

LOCAL GOVERNMENT ASSOCIATION

LOCAL GOVERNMENT ASSOCIATION

**Report and Consolidated Financial Statements
for the year ended 31 March 2014**

LOCAL GOVERNMENT ASSOCIATION

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LOCAL GOVERNMENT ASSOCIATION

CHIEF EXECUTIVE'S REPORT Year ended 31 March 2014

About us

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

We are a politically-led, cross party organisation which works on behalf of 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.

Supporting local government as the most efficient and accountable part of the public sector, the LGA plays 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 fight local government's corner, supporting councils through challenging times and focusing our efforts where we can have real impact.

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 2013/14 we had 414 member authorities in England and Wales. The 22 Welsh authorities are in corporate membership through the Welsh Local Government Association.

A year in focus

Local government has faced unprecedented challenges over the last few years and, as the national economy starts to show encouraging signs of recovery, councils are still shouldering the biggest spending cuts of any part of the public sector. This means we face a number of fundamental questions about what public services should look like and what councils should provide. As a sector, we're trusted over national government to lead these changes to the services we deliver and, as an organisation, we've worked on behalf of our members to represent local government's voice at a national level.

In 2013-14, we focused on making a powerful case for greater independence for local government, campaigning for localism, greater financial and decision-making autonomy for democratically elected councils.

The launch of the Rewiring Public Services campaign at our annual conference in July 2013 provided solutions for how local government could deliver public services within an ever tightening fiscal environment. The campaign focusses on radical transformation of the way local government works and its relationship with Whitehall.

The campaign was widely reported and referenced numerous times in both Houses of Parliament and the national media. Many councils developed the work further by hosting local debates and agreeing cross-party council motions to support its key propositions.

Ongoing engagement with our member councils is an integral part of all of our work. In the last year, our Chairman, Chief Executive and other members of the senior team made nearly 600 visits to councils in England and Wales and we held more than 100 events. A third were held outside London and 70 per cent were free to attend for our members.

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. In the last year, through our proactive media work, we generated nearly 30,000 episodes of media coverage for

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CHIEF EXECUTIVE'S REPORT

Year ended 31 March 2014

local government – that's 81 a day. Nearly 1,200 of those were in national print and broadcast media. We also secured numerous opportunities in Parliament to press for changes in current legislation affecting local government, amendments to proposed legislation, to raise issues and concerns on your behalf and to ensure local government receives the credit for the work it does.

Our improvement work has been widely used by councils helping to share innovation and best practice across local government. The LGA plays a critical role in ensuring the performance of councils; addressing those at risk of underperformance; driving improvement across the sector; supporting councils through significant changes; and supporting strong local leadership. This approach, helping to co-ordinate improvement work on behalf of councils, has helped them to deliver millions of pounds of savings in effect and improvement.

Our recent survey of members showed significant increases in satisfaction over the last 12 months. Seventy seven per cent of members say we effectively represent their views to central government – compared with 69% in 2012 – and 68 per cent say we are influential in shaping the agenda for local government – compared to 62% in 2012.

Our priorities

The LGA's priorities, laid out each year by the LGA Executive, are the ones that matter most to our membership. In January 2014, the LGA's Executive agreed a new board structure for the coming year which sees the creation of two new boards to represent the interests of city and non-city areas, reflecting the changing landscape for cities and city regions and placing a greater emphasis on the role of member councils as LGA decision makers.

In 2013/14, our top priorities for local government were:

- Funding for local government
- Economic growth, jobs and prosperity
- Public service reform

Funding for local government

We have been lobbying for a reform of the finance system so councils have the confidence that their financing is sustainable and fair, the opportunities to raise more funds locally, and greater ability to promote collective working across local public services.

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

- protection for local government from further cuts in the period up to 2015/16
- a commitment to local government settlements for a three-year spending round, aligned with comprehensive spending review
- a firm commitment from central Government that the new social care system would be adequately funded
- an extra £400 million for local government's new public health responsibilities
- £215 million – split over two years – for local roads maintenance
- a £94 million additional payment to schools' central services
- an extra £47 million for post-16 high needs students
- an additional £100 million of capital funding to support councils to deliver extended free early education for two-year olds from 2013

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CHIEF EXECUTIVE'S REPORT

Year ended 31 March 2014

Economic growth, jobs and prosperity

Over the course of the year, we've been working on behalf of our members to ensure that local government is recognised as being central to economic growth. This includes ensuring that councils have a key role in driving the growth in their area; that they maintain planning powers and can drive an increase in housing supply; and they can build business confidence by reducing unnecessary red tape and regulatory burdens at the local level.

The LGA has worked in and around parliament and in the media to represent local government's position in these areas, with positive results:

- Lobbied for the principle of a Local Growth Pot
- £50 million of Youth Contract underspend devolved to some councils to fund local schemes to help young people towards work
- The reinstatement outside London of £330m in New Homes Bonus
- A commitment that the Government will fully fund its proposals to cap business rates in 2014/15 and 2015/16
- The return of £123m of holdbacks to Revenue Support Grants in 2014/15
- Secured the relaxation of the housing borrowing cap through the Chancellor's 2013 Autumn Statement
- Pursued amendments to the Deregulation Bill to localise retention of Right to Buy receipts and localise the setting of Right to Buy discounts

Public service reform

In order to achieve economic and social benefits as well as short- and long-term savings, there needs to be a fundamental and ambitious rethink to the way local services are funded and organised. We have pushed to ensure that independent councils are at the centre, and are seen to be at the centre, of this public service reform, delivering more effective services for local people and holding providers to account.

