954	18,511
Balance as at 31st March 2018	3,008	19,032	22,040

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
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STATEMENT OF CASH FLOWS
Year ended 31 March 2018

	Note	2018 £000	2017 £000
Cash flow from operating activities			
Operating Surplus		18,511	(16,517)
Adjustments for:			
(Gain) / Loss on revaluation of property		(18,954)	14,904
Investment income		(1)	(5)
Interest expense		290	223
Adjustment for Interest Rate Swap liability		(275)	(188)
Depreciation		50	63
Loss on Disposal of Tangible Fixed Assets		-	584
(Increase) / Decrease in debtors		(125)	75
Increase in creditors		956	72
Cash generated from operations		<u>452</u>	<u>(789)</u>
Interest paid		(290)	(223)
Net cash generated / (used) from operating activities		<u>162</u>	<u>(1,012)</u>
Cash flow from investing activities			
Interest received		1	5
Expenditure on LGH Redevelopment		<u>(12,380)</u>	<u>(2,024)</u>
		<u>(12,379)</u>	<u>(2,019)</u>
Cash flow from financing activities			
		-	9,000
Borrowing from LGA			
Repayments of borrowings		<u>(520)</u>	<u>(2,120)</u>
		<u>(520)</u>	<u>6,880</u>
Net (Decrease)/Increase in cash		(12,737)	3,849
Cash and cash equivalents at start of the year		<u>3,990</u>	<u>141</u>
Cash and cash equivalents at the end of the year	11	<u><u>(8,747)</u></u>	<u><u>3,990</u></u>

The accounting policies and notes on pages 12 to 18 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED

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NOTES TO THE ACCOUNTS

Year Ended 31 March 2018

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention modified by the revaluation of the investment property.

Tangible Fixed Assets and Depreciation

Tangible fixed assets were held at historical cost, net of depreciation and provisions for impairment.

Depreciation was provided on all tangible fixed assets, 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:

Fixtures, fittings and equipment 15 years

Investment Property

The freehold land and buildings investment property, 18 Smith Square (formerly known as Local Government House), has been valued by an independent, external valuer on an open market basis at the Balance Sheet date. In accordance with FRS102 the investment property will be revalued annually with the surplus or deficit transferred to the revaluation reserve.

Fair 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".

Income

Income represents the amounts receivable as rents and services provided (exclusive of Value Added Tax) and is generated entirely in the UK.

Derivative financial instruments

Interest rate swap agreements, caps and collars are used to manage long-term interest rate exposures. Amounts payable or receivable in respect of these derivatives are recognised as adjustments to the interest expense over the period of the contracts.

Company Status

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

Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider that the going concern basis is appropriate because the Local Government Association and the related entities from which most of the Company's income derives have agreed budgets and financial plans which will ensure under present arrangements that the Company recovers the full costs of its operations through recharges. During 2018/19 the company may not fully recover in-year costs as a result of reduced income while new external tenants are found for the current vacant space on 2 floors. These costs will be recovered in subsequent years via income from group and external tenants.

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
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NOTES TO THE ACCOUNTS
Year Ended 31 March 2018

1. ACCOUNTING POLICIES - CONTINUED

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 including debt due from related entities, where the policy is not to make provision. Old debt is periodically reviewed for write-off. In the year to 31 March 2018, no debts were written off as irrecoverable.

2. INCOME

The Company's turnover comprises rent on its freehold building receivable from its controlling entity, the Local Government Association, the LGA's subsidiary company the Improvement & Development Agency (IDeA) and also from external tenants on commercial leases.

3. DIRECTORS' EMOLUMENTS

No directors received emoluments during the current or preceding financial year in respect of their services to the Company.

4. STAFF INFORMATION

The Company did not have any employees during the current or preceding financial year.

5. OPERATING SURPLUS

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Operating (deficit)/surplus is after charging:		
Depreciation	50	63
Loss on Disposal of Tangible Fixed Assets	-	584
Auditors' remuneration - audit fee	4	4

6. INTEREST PAYABLE

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Barclays loan	(6)	100
Local Government Association loan	296	113
	<u>290</u>	<u>223</u>

7. TAXATION

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

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
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NOTES TO THE ACCOUNTS
Year Ended 31 March 2018

8. TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £000
Cost	
At 1 April 2017	-
Additions	754
Disposals	-
At 31 March 2018	<u>754</u>
Depreciation	
At 1 April 2017	-
Charge for year	(50)
Disposals	-
At 31 March 2018	<u>(50)</u>
Net book value	
At 31 March 2018	<u>704</u>
At 31 March 2017	<u>-</u>

9. INVESTMENT PROPERTIES

	2018 £000	2017 £000
Brought forward valuation	22,970	35,850
Unrealised gain/(loss) on revaluation	18,954	(14,904)
Capitalised items	11,626	2,024
Carried forward valuation	<u>53,550</u>	<u>22,970</u>

18 Smith Square is treated as an Investment Property under FRS102 being mainly leased to group companies, as well as third parties at a commercial rate on an arm's length basis.