Over the last 12 months, our work in this area has seen a number of significant improvements for the sector:

- An amendment to the Local Audit and Accountability Act to create flexibility for councils to procure their audit nationally which would save more than £200 million over a five year period
- Additional funding - through the pooling of budgets - for local government social care of £1.9bn as part of the Better Care Fund
- The successful transfer of public health through sector-led support for health and wellbeing boards
- Supported the Waste Judicial Review to allow councils to determine the recycling collection they choose avoiding potential costs of millions of pounds
- Amended provisions within the Children and Families Act to curtail the power of the Secretary of State to remove all local authorities from adoption recruitment and assessment and delay implementation of the reforms until 2015
- Lobbied on clauses of the Children and Families Act relating to Special Education Needs (SEN), successfully clarifying legal duties about the social care needed by disabled children and improving the arrangements for those in youth custody who need SEN provision
- Lobbied on the Consumer Rights Bill to ensure that the investigatory work of trading standards officers would not be hampered by the legislation once enacted

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CHIEF EXECUTIVE'S REPORT

Year ended 31 March 2014

- Secured agreement that officials would work with local government and the LGA to review how money lost through the ending of contracting out for public service pension schemes might be recycled back into the Local Government Pension Scheme

Sector-led support

This year has also seen the LGA's continued support for councils 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, the LGA has supported local authorities by:

- Delivering over 160 peer reviews
- Training and development for over 500 councillors
- Launching LG Inform, our data benchmarking service, to both council and the public
- Continuing to recruit graduates to the National Graduate Development Programme
- Directly supporting over 200 councils through peer mentoring and other services
- Working with over 40 councils on the LGA Productivity Expert Programme
- Supporting over 50 councils through the Adult Social Care Efficiency programme.

The role of the LGA is to maintain an overview of local government's performance with direct support for councils, so the number of councils the Government has to intervene with is kept to a minimum. Regular meetings are held between the LGA's principal advisers and all councils, and use is made of data and intelligence to assess any risks, with support being given to the sharing of good practice and expertise across local government.

Looking ahead

This year local government has made great strides but, a fundamental reform of how we deliver services and how they are funded is long overdue. Now is the time for us to show real leadership and to really progress a much-needed redrawing of public services.

Carolyn Downs
Chief Executive

LOCAL GOVERNMENT ASSOCIATION

At a glance

A year in the LGA:

- More than 9,000 delegates attended more than 100 LGA events. Eighty two per cent were free-to-attend for our members and 30 per cent were held in the regions
- Almost 4 million website views with 600,000 unique users of the website
- April: LGA lobbying led to a Government compromise on home extensions planning policy.
- May: Secured £1.8 million grant for councils and local health partners to improve health services for local residents
- June: Secured the return of £94 million in schools funding to provide vital support services to schools and students
- July: Launched 'Rewiring Public Services' campaign at the LGA's Annual Conference in Manchester, which attracted 1,500 delegates
- August: Published a landmark report on welfare reform - the first ever assessment of the cumulative impact of the Government's welfare reforms.
- September: The LGA secured 104 speaking opportunities across the three main party conferences for councillors.
- October: Extensive national and regional media coverage of local government's recovery efforts following one of the worst storms in 30 years.
- November: Published analysis showing the outdated Barnett Formula is short-changing English communities by £4.1 billion a year, generating significant national media interest and widespread support.
- December: Following LGA lobbying, the Government announced a compromise on the Children and Families Bill which ensured that councils will still play a role in recruiting adopters.
- January: Developed Flooding Website to provide resources and support to councils affected by floods.
- February: Helped councils to secure back over £1bn tied up in the failed Icelandic banks
- March: Approved plans to proceed with setting up a municipal bonds agency with the potential to save the sector £1.2bn over 30 years.

LGA in the media:

Through our proactive media strategy, positive media coverage of local government increased this year:

- National media coverage increased by 144 per cent year-on-year from 483 episodes in 2012/13 to 1182 in 2013/14.
- 79 per cent of coverage was positive about local government.
- 67 per cent of coverage was through pro-active media work by the LGA, often working with member councils.

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At a glance

LGA in Parliament

Local government continues to have a significant voice in Parliament:

- 1,247 mentions in Parliament
- An increase in the number of MPs who feel the LGA is an effective advocate for local government - 61 per cent of MPs feel the LGA is very or somewhat effective – up from 45 per cent in the previous 12 months
- 53 per cent of MPs aware of our work on the Children and Families Bill
- 38 per cent of MPs aware of our Rewiring Services campaigns
- LGA influencing and informing legislation:
 - Children and Families Act
 - Pensions Bill
 - Local Audit and Accountability Act
 - Care Bill
 - Deregulation Bill
 - Consumer Rights Bill
 - Anti-Social Behaviour Crime and Policing Act
 - Transparency of Lobbying Non-party Campaigning and Trade Union Administration Act

Savings for local government

- 5.7 per cent - projected saving for councils through Adult Social Care Efficiency Programme
- £52m efficiency savings from LGA Productivity Experts
- £331m financial benefit to the public and public services delivered via Customer Led Transformation programme

Support for the sector

- 86 corporate peer challenges
- 94 graduates placed in 40 councils across England and Wales through the National Graduate Recruitment Programme
- 54 councils signed up to 'making safeguarding personal' project

In our annual survey, you told us:

- 70% of members are satisfied with the work of the LGA on behalf of local government
- 83% think the LGA addresses the issues that are important to councils [up from 79% last year]
- 85% think the LGA stands up for and defends reputation of local government [new question, no comparison from last year]
- 76% think the LGA helps to set and drive improvement in the local government sector [up from 71% last year].

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STRATEGIC REPORT

Year ended 31 March 2014

Principal Activities

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

In 2011 the LGA 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, and Local Government Information House (LGIH) which is a subsidiary of IDeA. As part of the process of streamlining its governance arrangements, on 1 April 2013 the operations of the Local Authorities Coordinators of Regulatory Services (LACORS) and Local Government Employers (LGE) were merged with those of the LGA and IDeA respectively. The Leadership Centre is no longer treated as a member of the group of LGA companies in the consolidated accounts in recognition of the fact that from 1 April 2013 it has been operating independently of the LGA.

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 2013-14. Although our income from subscriptions, RSG top-slice and other income including grants fell by a total of 11.1 per cent in 2013-14 as compared with the previous year, we kept costs down at the same time as continuing to deliver on our key priorities and deliver direct support to councils. Both the LGA and the IDeA continued to make a significant payment towards their pension fund deficit.

Future Developments

As with many other parts of the public sector, we face reductions in our core funding over the next three years and are taking steps to ensure that we develop new sources of income as well as continuing to reduce our costs. 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 one example of this, it has been announced that the LGA will lead interim arrangements for public sector audit after March 2015.

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STRATEGIC REPORT

Year ended 31 March 2014

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 financial sustainability, reducing our cost base, and ensuring that we maintain employee capacity and capability in spite of reductions in our core funding. 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 £6.26 million on separate loans due to Barclays relating to the Smith Square property, which is currently being repaid at the rate of £0.7 million each year; and a liability of £0.218 million per annum until 2020 for funding the District Councils' Network (DCN), financed from cash received from the predecessor Local Authority Association.

The valuation of our combined pension deficit was £91.94 million at 31 March 2014. In order to pay off the pension deficit and liabilities for past employees, we are currently making additional contributions of over £3 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 15 years. 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 outsourced to Liberata and provided through a fixed price contract which is due to run until 2018. We successfully concluded negotiations in 2013 which resulted in a reduction in the price of the contract in 2014-15 following the recent reduction in the size of our operations. 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.

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STRATEGIC REPORT Year ended 31 March 2014

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 been maintained at 414 in March 2014, with only two councils out of membership, the same number as were in membership in March 2013.

In November 2013 we carried out a survey of our members which gave us important information about customer satisfaction with 70 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 also regularly review employee satisfaction through an annual survey with 73 per cent of employees indicating that they are satisfied with their job – an increase on the previous year. We have taken action to improve employee satisfaction and engagement in the light of the feedback we received.

We review our financial sustainability by carefully controlling our staff costs. Following a reduction in our core grant funding, over the last two years employee numbers have fallen from 529 employees in the year ended March 2012 to 309 employees in the year ended 31 March 2014. We continue to monitor employee absence, which has fallen from an average annual number of sick days per employee of 3.2 days in March 2013 to 3.1 days in March 2014.

We continue to pay close attention to the collection of outstanding debt. We have maintained the percentage of debtors over 12 months at 1 per cent of total debtors at March 2014, the same level as at March 2013.

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 2013 to be £25.5 million, which is approximately £9 million higher than the current book value of £16.2 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 £17.5 million. As mentioned above, the LGA's Leadership Board has now agreed to the refurbishment of Layden House from 2016.

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STRATEGIC REPORT Year ended 31 March 2014

Environment

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

- reduce carbon emissions by 16 per cent by 2014-15 in line with the intended UK carbon budget
- continually reduce waste and increase our recycling rate
- reduce paper use
- ensure that procurement of goods and services adheres to our green purchasing and procurement policy
- champion and mainstream consideration of environmental sustainability throughout our outward facing work programmes and services
- comply with all applicable legislation, regulation and with other relevant requirements relating to our environmental impacts.

Employees

Details of the number of employees and related costs can be found in note 3 to the financial statements on page 28.

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.

Carolyn Downs
Chief Executive

LOCAL GOVERNMENT ASSOCIATION

REPORT OF THE CHAIRMAN OF THE LEADERSHIP BOARD

Year ended 31 March 2014

Business Review

Over the last year, the LGA's Leadership Board has undertaken significant work to review the medium term financial strategy of the LGA and its associated organisations. As part of this, it has commissioned the development of a commercial strategy for the LGA which is now being implemented. An options appraisal of Layden House - in which the LGA has the freehold – has also been undertaken and the decision has recently been taken to refurbish 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 £3 million annually.

The Leadership Board has regularly monitored the LGA's financial performance against the agreed budget. Building on a significant cost reduction programme over the last three years, the Leadership Board has overseen the delivery of further savings following an additional £2 million reduction in core grant funding announced just before the start of the financial year.

The Leadership Board has taken the decision to maintain membership subscriptions at the same level in 2013/14 and 2014/15, following a real terms reduction in subscription income of over 35 per cent over the last six years in response to the financial challenges faced by member authorities.

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

Governance

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

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

Councillor Sir Merrick Cockell

LGA Chairman and Chairman of the LGA Leadership Board

LOCAL GOVERNMENT ASSOCIATION

MEMBERSHIP OF THE LEADERSHIP BOARD

The members of the Leadership Board for the year were:

Conservative

Sir Merrick Cockell [Chairman]

Gary Porter [Vice-chairman]

Andrew Lewer MBE [Deputy-chairman]

Robert Light [Deputy-chairman]

Robert Gordon CBE DL [Deputy-chairman] Resigned 2 July 2013

Labour

David Sparks OBE [Vice-chairman]

Sharon Taylor OBE [Deputy-chairman]

Mayor Sir Steve Bullock [Deputy-chairman]

Keith Wakefield [Deputy-chairman] Appointed 20 March 2014

Mehboob Khan [Deputy-chairman] Resigned 21 February 2014

Liberal Democrat

Gerald Vernon-Jackson [Vice-chairman]

Mayor Dorothy Thornhill MBE [Deputy-chairman]

Independent

Marianne Overton MBE [Vice-chairman]

LOCAL GOVERNMENT ASSOCIATION

STATEMENT OF LEADERSHIP BOARD'S RESPONSIBILITIES

Year ended 31 March 2014

The Leadership Board of the Local Government Association (LGA) has accepted responsibility for the preparation of these financial statements for the year ended 31 March 2014. The Leadership Board has decided to prepare these financial statements in accordance with UK Generally Accepted Accounting Practice.

In preparing these financial statements, the Leadership Board has:

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

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

Provision of information to Auditor

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

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

Auditors

PKF Littlejohn LLP (formerly Littlejohn LLP) has expressed its willingness to continue in office. A resolution proposing the reappointment of PKF Littlejohn LLP will be proposed at the next Annual General Meeting.

Approved by the Leadership Board and signed on their behalf

11th June 2014

Councillor Sir Merrick Cockell
Chairman of the LGA Leadership Board

LOCAL GOVERNMENT ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LOCAL GOVERNMENT ASSOCIATION Year ended 31 March 2014

We have audited the financial statements of the Local Government Association (LGA) for the year ended 31 March 2014 which comprise the Consolidated Income and Expenditure Account and Statement of Total Recognised Gains and Losses, Association Income and Expenditure Account and Statement of Total Recognised Gains and Losses, Consolidated and Association Balance Sheets, Consolidated Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is as set out within Note 1 to these financial statements.