The Company's interest in the property was externally valued at £53.55 million as at 31 March 2018 by Farebrother Chartered Surveyors. The market value of the freehold interest in the property was arrived at primarily after consideration of market evidence for similar properties.

10. DEBTORS

	2018 £000	2017 £000
Trade debtors	17	1
Due from related entities	181	6
Other Debtors	97	163
	<u>295</u>	<u>170</u>

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
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NOTES TO THE ACCOUNTS
Year Ended 31 March 2018

11. CASH AND CASH EQUIVALENTS

	2018	2017
	£000	£000
Cash at bank and in hand	10	10
Short Term Investments	(8,757)	3,980
	<u>(8,747)</u>	<u>3,990</u>

12. SHORT TERM INVESTMENTS

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

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£000	£000
Accounts payable and accruals	1,734	1,062
Bank loans -see note 15	520	520
Loan from Local Government Association	-	120
Owed to Related Companies	9,276	116
	<u>11,530</u>	<u>1,818</u>

Following a review of the external debt commitments of the Local Government Association and its related entities, a loan agreement was created in July 2010 for £820,000 then due by the Company to the Local Government Association. The loan is repayable in bi-annual instalments of £50,000 over a period of just under 8 years, the final repayment of £70,000 was made on 31 March 2018. This loan bears interest at 5% p.a.

Included in Owed to Related Companies is a negative balance in the Short Term Investment Pooling arrangements held with the Local Government Association (see Note 12 above).

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

	2018	2017
	£000	£000
Bank loans	3,120	3,640
Loan from ACC (Properties) Limited	2,000	2,000
Loan from AMA (Properties) Limited	6,200	6,200
Loan from Local Government Association	9,000	9,000
Barclays Swap Liability	669	943
	<u>20,989</u>	<u>21,783</u>

A £9million loan agreement was created in March 2017 at a rate of 3.24% with the Local Government Association repayable by December 2036.

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
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NOTES TO THE ACCOUNTS
Year Ended 31 March 2018

The 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 (See Note 15 below). The movement in the Swap liability between the years £275,000 is reflected in the Statement of Comprehensive Income for the year.

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 £2.870 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 Company contributed the net sale proceeds of its former property in Great Smith Street to the purchase of 18 Smith Square (previously known as 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 LGA 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. After the year end, the discount was increased to £9,156 with effect from 1 April 2018 for the 2018/19 membership subscriptions, with the next increase due to be recognised in the 2023/24 LGA membership subscriptions.

15. BANK LOAN AGREEMENT

The Barclays Bank plc loans of £3.64 million are secured against 18 Smith Square. The original loan of £13 million, taken out in 2000, is repayable over 25 years in bi-annual instalments of £260,000. Accordingly, instalments totalling £520,000 are included under the heading 'creditors falling due within one year', with the balance of £3.12 million included under the heading 'creditors falling due after more than one year'.

The interest rate strategy of the Company is to align its interest payments with its business structure. As the Company's income is not influenced by changes in short term interest rates, the Company made arrangements for around two-thirds of its original debt to be subject to hedging at a fixed rate and one-third to be hedged at a floating rate within a collar.

The hedging facilities for the two loan tranches originally of £10 million and £3 million were valued at 31 March 2018 as follows:

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
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NOTES TO THE ACCOUNTS
Year Ended 31 March 2018

Instrument	Notional Amount	Maturity Date	Trade Date	Mark to Market Value Notional (Gain)/Loss
Tranche 1	£000			£000
CAP/CMPLX	933	21/01/2025	27/01/2000	156
SWAP	1,867	21/01/2025	27/01/2000	361
Total	2,800		Net Notional Loss	517
Tranche 2	£000			£000
CAP/CMPLX	280	21/01/2025	13/07/2000	46
SWAP	560	21/01/2025	13/07/2000	105
Total	840		Net Notional Loss	151
Combined total	3,640		Net Notional Loss	668

16. CONTROLLING ENTITY

The controlling entity is the Local Government Association and the registered office is 18 Smith Square, London, SW1P 3HZ.

17. CAPITAL AND OTHER COMMITMENTS

	2018 £000	2017 £000
Contracts for future capital expenditure not provided in the financial statements	-	116
	-	116

18. RELATED PARTIES

The Company had the following transactions with related parties:

	Value of related party transactions in year 2018 exp / (inc) £000	Outstanding balance at 31 March 2018 dr / (cr) £000	Value of related party transactions in year 2017 exp / (inc) £000	Outstanding balance at 31 March 2017 dr / (cr) £000
Local Government Association	(419)	(519)	(262)	(112)
Local Government Association - Loans	120	(9,000)	(7,400)	(9,120)
Improvement and Development Agency	(419)	-	(240)	-

LOCAL GOVERNMENT ASSOCIATION (PROPERTIES) LIMITED
(a company limited by guarantee)

NOTES TO THE ACCOUNTS
Year Ended 31 March 2018

Local Partnerships	(154)	154	(57)	2
The Leadership Centre	(27)	27	(24)	1

The transactions between these companies are a result of rental and other day to day activity recharges.

19. POST BALANCE SHEET EVENTS

The directors are not aware of any material post balance sheet events.