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

Respective responsibilities of the Leadership Board and auditors

As explained more fully in the Statement of the Leadership Board's Responsibilities set out on page 15, the Members of the Leadership Board are responsible for the preparation of the financial statements and for being satisfied that they have been properly prepared. Our responsibility is to audit, and express an opinion on, the financial statements in accordance our contract dated 20 January 2012 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the LGA's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 2014**

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 2014 and of the Group's and Associations surplus for the year then ended; and
- have been properly prepared in accordance with the basis of preparation and accounting policies set out in Note 1 to the accounts

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

Paul Hopper
Senior Statutory Auditor

For and on behalf of
PKF Littlejohn LLP (formerly Littlejohn LLP)

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

Date:

LOCAL GOVERNMENT ASSOCIATION

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

Year ended 31 March 2014

	Note	2014 £000	2013 £000
Income: Group and share of joint ventures' income			
Continuing operations		66,100	73,110
Discontinued operations		-	50
Less share of joint ventures' income		(7,426)	(7,136)
Group Income	2	<u>58,674</u>	<u>66,024</u>
Administrative expenses			
Continuing operations		(53,195)	(59,275)
Discontinued operations		-	(238)
		<u>(53,195)</u>	<u>(59,513)</u>
GROUP OPERATING SURPLUS	4	5,479	6,511
Contract restructuring costs	20	-	(1,210)
Share of operating surplus/(deficit) of joint ventures	8	1,950	2,057
Dividend and profits share from Joint Ventures		1,350	300
Gain on Disposal of EGS Group Limited Shares		128	-
Finance discounts allowed	5	(542)	(542)
Share of joint ventures distribution to members		(1,398)	(370)
Interest receivable and similar income		124	363
Interest payable		(428)	(470)
Pension scheme - interest cost and expected return on assets	16	(1,400)	(1,599)
Pension scheme – past service costs and losses on settlements and curtailments	16	(184)	(93)
SURPLUS OF INCOME OVER EXPENDITURE FOR THE YEAR BEFORE AND AFTER TAX	6,15	<u>5,079</u>	<u>4,947</u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2014

	Note	2014 £000	2013 £000
Surplus for the year			
Continuing operations		5,079	5,134
Discontinued operations		-	(187)
Unrealised gain on revaluation in respect of investment property		5,150	700
Actuarial loss recognised in respect of the pension fund	16	<u>(19,051)</u>	<u>(11,598)</u>
Total recognised loss relating to the year		<u>(8,822)</u>	<u>(5,951)</u>
Total recognised loss relating to			
Group		(9,374)	(7,638)
Joint Ventures		552	1,687
TOTAL RECOGNISED LOSS IN THE YEAR		<u>(8,822)</u>	<u>(5,951)</u>

All amounts relate to continuing operations.

The accounting policies and notes in pages 24 to 42 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

ASSOCIATION INCOME AND EXPENDITURE ACCOUNT

Year ended 31 March 2014

	Note	2014 £000	2013 Restated £000
Income	2	27,500	26,613
Administrative expenses		(25,035)	(24,090)
OPERATING SURPLUS	4	<u>2,465</u>	<u>2,523</u>
Contract restructuring costs	19	-	(1,211)
Surplus before finance, interest and pensions adjustments		<u>2,465</u>	<u>1,313</u>
Finance discounts allowed	5	(542)	(526)
Interest receivable and similar income		201	236
Pension scheme – interest cost and expected return on assets	16	(543)	(844)
Pension scheme – past service costs and gains/losses on settlements and curtailments	16	-	(68)
SURPLUS OF INCOME OVER EXPENDITURE FOR THE YEAR BEFORE AND AFTER TAX	6,15	<u><u>1,581</u></u>	<u><u>111</u></u>

ASSOCIATION STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2014

	Note	2014 £000	2013 Restated £000
Surplus for the year		1,581	111
Actuarial gain / (loss) recognised in respect of the pension fund	16	1,191	(5,377)
Total recognised gain / (loss) relating to the year		<u><u>2,772</u></u>	<u><u>(5,266)</u></u>

All amounts relate to continuing operations.

The accounting policies and notes in pages 24 to 42 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

CONSOLIDATED BALANCE SHEET

Year ended 31 March 2014

	Note	2014 £000	2013 £000
FIXED ASSETS			
Tangible assets	7	17,105	17,494
Investment Properties	7	17,550	12,400
Intellectual Copyright Assets		1	-
Investments in Joint Ventures:			
Share of gross assets of joint ventures	8	6,489	4,772
Share of gross liabilities of joint ventures	8	(2,603)	(1,441)
		<u>38,542</u>	<u>33,225</u>
CURRENT ASSETS			
Stocks	10	-	20
Debtors	12	4,707	4,965
Short term Investments	13	14,694	15,579
Cash at bank and in hand		3,894	3,259
		<u>23,295</u>	<u>23,823</u>
CREDITORS: amounts falling due within one year	14	(7,607)	(8,769)
		<u>15,688</u>	<u>15,054</u>
NET CURRENT ASSETS		<u>54,230</u>	<u>48,279</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>54,230</u>	<u>48,279</u>
CREDITORS: amounts falling due after more than one year	14	(15,068)	(15,986)
PROVISIONS FOR LIABILITIES			
Pension Fund deficit	16	(91,937)	(75,570)
		<u>(52,775)</u>	<u>(43,277)</u>
NET LIABILITIES		<u>(52,775)</u>	<u>(43,277)</u>
ACCUMULATED FUNDS	15		
General Reserve		22,350	20,631
Revaluation Reserve		16,812	7,137
Pension Reserve		-	4,525
Pension Deficits Reserve			
- Pension Fund Assets		202,130	190,699
- less Defined Liabilities		(294,067)	(266,269)
		<u>(52,775)</u>	<u>(43,277)</u>

These financial statements were approved by the LGA Leadership Board on 11th June 2014 and signed on their behalf by

Councillor Sir Merrick Cockell

The accounting policies and notes in pages 24 to 42 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

ASSOCIATION BALANCE SHEET

As at 31 March 2014

	Note	2014 £000	2013 Restated £000
FIXED ASSETS			
Investment in joint venture	9	1,100	1,400
LONG TERM DEBTORS	11	320	3,420
CURRENT ASSETS			
Debtors	12	6,808	1,573
Short term Investments	13	2,774	5,379
Cash at bank and in hand		1,433	1,274
		<u>11,015</u>	<u>8,226</u>
CREDITORS: amounts falling due within one year	14	(2,446)	(2,774)
NET CURRENT ASSETS		<u>8,569</u>	<u>5,452</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,989</u>	<u>10,272</u>
CREDITORS: amounts falling due after more than one year	14	(1,308)	(1,526)
PROVISIONS FOR LIABILITIES			
Pension Fund deficit		(33,759)	(36,596)
NET LIABILITIES		<u>(25,078)</u>	<u>(27,850)</u>
ACCUMULATED FUNDS	15		
General Reserve		8,681	4,221
Pension Reserve		-	4,525
Pension Deficits Reserve			
- Pension Fund Assets		94,138	84,704
- less Defined Liabilities		(127,897)	(121,300)
		<u>(25,078)</u>	<u>(27,850)</u>

These financial statements were approved by the LGA Leadership Board on 11th June 2014 and signed on their behalf by

Councillor Sir Merrick Cockell

The accounting policies and notes in pages 24 to 42 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

CONSOLIDATED CASH FLOW STATEMENT

As at 31 March 2014

	Note	2014 £000	2013 £000
Net cash outflow from operating activities	(i)	(203)	(3,308)
Returns on investments and servicing of finance			
Interest received		124	363
Interest paid		(428)	(470)
Dividend and profits share from Joint Ventures		1,350	300
Finance discounts for former members of AMA		(542)	(542)
		<u>504</u>	<u>(349)</u>
Capital Expenditure			
Fixed asset purchases		-	(4)
Acquisitions and disposals			
Funding receipts from GeoPlace LLP		-	1,051
Funding receipts from Local Partnerships LLP		300	375
Payment to acquire investment in Intelligent Addressing (Holdings) Ltd		-	(1,051)
Repayment of loan investment in GeoPlace LLP		-	1,010
Leadership Centre disaggregation from Group		(979)	-
Gain on Disposal of EGS Group Limited Shares		128	-
		<u>(551)</u>	<u>1,385</u>
Management of liquid resources			
Decrease in short term investments		885	1,297
		<u>635</u>	<u>(979)</u>
Decrease in cash			
Net funds at the start of the year		3,259	4,238
Net funds at the end of the year		<u>3,894</u>	<u>3,259</u>

The accounting policies and notes in pages 24 to 42 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

As at 31 March 2014

i. RECONCILIATION OF OPERATING SURPLUS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2014 £000	2013 £000
Operating surplus	5,479	6,511
Contract restructuring costs	-	(1,210)
Depreciation	389	389
Pension costs – current service cost less contributions	(3,592)	(3,978)
Pension costs – contributions in respect of unfunded benefits	(676)	(716)
Decrease in current assets:		
- stocks	20	19
- debtors	257	1,401
Decrease in current liabilities:		
- creditors	(1,162)	(4,546)
- provisions	-	(261)
(Decrease)/increase in creditors due after one year	(918)	(917)
Net cash outflow from operating activities	<u>(203)</u>	<u>(3,308)</u>

Analysis of Net Funds

	As at beginning of Year £000	Cash flow £000	Other non cash changes £000	As at end of year £000
Cash at bank and in hand	3,259	635	-	3,894

The accounting policies and notes in pages 24 to 42 form part of these financial statements.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

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 2014. £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 2014. 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.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

1. ACCOUNTING POLICIES (Continued)

Prior Year Restatement

On the 1st of April 2013 the Association received the transfer of the business, assets and liabilities of the Local Authorities Coordinators of Regulatory Services. In accordance with FRS6 the amalgamation has been accounted for using the merger method of accounting.

	£000
Reserves at 31 March 2013 as previously stated	2
Adjustments arising from restatement	—
Restated reserves as at 31 March 2013	<u>2</u>

	£000
Surplus for the year ended 31 March 2013 as previously stated	—
Adjustments arising from restatement	—
Restated surplus for the year ended 31 March 2013	<u>—</u>

	£000
Total recognised loss for the year ended 31 March 2013 as previously stated	(—)
Adjustments arising from restatement	—
Restated Total recognised loss for the year ended 31 March 2013	<u>(—)</u>

Tangible Fixed Assets and Depreciation

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

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 Statement of Standard Accounting Practice 19:

- 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.

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”.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

1. ACCOUNTING POLICIES (Continued)

Investments

The Investments in Joint Ventures are the interests in Local Partnerships LLP and Geoplace LLP. Note 8 provides the details of their formations and results.

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.

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.

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 year end 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 which have been agreed before the end of the financial year.

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 or of the West Sussex County Council Pension Fund. 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.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

1. ACCOUNTING POLICIES (Continued)

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

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

Status of the Association

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

2. INCOME

CONSOLIDATED	2014 £000	2013 £000
Group		
Subscriptions	10,240	10,979
Conferences and seminars	2,444	1,834
Government Grants	36,984	46,121
Shared Services – external to group	1,007	1,656
Other income	7,995	5,434
	<hr/> 58,670	<hr/> 66,024
Joint Ventures	7,426	7,136
	<hr/> 66,096	<hr/> 73,160
	<hr/> <hr/>	<hr/> <hr/>
ASSOCIATION	2014 £000	2013 Restated £000
Subscriptions	10,240	10,602
Conferences and seminars	1,907	1,266
Shared Services	7,520	8,765
Other income	7,833	5,980
	<hr/> 27,500	<hr/> 26,613
	<hr/> <hr/>	<hr/> <hr/>

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 2014

3. STAFF INFORMATION

	CONSOLIDATED		ASSOCIATION	
	2014	2013	2014	2013 Restated
Average number of persons employed	309	309	133	131
Staff costs		£000		£000
Wages and salaries	16,781	15,800	7,840	7,188
Social security costs	1,613	1,523	717	665
Pension costs – employer payments	2,153	2,125	850	836
Pension costs – employer deficit payments	4,867	4,644	2,380	2,372
Pension costs – current service costs less contributions	(4,265)	(4,694)	(2,188)	(2,480)
<u>Less income from secondments</u>	(1,044)	(791)	(416)	(349)
	20,105	18,607	9,183	8,232
Staff related costs				
Agency, freelance and secondment costs	761	554	289	148
Redundancy costs & provision	378	361	82	98
Travel, subsistence and staff expenses	1,157	1,078	435	341
Recruitment costs	84	123	25	76
Training costs	113	134	90	104
Other personnel costs	54	6	45	14
	2,547	2,256	966	781
Total staff costs	22,652	20,863	10,149	9,013

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

3. STAFF INFORMATION (CONTINUED)

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

	2014		2013 Restated	
	Salary £	Employer pension contribution £	Salary £	Employer pension contribution £
Senior staff employed by the Association and associated organisations				
Carolyn Downs – Chief Executive	170,690	27,140	169,000	26,871
Michael Coughlin - Executive Director	141,400	24,038	128,333	21,817
Daniel Goodwin - Executive Director of Finance and Policy	135,000	21,465	33,750	5,366
Michael Lockwood- Executive Director of Finance and Policy	11,667	-	-	-
Stephen Jones – Director of Finance and Resources	-	-	127,732	20,309
Other senior staff				
Andrew Webster – Associate Director of Health	136,044,	23,127	-	-
Colin Hilton - Director of Children's Services – Self Improvement	41,498		135,000	-

Current Employees

Carolyn Downs was appointed Chief Executive with effect from 21 November 2011.

Michael Lockwood was appointed Executive Director of Finance and Policy with effect from 1 March 2014.

Michael Coughlin was appointed Executive Director with effect from 1 May 2012.

Andrew Webster was appointed Associate Director of Health with effect from 1 April 2013. This post is funded by government grant.

Ex - Employees

Daniel Goodwin served as Executive Director of Finance and Policy until 31 March 2014.

Stephen Jones served as Director of Finance and Resources until 18 January 2013.

Colin Hilton served as Director of Children's Services – Self Improvement until 19 July 2013

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 2014

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 2014 figures include 6 staff (2013:2 staff) seconded to other organisations, of which 4 were employed by the Association.

CONSOLIDATED	2014	2014	2013	2013
	Remuneration including redundancy	Remuneration excluding redundancy	Remuneration including redundancy	Remuneration excluding redundancy
£50,000 - £54,999	19	19	18	18
£55,000 - £59,999	17	17	12	12
£60,000 - £64,999	19	18	21	20
£65,000 - £69,999	23	23	26	27
£70,000 - £74,999	16	15	10	8
£75,000 - £79,999	3	3	2	1
£80,000 - £84,999	5	5	1	1
£85,000 - £89,999	1	0	3	2
£90,000 - £94,999	5	5	3	3
£95,000 - £99,999	6	6	6	6
£100,000 - £104,999	1	1	2	2
£105,000 - £109,999	1	1	1	1
£110,000 - £114,999	-	-	1	0
£115,000 - £119,999	3	3	1	1
£135,000 to £139,999	1	1	-	-

ASSOCIATION	2014	2014	2013	2013
	Remuneration including redundancy	Remuneration excluding redundancy	Restated Remuneration including redundancy	Restated Remuneration excluding redundancy
£50,000 - £54,999	9	9	5	6
£55,000 - £59,999	6	6	2	2
£60,000 - £64,999	5	5	9	8
£65,000 - £69,999	12	12	13	13
£70,000 - £74,999	7	7	4	3
£75,000 - £79,999	1	1	0	0
£80,000 - £84,999	2	2	1	1
£85,000 - £89,999	0	0	0	0
£90,000 - £94,999	1	1	1	1
£95,000 - £99,999	3	3	4	4
£100,000 - £104,999	1	1	1	1
£115,000 - £119,999	1	1	0	0

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

4. OPERATING SURPLUS

	CONSOLIDATED		ASSOCIATION	
	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2014	Year ended 31 March 2013 Restated £000
Operating surplus is after charging:				
Depreciation and amortisation	389	389	-	-
Auditor's remuneration - audit fee	43	44	17	16

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

The Association does not own tangible fixed assets. The property from which it 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. Facilities within the accommodation are provided by Liberata Ltd under an agreement for the provision of services. The other trading companies that the Association controls now operate from the same property.

Depreciation is not provided on the freehold land of Local Government House and no depreciation has been charged on the residual value of the building totalling £13.4 million as the amount would be immaterial in relation to its total value. The company's interest in the property was externally valued at £25.5 million on 6th March 2013 by Farebrother Chartered Surveyors.

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 is now occupied by unrelated third parties who have been granted short term leases on normal commercial terms.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

TANGIBLE FIXED ASSETS

CONSOLIDATED	Freehold Land and Buildings £000	Fixtures, fittings and equipment £000	Total £000
Cost			
At 1 April 2013	20,011	1,900	21,911
Additions	-	-	-
At 31 March 2014	20,011	1,900	21,911
Depreciation			
At 1 April 2013	3,543	874	4,417
Charge for year	263	126	389
At 31 March 2014	3,806	1,000	4,806
Net book value			
At 31 March 2014	16,205	900	17,105
At 31 March 2013	16,468	1,026	17,494

INVESTMENT PROPERTIES

CONSOLIDATED	2014 £000	2013 £000
Brought forward valuation	12,400	11,700
Unrealised gain on revaluation	5,150	700
Carried forward valuation	17,550	12,400

The freehold land and building, Layden House, was valued at its open market value on a commercial rental use basis. The valuation was performed as at 31 March 2014 by an independent professional valuer, Farebrother Chartered Surveyors.

8. INVESTMENTS IN JOINT VENTURES - GROUP

LOCAL PARTNERSHIPS LLP

Balance Sheet	31 March 2014 £000	31 March 2013 £000
Current Assets	5,006	3,028
Share of gross assets	5,006	3,028
Liabilities due within one year or less	(1,854)	(413)
Loans and other Debts due to members	(500)	(800)
Share of gross liabilities	(2,354)	(1,213)
Share of net assets	2,652	1,815

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

The operating results for Local Partnerships LLP are shown below:

Profit and Loss Summary	Year ended	Year ended
	31 March	31 March
	2014	2013
	£000	£000
Revenue	9,626	9,220
Operating costs	(7,873)	(7,210)
Interest Receivable	17	18
Operating profit	<u>1,770</u>	<u>2,028</u>
Share of operating profit	<u>885</u>	<u>1,014</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% Convertible Loan Stock, repayable at par on 31 March 2029. An identical investment was made by Partnerships UK plc.

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

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

In March 2013 and 2014, Local Partnerships LLP repaid £375,000 and £300,000 of the 6% Convertible Loan Stock each to the Association and HM Treasury.

Local Partnerships LLP made losses in its first period of operation but has traded profitably in the last 3 years to 31 March 2014 following management action to restructure the business.

GEOPLACE LLP

Balance Sheet	31 March	31 March
	2014	2013
	£000	£000
Fixed Assets	40	53
Intangible Assets	834	1,176
Current Assets	609	515
Share of gross assets	<u>1,483</u>	<u>1,744</u>
Liabilities due within one year or less	(250)	(227)
Share of gross liabilities	<u>(250)</u>	<u>(227)</u>
Share of net assets	<u>1,233</u>	<u>1,517</u>

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

The operating results for GeoPlace LLP are shown below:

Profit and Loss Summary	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Revenue	10,453	10,104
Operating costs	(6,200)	(5,860)
Interest Receivable and Payable	7	(72)
Operating profit	<u>4,260</u>	<u>4,172</u>
Share of operating profit	<u>1,065</u>	<u>1,043</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% to IDeA and 75% to Ordnance Survey.

As part of the arrangements for the joint venture, Local Government Information House Ltd (LGIH), a subsidiary of IDeA, acquired the entire issued share capital of Intelligent Addressing (Holdings) Ltd for a total consideration of £8.048 million. The final part of this consideration, £1.250 million was concluded in March 2013 via the payment of £1.051 million from GeoPlace LLP and the waiver of debt due to the ex shareholders of Intelligent Addressing of £199k.

GeoPlace LLP commenced trading on 1 April 2011 and has traded profitably in the years to 31 March 2014.

9. INVESTMENT IN JOINT VENTURE - ASSOCIATION

Investment in Local Partnerships LLP	Equity £000	Debt £000	Total £000
Year ended 31 March 2013			
Opening balance	60	1,17	1,77
Repaid in year		(37)	(37)
Closing value	<u>60</u>	<u>80</u>	<u>1,40</u>
Year ended 31 March 2014			
Opening balance	60	80	1,40
Repaid in year		(30)	(30)
Closing value	<u>60</u>	<u>50</u>	<u>1,10</u>

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

10. STOCKS

	CONSOLIDATED		ASSOCIATION	
	2014 £000	2013 £000	2014 £000	2013 £000
Goods for resale	-	20	-	-

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% p.a.

12. DEBTORS

	CONSOLIDATED		ASSOCIATION	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade debtors	2,353	1,988	669	361
Due from related entities	19	-	1,928	187
Loan due from LGA (Properties)	-	-	1,600	100
Loan due from Local government Management Board	-	-	1,500	-
Other debtors	192	635	169	370
Prepayments and accrued income	2,143	2,342	942	555
	4,707	4,965	6,808	1,573

13. SHORT TERM INVESTMENTS

Surplus cash balances held by the Association, the companies it controls and related parties are pooled and lent to financial institutions on the Association's approved counterparty list. Investments are typically for periods not exceeding twelve months and as such the loan amount is a reasonable assessment of fair value. The counterparty list is currently restricted to major UK financial institutions, the larger UK building societies, and AAA-rated money market funds. 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 2014

14. CREDITORS

	CONSOLIDATED		ASSOCIATION	
	2014	2013	2014	2013
	£000	£000	£000	Restated £000
Amounts falling due within one year				
Accounts payable and accruals	2,891	4,942	1,247	1,758
Income received in advance	2,875	1,829	157	214
Other creditors	1,841	1,980	587	586
Owed to Joint Ventures	-	18	-	-
Owed to related entities	-	-	455	216
	7,607	8,769	2,446	2,774
Amounts falling due beyond one year				
1 to 2 Years	918	918	218	218
2 to 5 years	2,394	2,574	654	654
More than 5 years	11,756	12,494	436	654
	15,068	15,986	1,308	1,526

In 2011/12 the Association received a distribution of £2,707,612 (£1,961,505 of which was accounted for as deferred income) 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, firstly, to provide support of £217,945 p.a. for ten years to the District Councils Network, a special interest group of the Association; secondly to provide a new additional discount from 1 April 2013 at a rate of 1.5% on the subscriptions of non-metropolitan unitary authorities. Creditors payable after more than one year includes an amount of £1,307,670 representing the final six instalments of the support due for the District Councils Network.

15. STATEMENT OF MOVEMENTS ON ACCUMULATED FUNDS

	CONSOLIDATED		ASSOCIATION	
	2014	2013	2014	2013
	£000	£000	£000	Restated £000
Balance at 1 April	(44,256)	(37,701)	(27,850)	(22,584)
Surplus of income over expenditure for the year	5,079	4,947	1,581	111
Unrealised gain on revaluation in respect of investment property	5,150	700	-	-
Actuarial gain/(loss)	(19,051)	(11,598)	1,191	(5,377)
Movement on Reserves	303	375	-	-
Balance at 31 March	(52,775)	(43,277)	(25,078)	(27,850)

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

As explained in Note 18, there are restrictions on the distribution of the accumulated surpluses of the companies directly controlled by the Local Government Association. The Association's constitution does not provide for the payment of dividends and allows any surplus of assets over liabilities to be distributed only in the event of a winding up and dissolution.

The Leadership Board agreed that the balance Pensions Reserve of £4.525m as at 31 March 2013 should be amalgamated with the General Reserve.

Accumulated funds are allocated as follows:

	CONSOLIDATED		ASSOCIATION	
	2014	2013	2014	2013
	£000	£000	£000	Restated £000
Accumulated funds excluding pension liability	39,162	32,293	8,668	8,746
Pension liability	(91,937)	(75,570)	(33,759)	(36,596)
Accumulated funds	(52,775)	(43,277)	(25,091)	(27,850)

16. PENSION COMMITMENTS

The Local Government Association and companies under the Association's control are admitted bodies to three local government pension funds: the Merseyside Pension Fund, administered by Wirral Metropolitan Borough Council; the London Borough of Camden Pension Fund; and the West Sussex County Council 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 2014 as £1.794 million (2013 £1.997million). 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 and West Sussex funds) are stated below.

On the 1st of April 2014 the LGA's assets and liabilities within the West Sussex County Council Pension Fund were transferred to the Merseyside Pension Fund, administered by Wirral Metropolitan Borough Council.

Investment returns

The investment returns on the funds used in calculating the year end assets were in the range 3.2% to 9.6% (2013, 2.39% to 14.8%).

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

16. PENSION COMMITMENTS (CONTINUED)

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

	31 March 2014	31 March 2013
Equities	62.0% to 78.0%	60.6% to 78.0%
Bonds (HR)	12.0% to 13.0%	13.0% to 14.0%
Government Bonds (M)	13.7%	15.7%
Other Bonds (M)	2.6%	3.6%
Property	8.0%	7.0% to 8.3%
Cash	1.0% to 2.7%	1.0% to 2.3%
Other (M)	11.0%	9.5%

a) Actuarial assumptions

Full actuarial valuations were carried out at 31 March 2013 and updated to 31 March 2014 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 2014 % per annum	31 March 2013 % per annum
Pension increase rate	2.4% to 2.8%	2.4% to 2.8%
Salary increase rate	3.9% to 4.6%	3.9% to 5.1%
Discount rate	4.1% to 4.5%	3.7% to 4.5%
Inflation assumption	2.4% to 2.8%	2.4% to 2.8%
Expected return on assets (HR only)	6.1%	5.2% to 5.3%

Mortality Rates*	31 March 2014 Years	31 March 2013 Years
Current Pensioners - Male	22.0 to 24.4	21.1 to 22.7
Current Pensioners - Female	24.4 to 25.8	23.2 to 24.7
Future Pensioners - Male	24.3 to 26.9	22.8 to 24.3
Future Pensioners - Female	26.8 to 28.5	25.6 to 26.6

*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 2014

16. PENSION COMMITMENTS (CONTINUED)

b) Scheme assets

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

	Expected rate of return on assets 2014	Fair value at 31 March 2014 £000	Expected rate of return on assets 2013	Fair value at 31 March 2013 £000
Fair value of employer assets				
Equities	6.7%-7.0%	148,327	5.7%-7.0%	139,512
Bonds (HR)	3.7%-3.8%	18,335	3.2%-3.5%	18,479
Government Bonds (M)	3.4%	7,993	2.8%-2.8%	8,028
Other Bonds (M)	4.3%	1,517	3.9%-3.9%	1,841
Property	4.8%-6.2%	16,170	3.9%-5.7%	14,350
Cash	0.5%-3.7%	3,371	0.5%-3.0%	3,632
Other (M)	7.0%	6,417	7.0%-7.0%	4,857
Total Market Value of Assets		202,130		190,699

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

Balance sheet	31 March 2014 £000	31 March 2013 £000
Fair value of employer assets	202,130	190,699
Present value of funded liabilities	(279,951)	(252,111)
Net (under)/overfunding in funded plans	(77,821)	(61,412)
Present value of unfunded liabilities	(14,116)	(14,158)
Unrecognised past service cost	-	-
Net liability	(91,937)	(75,570)

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

16. PENSION COMMITMENTS (CONTINUED)

Recognition in the Income and Expenditure Account	Year to 31 March 2014 £000	Year to 31 March 2013 £000
Current service cost	3,027	2,256
Interest cost	11,688	11,230
Expected return on employer assets	(10,288)	(9,631)
Past service cost/(gain)	28	35
Losses/(gains) on curtailments and settlements	156	58
Total	4,611	3,948
Actual return on plan assets	9,031	23,574
Reconciliation of defined benefit obligation	2014 £000	2013 £000
Opening defined benefit obligation	266,269	235,382
Current service cost	3,027	2,256
Interest cost	11,688	11,230
Contribution by members	960	932
Actuarial losses/(gains)	20,028	25,519
Past service costs/(gains)	28	35
Losses/(gains) on curtailments	156	58
Estimated unfunded benefits paid	(676)	(888)
Estimated benefits paid	(7,413)	(8,255)
Closing defined benefit obligation	294,067	266,269
Reconciliation of fair value of employer assets	2014 £000	2013 £000
Opening fair value of employer assets	190,699	168,408
Expected return on assets	10,288	9,631
Contributions by members	960	932
Contributions by the employer	6,619	6,234
Contributions in respect of unfunded benefits	676	716
Actuarial gains/(losses)	977	13,921
Unfunded Benefits paid	(881)	(716)
Benefits paid	(7,208)	(8,427)
Closing fair value of employer assets	202,130	190,699

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

16. PENSION COMMITMENTS (CONTINUED)

Amounts for the current and previous accounting periods

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Fair value of employer assets	202,130	190,699	168,408	165,366	157,336
Present value of defined benefit obligation	(294,067)	(266,269)	(235,382)	(226,223)	(274,156)
Deficit	(91,937)	(75,570)	(66,974)	(60,857)	(116,820)
Experience gains/(losses) on assets	977	13,921	(5,119)	(4,226)	34,116
Experience gains/(losses) on liabilities	(13,075)	253	4,777	25,415	582

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

	2014 £000	2013 £000
Actuarial gains/(losses) recognised in STRGL	(19,051)	(11,598)
Cumulative actuarial gains and (losses)	(76,399)	(57,348)

The total of employer pension contributions estimated to be payable in 2014-15 is £5.787 million (£3.650 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% above the base rate, with payment conditional on the disposal of the property. The accumulated interest to date on the loan is £2.509 million.

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

These financial statements consolidate the results of the Local Government Association, all the companies named above and The Local Government Information House Ltd, a company limited by shares which is owned by Improvement & Development Agency for Local Government and the Local Government Management Board.

With the exception of Local Government Management Board and Local Government Association (Properties) Ltd, the companies limited by guarantee named above all have provisions in their 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.

LOCAL GOVERNMENT ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2014

During the Financial Year 2013/14 the Leadership Board agreed that the Leadership Centre for Local Government was no longer being managed as part of the LGA's integrated operations, and that the results should no longer be consolidated from 1st April 2013.

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 only a 25% share of profits and losses, with the balance going to Ordnance Survey.

19. EXCEPTIONAL ITEM – CONTRACT RESTRUCTURING COSTS

During 2012/13 the LGA renegotiated the contract with Liberata which resulted in a reduction in the price of the contract in 2013-14 onwards following the reduction in the size of the LGA's operations. The additional costs of £1.21 million incurred in the year were to generate total net savings of £4.82 million over the remaining life of the contract.

20. POST BALANCE SHEET EVENTS

Other than the transfer of the LGA's assets and liabilities from the West Sussex County Council Fund to the Merseyside Pension Funds on the 1st of April 2014 referred to in note 16 above, the Leadership Board is not aware of any other material post balance sheet events.